Consolidated Communications Holdings, Inc.
Form S-8 POS
October 24, 2014

As filed with the Securities and Exchange Commission on October 24, 2014

Registration No. 333-198000

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 2

ON FORM S-8

TO

FORM S-4

Registration Statement
under
The Securities Act of 1933

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**02-0636095**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

121 South 17th Street
Mattoon, Illinois 61938-3987
(Address of principal executive offices, including zip code)

Hickory Tech Corporation 1993 Stock Award Plan

(Full title of the plan)

Steven L. Childers
Senior Vice President and Chief Financial Officer
Consolidated Communications Holdings, Inc.
121 South 17th Street
Mattoon, Illinois 61938-3987
(Name and address of agent for service)

(217) 235-3311
(Telephone number, including area code, of agent for service)

With a copy to:

Lauralyn G. Bengel
Schiff Hardin LLP
233 South Wacker Drive
Suite 6600
Chicago, Illinois 60606
(312) 258-5670

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o

Accelerated filer x

Non-accelerated filer o Do not check if a smaller reporting company)

Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee

Common Stock, par value $.01 per share	145,410(1)	(1)	(1)	(1)

(1) Registration fee with respect to these shares was previously paid in connection with the filing of the Registrant s Registration Statement on Form S-4 (File No. 333-198000) which was declared effective August 22, 2014. See Explanatory Note below.

EXPLANATORY NOTE

The Registrant hereby amends its Registration Statement on Form S-4 (File No. 333-198000), effective August 22, 2014 by filing this Post-Effective Amendment No. 2 on Form S-8 relating to shares of common stock, $.01 par value per share (the Common Stock) of the Registrant issuable under the Hickory Tech Corporation 1993 Stock Award Plan (the Plan).

On October 16, 2014, by virtue of a merger of Sky Merger Sub, a wholly owned subsidiary of the Registrant, with and into Enventis Corporation, each outstanding share of common stock of Enventis Corporation was converted into 0.7042 shares of Common Stock.

Pursuant to the merger agreement, Enventis Corporation and the Registrant have taken the necessary actions to cause the Common Stock to be issuable under the Plan. Accordingly, Enventis Corporation s common stock is no longer issuable under the Plan.

This Registration Statement relates to 145,410 shares of Common Stock registered on the Form S-4 that were not issued at the time of the merger and that are issuable under the Plan after the merger.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed by Consolidated Communications Holdings, Inc. (the Registrant) are incorporated herein by reference:

(1) The Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2013;

(2) All other reports of the Registrant filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), as amended, since December 31, 2013; and

(3) The description of the Registrant s Common Stock contained in the Registration Statement on Form 8-A (File No. 000-51446), filed with the Securities and Exchange Commission on July 19, 2005.

All documents subsequently filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The registrant is incorporated under the laws of the State of Delaware. Section 145 (Section 145) of the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended (the DGCL), provides that a Delaware corporation may indemnify any persons who were, are or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation s best interests and, with respect

to any criminal action or proceeding, had no reasonable cause to believe that his conduct was illegal. A Delaware corporation may indemnify any persons who are, were or are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation s best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer, director, employee or agent is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, arising out of his status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Section 102(b)(7) of the DGCL permits a corporation to include in its certificate of incorporation a provision eliminating or limiting the personal liability of a director of a corporation to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the directors duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL (relating to unlawful payment of dividends and unlawful stock purchase and redemption) or (iv) for any transaction from which the director derived an improper personal benefit.

The registrant s amended and restated certificate of incorporation provides that, to the fullest extent permitted by the DGCL and except as otherwise provided in the registrant s amended and restated bylaws, none of the registrant s directors will be liable to the registrant or its stockholders for monetary damages for a breach of fiduciary duty. In addition, the registrant s amended and restated certificate of incorporation permits indemnification of any person who was or is made, or threatened to be made, a party to any action, suit or other proceeding, whether criminal, civil, administrative or investigative, because of his or her status as a director or officer of the registrant, or service as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise at the registrant s request to the fullest extent authorized under the DGCL against all expenses, liabilities and losses reasonably incurred by such person. Further, the registrant s amended and restated bylaws provide that such indemnification must be provided to directors and officers, and further provide that the registrant may purchase and maintain insurance on the registrant s own behalf and on behalf of any other person who is or was a director, officer or agent of the registrant or was serving at the registrant s request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The exhibits filed herewith or incorporated by reference herein are set forth in the Exhibit Index filed as part of this Registration Statement.

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended (the Securities Act);

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission (the Commission) pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

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(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act, and will be governed by the final adjudication of such issue.

SIGNATURE

Pursuant to the requirements of the Securities Act, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Registration Statement and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mattoon, State of Illinois, on this 24th day of October, 2014.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

By: /s/ Steven L. Childers
Steven L. Childers

Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on the 24th day of October, 2014.

Signature	Title	Date
*Robert J. Currey Robert J. Currey	Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)	October 24, 2014
*C. Robert Udell, Jr. C. Robert Udell, Jr.	President, Chief Operating Officer and Director	October 24, 2014
/s/ Steven L. Childers Steven L. Childers	Senior Vice President, Chief Financial Officer and Assistant Secretary	October 24, 2014
*Thomas A. Gerke Thomas A. Gerke	Director	October 24, 2014
*Richard A. Lumpkin Richard A. Lumpkin	Director	October 24, 2014
*Roger H. Moore Roger H. Moore	Director	October 24, 2014
*Maribeth S. Rahe Maribeth S. Rahe	Director	October 24, 2014
*Timothy D. Taron Timothy D. Taron	Director	October 24, 2014

*By: /s/ Steven L. Childers
Steven L. Childers
Attorney-in-Fact

October 24, 2014

INDEX TO EXHIBITS

Exhibit Number	Exhibit
3.1	Form of Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 7 to the Registrant s Registration Statement on Form S-1 dated July 19, 2005 (File No. 333-121086)
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K dated May 4, 2011)
3.3	Amended and Restated Bylaws, as amended (incorporated by reference to Exhibit 3.2 to the Registrant s Current Report on Form 8-K dated June 29, 2014)
4	Hickory Tech Corporation 1993 Stock Award Plan, as amended (incorporated by reference to Exhibit 10.1 to Enventis Corporation s Form 10-Q for the period ended June 30, 2014 and Exhibit 10.1 to Enventis Corporation s Current Report on Form 8-K dated June 30, 2014)
5.1*	Opinion of Schiff Hardin LLP
5.2	Supplemental Opinion of Schiff Hardin LLP
23.1*	Consent of Ernst & Young LLP
23.2	Supplemental Consent of Ernst & Young
24*	Power of Attorney

*Previously filed

VALIGN="bottom" ALIGN="center">OH 282,354 3,440,207 282,354 3,440,207 (64,120) 1998 2011 40 years

Woodland Manor Nursing and Rehabilitation

(a) (3) Conroe TX 576,518 2,090,586 115,000 576,518 2,205,586 (51,016) 1975 2011 40 years

Fredericksburg Nursing and Rehabilitation

(a) (3) Fredericksburg TX 326,731 3,046,370 326,731 3,046,370 (58,617) 1970 2011 40 years

Jasper Nursing and Rehabilitation

(a) (3) Jasper TX 113,083 2,554,020 113,083 2,554,020 (46,490) 1972 2011 40 years

Legacy Park Community Living Center

(a) (3) Peabody KS 33,420 1,266,580 33,420 1,266,580 (25,752) 1963 2011 40 years

Lakewood Senior Living of Pratt

(a) (3) Pratt KS 18,503 502,901 18,503 502,901 (12,496) 1964 2011 40 years

Lakewood Senior Living of Seville

(a) (3) Wichita KS 93,731 896,938 93,731 896,938 (19,176) 1977 2011 40 years

Lakewood Senior Living of Haviland

(a) (3) Haviland KS 112,480 648,771 112,480 648,771 (15,506) 1971 2011 40 years

Oak Manor Nursing and Rehabilitation

(a) (3) Commerce TX 224,899 1,867,793 78,806 224,899 1,946,599 (41,184) 1963 2011 40 years

Loma Linda Healthcare

(a) (3) Moberly MO 913,017 4,556,983 913,017 4,556,983 (89,139) 1987 2011 40 years

Maplewood at Newtown

(b) (3) Newtown CT 4,941,584 7,058,416 3,332,745 6,314,004 9,018,742 (175,867) 2000 2011 40 years

Chatham Acres Nursing Home

(a) (3) Chatham PA 203,431 1,996,569 203,431 1,996,569 (47,735) 1873 2011 40 years

Transitions Healthcare Gettysburg

(a) (3) Gettysburg PA 241,994 5,858,005 67,696 241,994 5,925,701 (70,586) 1950 2011 40 years

Maplewood at Darien

(b) (3) Darien CT 2,430,458 3,069,542 1,132,247 2,430,458 4,201,789 (26,305) 2012 2011 40 years

Crawford Manor

(a) (2) Cleveland OH 119,877 3,080,123 119,877 3,080,123 (27,412) 1994 2011 40 years

Aviv Asset Management

(d) (3) Chicago IL 411,969 411,969 (156,747)

Skagit Aviv

(e) (3) Mt. Vernon WA 422,205 422,205

Chatham Acres

(e) (3) Chatham PA 274,318 274,318

Amberwood Manor Nursing Home Rehabilitation

(a) (5) New
Philadelphia PA 450,642 3,264,346 450,642 3,264,346 (14,435) 1962 2011 40 years

Caring Heights Community Care & Rehabilitation Center

(a) (5) Coroapolis PA 1,546,079 10,018,012 1,546,079 10,018,012 (44,480) 1983 2011 40 years

Dunmore Healthcare Group

(a) (5) Dunmore PA 398,110 6,812,777 398,110 6,812,777 (30,530) 2002 2011 40 years

Eagle Creek Healthcare Group

(a) (5) West Union OH 1,055,733 5,774,130 1,055,733 5,774,130 (25,726) 1981 2011 40 years

Edison Manor Nursing & Rehabilitation

(a) (5) New Castle PA 393,475 8,246,253 393,475 8,246,253 (37,098) 1982 2011 40 years

Indian Hills Health & Rehabilitation Center

(a) (5) Euclid OH 852,677 8,425,268 852,677 8,425,268 (37,367) 1989 2011 40 years

Milcrest Nursing Center

(a) (5) Marysville OH 735,942 2,169,369 735,942 2,169,369 (9,872) 1968 2011 40 years

Scranton Healthcare Center

(a) (5) Scranton PA 1,120,202 5,536,985 1,120,202 5,536,985 (24,174) 2002 2011 40 years

Deseret Nursing & Rehabilitation at Colby

(a) (5) Colby KS 569,437 2,798,928 569,437 2,798,928 (12,144) 1974 2011 40 years

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AVIV REIT, INC. AND SUBSIDIARIES

SCHEDULE III (CONTINUED)

					Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[g]				
n	Type of Asset	Encumbrances	City	State	Land	Buildings & Improvements	Improvements	Impairment / Dispositions	Land	Buildings & Improvements	Accumulated Depreciation	Year of Construction	Date Acquired
n n	(a)	(5)	Kensington	KS	279,893	1,418,766			279,893	1,418,766	(6,514)	1959	2011
n	(a)	(5)	Onaga	KS	86,863	2,866,488			86,863	2,866,488	(12,426)	1959	2011
n	(a)	(5)	Oswego	KS	183,378	839,678			183,378	839,678	(3,981)	1960	2011
n	(a)	(5)	Smith Center	KS	106,166	1,650,402			106,166	1,650,402	(7,359)	1964	2011
	(a)	(5)	Davis	OK	80,000	3,220,000			80,000	3,220,000	(14,292)	1969	2011
n	(h)	(5)	Santa Ana	CA	219,887	1,129,422			219,887	1,129,422		1989	2011
n	(h)	(5)	Escondido	CA	169,913	1,139,416			169,913	1,139,416		1990	2011
n s	(h)	(5)	Fresno	CA	269,862	1,709,125			269,862	1,709,125		1990	2011
n	(h)	(5)	La Habra	CA	199,898	1,339,314			199,898	1,339,314		1990	2011
n	(h)	(5)	Elk Grove	CA	219,887	1,649,155			219,887	1,649,155		1992	2011
n	(h)	(5)	Oxnard	CA	99,949	1,219,375			99,949	1,219,375		1994	2011
n	(h)	(5)	Silverado	CA	549,718	1,039,468			549,718	1,039,468		1999	2011
n	(h)	(5)	Fairfax	CA	319,836	2,148,899			319,836	2,148,899		2000	2011
n	(h)	(5)	Gilroy	CA	1,089,442	1,759,099			1,089,442	1,759,099		2000	2011
n	(h)	(5)	Artesia	CA	179,908	1,389,288			179,908	1,389,288		2002	2011
n	(a)	(5)	Las Vegas	NV	759,611	7,776,017			759,611	7,776,017		2004	2011
	(a)	(5)	Little Rock	AR	1,040,000	3,710,000			1,040,000	3,710,000		1996	2011
		(3)	Cuyahoga Falls	OH									

$ 103,199,886	$ 754,151,054	$ 79,220,090	$ (28,105,455)	$ 102,925,122	$ 805,542,464	$ (96,796,028)

Assets under direct financing leases

Description	Type of Asset	Encumbrances	City	State	Initial Cost to Company	Acceleration/ Amortization	Impairment/ Dispositions	Gross Amount Carried at December 31, 2011	Year of Construction	Date Acquired
Fountain Lake	(a)	(2)	Hot Springs	AR	$ 10,418,738	$ 497,443	$	$ 10,916,181	2007	2008
					$ 10,418,738	$ 497,443	$	$ 10,916,181		

(a) Skilled Nursing Facilities (SNFs)
(b) Assisted Living Facilities (ALFs)
(c) Vacant Land
(d) Assets relating to corporate office space
(e) Developmental asset
(f) Includes six properties all allocated in Texas
(g) The aggregate cost for U.S. federal income tax purposes of the real estate as of December 31, 2011 is $611,116,546 (unaudited)
(h) Traumatic Brain Injury Center (TBIs)

Encumbrances:

(1) Standalone first mortgage
(2) The Mortgage
(3) Unencumbered
(4) The Revolver
(5) The Acquisition Credit Line

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AVIV REIT, INC. AND SUBSIDIARIES

SCHEDULE III (CONTINUED)

	For the Years Ended December 31,		
	2011	**2010**	**2009**
Reconciliation of real estate:			
Carrying cost:			
Balance at beginning of period	$ 703,049,477	$ 636,409,268	$ 606,691,800
Additions during period:			
Acquisitions	186,078,338	63,005,000	17,856,000
Development of real estate investments and capital expenditures	36,686,682	7,815,209	11,861,468
Dispositions:			
Sale of assets	(339,009)	(4,084,000)	
Impairment[(i)]	(6,091,721)	(96,000)	
Balance at end of period	$ 919,383,767	$ 703,049,477	$ 636,409,268
Accumulated depreciation:			
Balance at beginning of period	$ 75,948,944	$ 58,673,377	$ 42,091,996
Additions during period:			
Depreciation expense	20,847,084	17,853,799	17,527,656
Dispositions:			
Sale of assets		(578,232)	(946,275)
Impairment[(i)]			
Balance at end of period	$ 96,796,028	$ 75,948,944	$ 58,673,377

(i) Represents the write-down of carrying cost and accumulated depreciation on assets where impairment charges were taken.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and the Partners

Aviv Healthcare Properties Limited Partnership and Subsidiaries

We have audited the accompanying consolidated balance sheets of Aviv Healthcare Properties Limited Partnership and Subsidiaries (the Partnership) as of December 31, 2011 and 2010, and the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedules listed in the accompanying index to the financial statements. These financial statements and schedules are the responsibility of the Partnership s management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aviv Healthcare Properties Limited Partnership and Subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Chicago, Illinois

March 13, 2012, except for Notes 2, 16, and 18 as to which the date is October 31, 2012

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2011	**2010**
Assets		
Real estate investments:		
Land	$ 102,925,122	$ 76,466,020
Buildings and improvements	777,249,381	613,226,163
Construction in progress	28,293,083	2,580,110
Assets under direct financing leases	10,916,181	10,777,184
	919,383,767	703,049,477
Less accumulated depreciation	(96,796,028)	(75,948,944)
Net real estate investments	822,587,739	627,100,533
Cash and cash equivalents	39,203,727	13,028,474
Straight-line rent receivable, net	29,926,203	30,660,773
Tenant receivables, net	6,007,800	1,168,842
Deferred finance costs, net	13,142,330	9,957,636
Secured loan receivables, net	33,031,117	36,610,638
Other assets	5,864,045	12,872,323
Total assets	$ 949,762,961	$ 731,399,219
Liabilities and equity		
Senior notes payable and other debt	$ 600,473,578	$ 440,575,916
Accounts payable and accrued expenses	18,124,167	6,012,809
Tenant security and escrow deposits	15,739,917	13,658,384
Other liabilities	33,167,333	25,996,492
Deferred contribution	35,000,000	
Total liabilities	702,504,995	486,243,601
Equity:		
Partners equity	250,555,308	241,061,186
Accumulated other comprehensive (loss) income	(3,297,342)	4,094,432
Total equity	247,257,966	245,155,618
Total liabilities and equity	$ 949,762,961	$ 731,399,219

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31		
	2011	2010	2009
Revenues			
Rental income	$ 91,011,558	$ 84,097,016	$ 80,979,544
Interest on secured loans	5,193,144	5,171,971	3,442,147
Interest and other income	843,794	133,286	466,177
Total revenues	97,048,496	89,402,273	84,887,868
Expenses			
Interest expense	38,666,855	23,729,753	27,068,578
Depreciation and amortization	20,271,762	17,246,373	16,919,529
General and administrative	11,422,407	9,822,647	7,557,800
Transaction costs	5,493,099	1,578,225	7,441,382
Loss on impairment	5,232,805	96,000	
Reserve for uncollectible secured loan receivables	1,512,305	750,000	
Change in fair value of derivatives		(2,931,309)	(6,987,825)
Gain on sale of assets, net	(1,170,991)	(511,552)	
Loss on extinguishment of debt	3,806,513	2,295,562	
Other expenses	266,902		
Total expenses	85,501,657	52,075,699	51,999,464
Income from continuing operations	11,546,839	37,326,574	32,888,404
Discontinued operations	(233,715)	656,146	792,227
Net income	11,313,124	37,982,720	33,680,631
Distributions and accretion on Class E Preferred Units		(17,371,893)	(14,569,875)
Net income allocable to noncontrolling interests		(241,622)	(221,154)
Net income allocable to common units	$ 11,313,124	$ 20,369,205	$ 18,889,602
Net income allocable to common units	$ 11,313,124	$ 37,982,720	
Unrealized (loss) gain on derivative instruments	(7,391,774)	4,094,432	
Total comprehensive income allocable to common units	$ 3,921,350	$ 42,077,152	

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31, 2011, 2010 and 2009

	Partners Equity	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance at January 1, 2009	$ 76,915,331	$	$ 955,861	$ 77,871,192
Net income	33,459,477		221,154	33,680,631
Issuance of warrants	8,399,117			8,399,117
Non-cash stock based compensation	406,000			406,000
Distributions to partners and accretion on Class E Preferred Units and other	(45,794,832)			(45,794,832)
Balance at December 31, 2009	73,385,093		1,177,015	74,562,108
Net income	37,741,098		241,622	37,982,720
Non-cash stock based compensation	1,631,998			1,631,998
Distributions to partners and accretion on Class E Preferred Units and other	(79,980,308)			(79,980,308)
Redemption of warrants	(17,001,453)			(17,001,453)
Capital contributions	223,597,219		268,902	223,866,121
Unrealized gain on derivative instruments		4,094,432		4,094,432
Capital contributions of noncontrolling interests	1,687,539		(1,687,539)	
Balance at December 31, 2010	241,061,186	4,094,432		245,155,618
Non-cash stock-based compensation	1,971,905			1,971,905
Distributions to partners	(44,210,664)			(44,210,664)
Capital contributions	40,419,757			40,419,757
Unrealized loss on derivative instruments		(7,391,774)		(7,391,774)
Net income	11,313,124			11,313,124
Balance at December 31, 2011	$ 250,555,308	$ (3,297,342)	$	$ 247,257,966

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
Operating activities			
Net income	$ 11,313,124	$ 37,982,720	$ 33,680,631
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,847,084	17,853,799	17,527,656
Amortization of deferred financing costs	2,664,934	1,008,059	550,327
Accretion of debt premium	(197,873)		
Change in fair value of derivatives		(2,931,309)	(6,987,825)
Straight-line rental loss (income), net	466,595	(3,056,430)	(6,388,600)
Rental income from intangible amortization, net	(1,365,836)	(3,681,109)	(2,097,655)
Non-cash stock (unit)-based compensation	1,971,905	1,631,998	406,000
Gain on sale of assets, net	(1,170,991)	(511,552)	
Non-cash loss on extinguishment of debt	3,806,513	1,437,233	
Loss on impairment	6,091,721	96,000	
Reserve for uncollectible secured loan receivables	1,426,149	750,000	
Accretion of earn-out provision for previously acquired real estate investments	266,902		
Changes in assets and liabilities:			
Due from related parties		15,816	10,000
Tenant receivables	(6,103,511)	(317,123)	(365,523)
Other assets	2,596,091	177,666	3,022,578
Accounts payable and accrued expenses	6,146,173	3,357,961	145,652
Tenant security deposits and other liabilities	1,672,037	866,527	1,141,304
Due to related parties			(602,253)
Net cash provided by operating activities	50,431,017	54,680,256	40,042,292
Investing activities			
Purchase of real estate investments	(181,214,201)	(54,884,043)	(16,375,694)
Proceeds from sales of real estate investments	1,510,000	4,085,825	
Payment of earn-out provision for previously acquired real estate investments		(9,600,731)	
Capital improvements	(9,363,787)	(5,650,797)	(5,520,228)
Development projects	(21,406,147)	(2,232,333)	(7,987,445)
Secured loan receivables received from others	14,337,711	9,286,270	2,170,394
Secured loan receivables funded to others	(10,919,787)	(16,120,838)	(10,779,922)
Net cash used in investing activities	(207,056,211)	(75,116,647)	(38,492,895)

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended December 31,		
	2011	**2010**	**2009**
Financing activities			
Borrowings of debt	$ 404,928,032	$ 442,789,570	$ 35,651,073
Repayment of debt	(244,832,497)	(482,522,690)	(19,091,756)
Payment of financing costs	(9,607,704)	(10,567,931)	(102,803)
Payment for swap termination		(3,380,160)	
Capital contributions	40,419,757	223,866,121	
Deferred contribution	35,000,000		
Redemption of Class E Preferred Units and warrants		(92,001,451)	
Redemption of Class F Units		(23,602,649)	
Proceeds from issuance of warrants			8,399,117
Net proceeds from issuance of Class E Preferred Units			17,898,975
Cash distributions to partners	(43,107,141)	(36,658,452)	(38,122,989)
Net cash provided by financing activities	182,800,447	17,922,358	4,631,617
Net increase (decrease) in cash and cash equivalents	26,175,253	(2,514,033)	6,181,014
Cash and cash equivalents:			
Beginning of year	13,028,474	15,542,507	9,361,493
End of year	$ 39,203,727	$ 13,028,474	$ 15,542,507
Supplemental cash flow information			
Cash paid for interest	$ 29,025,490	$ 20,983,000	$ 27,771,260
Supplemental disclosure of noncash activity			
Accrued distributions payable to partners	$ 13,029,927	$ 11,339,775	$ 3,650,000
Write-off of straight-line rent receivable, net	$ 7,093,438	$ 3,367,164	$
Write-off of in-place lease intangibles, net	$ 35,536	$ 1,392,034	$
Write-off of deferred finance costs, net	$ 3,806,513	$ 1,235,969	$
Write-off of debt discount	$	$ 202,307	$

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

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 223 properties, principally skilled nursing facilities, across the United States at December 31, 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 operators 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 operators. Substantially all depreciation expense reflected in the consolidated statements of operations and comprehensive income 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 December 31, 2011, there are 262,237 shares of common stock and 125 shares of preferred stock outstanding.

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 and $30 million were contributed by the REIT s stockholders on January 25, 2011 and October 28, 2011, respectively. Subsequently, an additional $35 million was contributed by the REIT s stockholders on December 27, 2011. The contribution received prior to year end and the issuance of the shares is recognized as a liability as of December 31, 2011 as the shares of common stock were not issued until after December 31, 2011. As of December 31, 2011, the REIT owned 57.01% of the Partnership. The REIT s weighted average ownership of the Partnership for the year ended December 31, 2011 was 54.9%. On December 27, 2011, the REIT s stockholders contributed $35 million to the REIT which was further contributed to the Partnership, increasing the

REIT s ownership of the Partnership to 59.7% in January 2012.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 comprehensive income, and such parties portion of the net equity in such subsidiaries is reported on the consolidated balance sheets as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less. The Partnership maintains cash and cash equivalents in United States banking institutions that exceed amounts insured by the Federal Deposit Insurance Corporation. The Partnership believes the risk of loss from exceeding this insured level is minimal.

Real Estate Investments

The Partnership periodically assesses the carrying value of real estate investments and related intangible assets in accordance with ASC 360, Property, Plant, and Equipment (ASC 360), to determine if facts and circumstances exist that would suggest that assets might be impaired or that the useful lives should be modified. In the event impairment in value occurs and a portion of the carrying amount of the real estate investments will not be recovered in part or in whole, a provision will be recorded to reduce the carrying basis of the real estate investments and related intangibles to their estimated fair value. The estimated fair value of the Partnership s real estate investments 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, three buildings were impaired for approximately $6.1 million to reflect the difference between the book value and the estimated selling price less costs to dispose (Level 3) including $0.9 million included in discontinued operations. As part of the impairment evaluation during

2010, a building in Hometown, Texas was impaired for $96,000 to reflect the difference between the book value and estimated selling price less costs to dispose (Level 3). The property was sold on December 31, 2010, with an immaterial gain subsequent to the impairment of $96,000 previously taken. The impairment evaluation during 2009 did not result in any recognition of impairment.

Buildings and building improvements are recorded at cost and have been assigned estimated 40-year lives and are depreciated on the straight-line method. Personal property, furniture, and equipment have been assigned estimated lives ranging from 7 to 10 years and are depreciated on the straight-line method.

The Partnership may advance monies to its lessees for the purchase, generally, of furniture, fixtures, or equipment or other purposes. Required minimum lease payments due from the lessee increase to provide for the repayment of such amounts over a stated term. These advances in the instance where the depreciable life of the

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

newly purchased asset is less than the remaining lease term are reflected as secured loan receivables on the consolidated balance sheets, and the incremental lease payments are bifurcated between principal and interest over the stated term. In the instance where the depreciable life of the newly purchased assets is longer than the remaining lease term, the purchase is recorded as property. In other instances, explicit secured loans are made to lessees for working capital and other funding needs and provide for monthly principal and interest payments generally ranging from 5 to 10 years.

Purchase Accounting

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

The Partnership determines fair values as follows:

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

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

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

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

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

growth prospects for developing new business with such operator, such operator s credit quality, expectations of lease renewals with such operator, and the potential for significant, additional future leasing arrangements with such operator. The Partnership amortizes such value, if any, over the expected term of the associated arrangements or leases, which would include the remaining lives of the related leases. The amortization is included in the consolidated statements of operations and comprehensive income in rental income.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Prior to the Merger on September 17, 2010, Aviv Asset Management, L.L.C. (AAM) was a nonconsolidated management company to the Partnership based on the application of appropriate accounting guidance (as discussed in Footnote 12). 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.

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 straight-line rent receivable, net. Income recognized from this policy is titled straight-line rental income. Additional rents from expense reimbursements for insurance, real estate taxes, and certain other expenses are recognized in the period in which the related expenses are incurred and the net impact is reflected in rental income on the consolidated statements of operations and comprehensive income.

Below is a summary of the components of rental income for the years ended December 31, 2011, 2010, and 2009:

	2011	2010	2009
Cash rental income	$ 89,735,803	$ 77,339,853	$ 72,656,847
Straight-line rental (loss) income	(90,081)	3,076,054	6,225,042
Rental income from intangible amortization	1,365,836	3,681,109	2,097,655
Total rental income	$ 91,011,558	$ 84,097,016	$ 80,979,544

During the years ended December 31, 2011 and 2010, straight-line rental (loss) income includes a write-off (expense) of straight-line rent receivable, net of approximately $7.1 million and $3.4 million, 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 statements of operations and comprehensive income as rental income for actual rent collected plus or minus a straight-line adjustment for estimated minimum lease escalators. Assets subject to operating leases are reported as real estate investments in the consolidated balance sheets. For facilities leased as direct financing arrangements, an asset equal to 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 approximately $0.1 million, $0.1 million, and $0.2 million for the years ended December 31, 2011, 2010, and 2009, 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.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Deferred Finance Costs

Deferred finance costs are being amortized using the straight-line method, which approximates the interest method, over the term of the respective underlying debt agreement.

Secured Loan Receivables

Secured loan receivables consist of capital improvement loans and secured loans to operators. Capital improvement loans represent the financing provided by the Company to the operator to acquire furniture, fixtures, and equipment while the operator is operating the facility. Secured loans to operators represent financing provided by the Company to operators for working capital needs. Secured loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding secured loans and notes receivable for collectability on a loan-by-loan basis. When management identifies potential loan impairment indicators, such as nonpayment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator, or other circumstances that may impair full execution of the loan documents, and management believes it is probable that all amounts will not be collected under the contractual terms of the loan, the loan is written down to the present value of the expected future cash flows. Loan impairment is monitored via a quantitative and qualitative analysis including credit quality indicators and it is reasonably possible that a change in estimate could occur in the near term. As of December 31, 2011, and 2010, respectively, secured loan receivable reserves amounted to approximately $2.2 million and $0.8 million, 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 and comprehensive income based on their grant date fair values. On September 17, 2010, the Partnership 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 and noncontrolling interests for awards granted under the Plan. The Plan s non-cash stock-based compensation expense by the Partnership through December 31, 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;

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 by the respective counterparty that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 senior notes payable and other debt obligations with a carrying value of approximately $600.5 million and $440.6 million as of December 31, 2011 and 2010, respectively. The fair values of debt as of December 31, 2011 was $597.7 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 secured loan receivables using a discounted cash flow analysis based upon the Partnership s current interest rates for secured loan receivables with similar maturities and collateral securing the indebtedness. The Partnership had outstanding secured loan receivables with a carrying value of approximately $33.0 million and $36.6 million as of December 31, 2011 and 2010, respectively. The fair values of secured loan receivables as of December 31, 2011 and 2010 approximate their carrying value based upon interest rates available to the Partnership on similar borrowings.

Derivative Instruments

In the normal course of business, a variety of financial instruments are used to manage or hedge interest rate risk. 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 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 and comprehensive income 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 and comprehensive income for our interest rate swaps that were terminated in September 2010. In November 2010, we entered into two interest rate swaps and account for changes in fair value of such hedges through accumulated other comprehensive (loss) income in equity in our financial statements via hedge accounting. Derivative contracts are not entered into for trading or speculative purposes. Furthermore, the Partnership has a policy of only entering into contracts with major financial institutions based upon their credit rating and other factors. Under certain circumstances, the Partnership may be required to replace a counterparty in the event that the counterparty does not maintain a specified credit rating.

Initial Public Offering Costs

During 2009, the Partnership pursued an initial public offering (the IPO) of common stock. Costs related to the IPO incurred by the Partnership were capitalized on the consolidated balance sheets in other assets as they were incurred.

On November 2, 2009, the Partnership abandoned its IPO effort. As a result, the Partnership wrote off the IPO costs incurred to date to the consolidated statements of operations and comprehensive income. In the year ended December 31, 2009, approximately $6.9 million of IPO-related costs were expensed.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 U.S. federal income taxes. State income taxes were not significant in any of the periods presented. No uncertain income tax positions exist as of December 31, 2011 and 2010, respectively.

Risks and Uncertainties

The Partnership is subject to certain risks and uncertainties affecting the healthcare industry as a result of healthcare legislation and continuing regulation by federal, state, and local governments. Additionally, the Partnership is subject to risks and uncertainties as a result of changes affecting operators of nursing home facilities due to the actions of governmental agencies and insurers to limit the growth in cost of healthcare services.

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.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which expands required disclosures related to an entity s fair value measurements. Certain provisions of ASU 2010-06 were effective for interim and annual reporting periods beginning after December 15, 2009, and the Partnership adopted those provisions as of January 1, 2010. The remaining provisions, which were effective for interim and annual reporting periods beginning after December 15, 2010, require additional disclosures related to purchases, sales, issuances and settlements in an entity s reconciliation of recurring level three investments. The Partnership adopted the final provisions of ASU 2010-06 as of January 1, 2011. The adoption of ASU 2010-06 did not impact the notes to the Partnership s consolidated financial statements.

In January 2011, the FASB issued ASU 2010-29, *Business Combinations* (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (ASU 2010-29), affecting public entities who enter into business combinations that are material on an individual or aggregate basis. ASU 2010-29 specifies that a public entity presenting comparative financial statements should disclose revenues and earnings of the combined entity as though the business combination that occurred during the year occurred at the beginning of the prior annual reporting period when preparing the pro forma financial information for both the current and prior reporting periods. This guidance, which is effective for

business combinations consummated in reporting periods beginning after December 15, 2010, also requires that pro forma disclosures be accompanied by a narrative description regarding the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the pro forma revenues and earnings. The adoption of this update did not have an impact on the notes to the Partnership s consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). The guidance in ASU 2011-05 is effective for public companies for fiscal years, and interim periods within those years, beginning after December 15, 2011 and requires the components of net income and other comprehensive income and total comprehensive income for each interim period. The Partnership will incorporate the provisions of this update to its consolidated financial statements upon adoption.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Rental Property Activity

The Partnership had the following rental property activity for the year ended December 31, 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.

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 2014 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 the 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 2014 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 2014 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 2014 Revolver (see Footnote 7).

In November 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 this purchase through cash and borrowings of $1,940,000 under the Acquisition Credit Line (see Footnote 7).

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In November 2011, Aviv Financing I sold three vacant land parcels in Massachusetts to unrelated third parties for a sales price of $1,360,000 and recognized a gain of approximately $1,110,000.

In November 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 this purchase through cash and borrowings of $7,560,000 under the Acquisition Credit Line (see Footnote 7).

In November 2011, Aviv Financing I acquired seven properties in Pennsylvania and Ohio from an unrelated third party for a purchase price of $50,142,813. The Partnership financed this purchase through cash and borrowings of approximately $37,340,000 under the Acquisition Credit Line (see Footnote 7).

In November 2011, Aviv Financing I acquired a property in Pennsylvania from an unrelated third party for a purchase price of $6,657,187. The Partnership financed this purchase through cash. In December 2011, the Partnership added borrowings of approximately $4,660,000 under the Acquisition Credit Line (see Footnote 7) in connection with this property.

In December 2011, Aviv Financing I acquired eleven properties in California and Nevada from an unrelated third party for a purchase price of $24,845,100. The Partnership financed this purchase through cash and borrowings of $17,392,000 under the Acquisition Credit Line (see Footnote 7).

In December 2011, Aviv Financing I acquired a property in Arkansas from an unrelated third party for a purchase price of $4,750,000. The Partnership financed this purchase through cash and borrowings of $3,325,000 under the Acquisition Credit Line (see Footnote 7).

In December 2011, Aviv Financing I sold a vacant land parcel in Massachusetts to an unrelated third party for a sales price of $150,000 and recognized a gain of approximately $60,000.

The following table illustrates the effect on total revenues and net income as if we had consummated the acquisitions during the year ended 2011 as of January 1, 2010 (unaudited):

	For the Year Ended December 31,	
	2011	2010
Total revenues	$ 110,544,150	$ 109,753,725
Net income	18,244,478	46,329,779

Acquisition-related costs are not expected to have a continuing significant impact on our financial results and therefore have been excluded from these proforma results.

Related to the above business combinations, the Partnership incurred approximately $2,824,000 of transaction costs. In accordance with ASC 805, the Partnership allocated the approximate net purchase price paid for these properties acquired in 2011 as follows (excludes the earn-out provision discussed above) using Level 2 and Level 3 inputs:

Land	$ 26,264,000
Buildings and improvements	148,914,000
Furniture, fixtures and equipment	7,567,000
Above market leases	42,000
Below market leases	(2,437,000)
Lease intangibles	864,000
Borrowings and available cash	$ 181,214,000

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Partnership had the following rental property activity during the year ended December 31, 2010 as described below:

In March 2010, Aviv Financing III recognized an additional $8,121,000 addition to the purchase price for the August 2008 acquisitions of eight properties in California and Oregon from an unrelated third party as per the guidance within ASC 805. The addition is related to the earn-out provision defined at closing. Such $8,121,000 additions along with $1,480,000 previously accrued amounts at December 31, 2009 related to the acquisitions of two properties in April 2009 in California and Nevada under Aviv Financing I, were paid out in the amount of approximately $9,601,000.

In June 2010, Aviv Financing III acquired a property in Tennessee from an unrelated third party for a purchase price of approximately $3,380,000. The Partnership financed this purchase through cash.

In July 2010, Aviv Financing I disposed of two properties in California to an unrelated third party for a total selling price of approximately $3,988,000, which resulted in a gain on disposal of approximately $582,000. The proceeds from the sale were primarily used to pay down a portion of the existing Credit Facility (see Footnote 7) by approximately $3,883,000.

In September 2010, Aviv Financing I acquired a property in Virginia from an unrelated third party for a purchase price of approximately $5,000,000. The Partnership financed this purchase through borrowings of approximately $3,162,000 under the 2014 Revolver (see Footnote 7).

In October 2010, Aviv Financing I acquired four properties in Missouri from various unrelated third parties for a purchase price of approximately $10,460,000. The Partnership financed this purchase through borrowings of approximately $7,718,000 under the 2014 Revolver (see Footnote 7).

In November 2010, Aviv Financing III acquired a property in California from an unrelated third party for a purchase price of approximately $11,500,000. The Partnership financed this purchase through borrowings of approximately $7,800,000 under an acquisition loan.

In December 2010, Aviv Financing III acquired a property in Connecticut from an unrelated third party for a purchase price of approximately $2,600,000. The Partnership financed this purchase through cash.

In December 2010, Aviv Financing I acquired four properties in Kansas, Texas and Connecticut, from unrelated third parties for a purchase price of approximately $21,944,000. The Partnership financed this purchase through borrowings of approximately $15,666,000 under the 2014 Revolver (see Footnote 7).

In December 2010, Aviv Financing I sold a property located in Texas to an unrelated third party for a sales price of approximately $96,000.

Related to the above business combinations, the Partnership incurred approximately $618,000 of transaction costs. In accordance with ASC 805, the Partnership allocated the approximate net purchase price of these properties acquired in 2010 as follows using Level 2 and Level 3 inputs:

Land	$ 7,094,000
Buildings and improvements	52,087,000
Furniture, fixtures and equipment	3,824,000
Borrowings and available cash	$ 63,005,000

The Partnership had the following rental property activity during the year ended December 31, 2009 as described below:

In January 2009, Aviv Financing III acquired a property in Arkansas from an unrelated third party for a purchase price of approximately $5,250,000. The Partnership financed this purchase through borrowings of approximately $2,625,000 via an acquisition loan, which was subsequently paid in full in August 2009.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In April 2009, Aviv Financing III acquired two properties in California and Nevada from an unrelated third party for a purchase price of approximately $12,606,000. The Partnership financed this purchase through borrowings of approximately $8,625,000 via an acquisition loan.

Related to the above business combinations, the Partnership incurred approximately $88,000 of transaction costs. In accordance with ASC 805, the Partnership allocated the approximate net purchase price of these properties acquired in 2009 as follows using Level 2 and Level 3 inputs:

Land	$ 4,675,000
Buildings and improvements	12,081,000
Furniture, fixtures and equipment	1,100,000
Borrowings and available cash	$ 17,856,000

The Partnership considers renewals on above- or 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 above or below current market rates and considers the past and current operations of the property, the current rent coverage ratio of the operator, 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. Secured Loan Receivables

The following summarizes the Partnership s loan receivables at December 31, 2011 and 2010:

	2011			2010		
	Capital Improvement Loan Receivables	**Secured Loan Receivables**	**Total Loan Receivables**	**Capital Improvement Loan Receivables**	**Secured Loan Receivables**	**Total Loan Receivables**
Beginning balance	$ 11,671,669	$ 24,938,969	$ 36,610,638	$ 11,887,926	$ 17,082,203	$ 28,970,129
New loans issued	4,073,410	6,846,377	10,919,787	1,415,579	14,705,259	16,120,838
Reserve for uncollectible secured loans		(1,426,150)	(1,426,150)		(750,000)	(750,000)
Loan write offs	(86,156)		(86,156)			
Loan amortization and repayments	(2,052,991)	(10,934,011)	(12,987,002)	(1,631,836)	(6,098,493)	(7,730,329)
	$ 13,605,932	$ 19,425,185	$ 33,031,117	$ 11,671,669	$ 24,938,969	$ 36,610,638

The Partnership s reserve on a loan-by-loan basis for uncollectible secured loan receivables balances at December 31, 2011 and 2010 was approximately $2.2 million and $0.8 million, respectively. The gross balance of secured loan receivables for which a reserve on a loan-by-loan basis for uncollectible secured loan receivables has been applied to approximately $8.9 million and $2.1 million at December 31, 2011 and 2010, respectively.

During 2011 and 2010, the Partnership funded loans for both working capital and capital improvement purposes to various operators. All loans held by the Partnership accrue interest and are recorded as interest income unless the loan is deemed impaired in accordance with company policy. The payments received from the operator cover both interest accrued as well as amortization of the principal balance due. Any payments received from the operator made outside of the normal loan amortization schedule are considered principal prepayments and reduce the outstanding loan receivables balance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Interest income earned on capital improvement loan receivables for the years ended December 31, 2011, 2010, and 2009 was approximately $1.3 million, $1.8 million, and $1.7 million, respectively. Interest income earned on secured loan receivables for the years ended December 31, 2011, 2010, and 2009 was approximately $2.5 million, $2.0 million, and $0.4 million, respectively.

5. Deferred Finance Costs

The following summarizes the Partnership s deferred finance costs at December 31, 2011 and 2010:

	2011	2010
Gross amount	$ 15,952,760	$ 10,567,931
Accumulated amortization	(2,810,430)	(610,295)
Net	$ 13,142,330	$ 9,957,636

Amortization of deferred financing costs is reported in the interest expense line item in the consolidated statements of operations and comprehensive income.

The estimated annual amortization of the deferred finance costs for each of the five succeeding years is as follows:

2012	$ 2,666,299
2013	2,665,455
2014	2,391,457
2015	1,988,338
2016	1,096,355
Thereafter	2,334,426
Total	$ 13,142,330

During the year ended December 31, 2011, the Partnership wrote-off deferred financing costs of $4.3 million with $0.5 million of accumulated amortization associated with the Mortgage (see Footnote 7) pay down for a net recognition as loss on extinguishment of debt of $3.8 million.

During the year ended December 31, 2010, in conjunction with the Merger, Aviv Financing I refinanced its debt paying off all existing mortgages on September 17, 2010. As a result of the debt refinancing, the Partnership wrote-off deferred financing costs of approximately $3.6 million with approximately $2.4 million of accumulated amortization associated with the old debt for a net recognition as a loss on

extinguishment of debt of approximately $1.2 million.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Lease Intangibles

The following summarizes the Partnership s lease intangibles classified as part of other assets or other liabilities at December 31, 2011 and 2010, respectively:

	Assets					
	2011			2010		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Above market leases	$ 7,501,851	$ (3,339,335)	$ 4,162,516	$ 8,393,488	$ (3,049,093)	$ 5,344,395
In-place lease assets	651,730		651,730			
Operator relationship	212,416		212,416			
	$ 8,365,997	$ (3,339,335)	$ 5,026,662	$ 8,393,488	$ (3,049,093)	$ 5,344,395

	Liabilities					
	2011			2010		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Below market leases	$ 26,525,395	$ (14,929,137)	$ 11,596,258	$ 25,798,147	$ (14,049,691)	$ 11,748,456

Amortization expense for in-place lease assets and operator relationship was $0 for the years ended December 31, 2011, 2010, and 2009 as these assets were acquired on the last day of 2011. Amortization expense for the above market leases intangible asset for the years ended December 31, 2011, 2010, and 2009 was approximately $0.6 million, $0.7 million, and $1.0 million, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income. Accretion for the below market leases intangible liability for the years ended December 31, 2011, 2010, and 2009 was approximately $2.0 million, $2.5 million, and $3.1 million, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income.

For the year ended December 31, 2011, the Partnership wrote-off above market leases intangible assets of approximately $0.9 million with accumulated amortization of approximately $0.3 million, and below market leases intangible liability of approximately $1.7 million with accumulated accretion of approximately $1.2 million, for a net recognition of approximately $35,000 loss in rental income from intangible amortization, respectively. These write-offs were in connection with the termination of leases on properties that were transitioned to new operators.

For the year ended December 31, 2010, the Partnership wrote-off in-place lease intangible assets of approximately $2.9 million with accumulated amortization of approximately $1.5 million, and in-place lease intangible liabilities of approximately $8.5 million with accumulated accretion of approximately $5.1 million, for a net recognition of approximately $1.9 million in rental income from intangible amortization, respectively. These write-offs were in connection with the termination of leases on properties that were transitioned to new operators.

The estimated annual amortization expense of the identified intangibles for each of the five succeeding years is as follows:

Year ending December 31,	Assets	Liabilities
2011	$ 667,947	$ 2,056,629
2012	660,225	1,942,010
2013	485,338	1,099,738
2014	425,524	891,331
2015	390,943	868,301
Thereafter	2,396,685	4,738,249
	$ 5,026,662	$ 11,596,258

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Senior Notes Payable and Other Debt

The Partnership s senior notes payable and other debt consisted of the following:

	December 31, 2011	December 31, 2010
Term Loan (interest rates of 5.75% on December 31, 2011 and 2010, respectively)	$ 196,943,393	$ 402,794,111
Acquisition Credit Line (interest rates of 5.75% on December 31, 2011 and 2010, respectively)	72,216,570	28,677,230
Construction loan (interest rates of 5.95% on December 31, 2011 and 2010, respectively)	6,073,802	1,312,339
2014 Revolver (interest rate of 6.50% on December 31, 2011)	15,000,000	
Acquisition loans (interest rates of 6.00% on December 31, 2011 and 2010, respectively)	7,687,686	7,792,236
Senior Notes (interest rate of 7.75% on December 31, 2011), inclusive of $2.6 million net premium balance	302,552,127	
Total	$ 600,473,578	$ 440,575,916

Term Loan

Principal payments on the Term Loan are payable in monthly installments beginning on November 1, 2010. The payment schedule for the Term Loan is based upon a 25-year mortgage style amortization as defined in the Credit Agreement. Interest rates, at the Partnership s option, are based upon the base rate or Eurodollar base rate (0.37% at December 31, 2011 with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by the Base Rate Bank as its prime rate . The Base Rate Bank is Bank of America, N.A. The balance outstanding on the Term Loan as of December 31, 2011 was $196.9 million. This loan matures in September 2015 and has two one-year extensions.

The Acquisition Credit Line

Under the Credit Agreement, the Partnership also has a $100 million Acquisition Credit Line. On each payment date, the Partnership shall pay interest only in arrears on any outstanding principal balance of the Acquisition Credit Line. Interest rates, at the Partnership s option, are based upon the base rate or Eurodollar base rate (0.37% at December 31, 2011 with a 1.25% floor) plus 4.5%. The base rate, as defined in the GE Credit Agreement, is the rate announced from time to time by the Base Rate Bank as its prime rate . The Base Rate Bank is Bank of America, N.A. Additionally, an unused fee equal to 1% per annum of the daily unused balance on the Acquisition Credit Line is due monthly.

As of December 31, 2011, approximately $72.2 million had been drawn on the Acquisition Credit Line. The ability to draw on the Acquisition Credit Line terminates in September 2013 at which time principal and interest are payable until its maturity date in September 2015.

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 Company 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

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

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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 approximately $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 approximately $28.7 million on the Acquisition Credit Line.

2014 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 2014 Revolver). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the 2014 Revolver. The interest rate under the Partnership s 2014 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 December 31, 2011 the interest rates are based upon the base rate (3.25% at December 31, 2011) plus the applicable percentage based on the consolidated leverage ratio (3.25% at December 31, 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 2014 Revolver is due monthly. The 2014 Revolver commitment terminates and matures in February 2014. The 2014 Revolver had an outstanding balance of $15.0 million at December 31, 2011.

Other Loans

On November 1, 2010, a subsidiary of Aviv Financing III entered into two acquisition loan agreements on the same terms that provided for borrowings of approximately $7.8 million. Principal and interest payments are due monthly beginning on December 1, 2010 through the maturity date of December 1, 2015. Interest is a fixed rate of 6.00%. These loans are collateralized by a skilled nursing facility controlled by Aviv Financing III. The balance outstanding on these loans at December 31, 2011 was approximately $7.7 million.

On November 12, 2010, a subsidiary of Aviv Financing III entered into a construction loan agreement that provides for borrowings up to $6.4 million. Interest-only payments at the prime rate (3.25% at December 31, 2011) plus 0.38%, or a minimum of 5.95%, are due monthly from December 1, 2010 through April 1, 2012. From May 1, 2012 through the maturity date of December 1, 2013, monthly payments of principal and interest are due based on a 20-year amortization schedule. This loan is collateralized by a skilled nursing facility controlled by Aviv Financing III. The balance outstanding on this loan at December 31, 2011 was approximately $6.1 million.

Future annual maturities of all debt obligations for five fiscal years subsequent to December 31, 2011, are as follows:

2012	$ 4,221,548
2013	10,726,144

2014	20,967,284
2015	263,278,701
2016	379,168
Thereafter	300,900,733
	$ 600,473,578

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Partnership Equity and Incentive Program

In conjunction with the formation of the Partnership, the Partnership issued 10,323,213 Class A Units and 3,294,733 Class B Units in exchange for all ownership interests of the roll-up contributed to the Partnership in 2005. The Partnership issued an additional 3,144,010 Class A Units and 1,228,372 Class B Units in 2006. The Class A Units issued as a result of the formation of the Partnership have a par value of $10.00 per unit, while Class A Units issued on December 29, 2006, as a result of the addition of additional properties have a par value of $11.49 per unit. Operating distributions accrue at the rate of 10% per year for Class A Units or as defined in the Partnership Agreement. The Class A Units have distribution preference, which decreases ratably after the full return of capital to the Class A Unitholders through distributions, and also have a liquidation preference and a profit interest in the event of sale, disposition, or refinancing as defined in the Agreement of Limited Partnership (the Partnership Agreement).

Also in connection with the formation of the Partnership, the Partnership awarded Class C Unit profit interests. These Class C Units do not have a par value, and no capital was contributed in consideration for their issuance. These Class C Units were issued to the General Partner of the Partnership, which is owned by two parties that have significant ownership holdings in the Partnership. When operating distributions are paid in full to the Class A Units as described above, the Class B and Class C Units receive all excess distributions, with 40% to Class B Unitholders and 60% to the Class C Unitholders until the Class B Units receive approximately $2.9 million in any partnership year to the extent that all Class B Units have been issued per the Partnership Agreement. After reaching this threshold, the remaining distributions are allocated 100% to the Class C Unitholders.

The Class D Units represent profit interests in the Partnership, which may be granted periodically to employees of AAM. A total of 10,000 Class D Units have been authorized. A total of 8,050 and 8,050 Class D Units are outstanding at December 31, 2011 and 2010, respectively. The Class D Units are not entitled to any distributions of the Partnership, except in the event of sale, disposition, or refinancing as defined. Class C Units also have an interest in these proceeds. The terms of the Class D Units were amended at the Merger. Part of the Class D Units are defined as performance-based awards under ASC 718 and require employment of the recipient on the date of sale, disposition, or refinancing (Liquidity Event). If the employee is no longer employed on such date, the award is forfeited. For accounting purposes, the grant date fair value will be recognized as an expense when a Liquidity Event becomes imminent and such fair value on the grant date was determined to be $0.9 million. The remainder of the Class D Units are time-based awards under ASC 718 and such fair value determined on the grant date is recognized over the vesting period. For the years ended December 31, 2011 and 2010, 1,610 and 3,220 of the time-based Class D Units vested, respectively resulting in the recognition of approximately $0.4 million and $0.9 million, respectively in expense. No expense relating to these awards was recognized in 2009.

Distributions accrued in accordance with declaration to the Partnership s partners are summarized as follows for the years ended December 31:

	Class A	Class B	Class C	Class D	Class E	Class F	Class G
2011	$ 6,733,720	$ 2,894,457	$ 7,040,689	$	$	$ 2,215,044	$ 23,162,935
2010	$ 13,594,547	$ 2,894,457	$ 12,683,113	$	$ 5,342,466	$ 3,792,881	$ 6,092,935
2009	$ 13,562,740	$ 2,894,457	$ 10,339,900	$	$ 6,898,235	$ 4,430,085	$

Weighted-average Units outstanding are summarized as follows for the years ended December 31:

	Class A	Class B	Class C	Class D	Class E	Class F	Class G
2011	13,467,223	4,523,145	2	8,050		2,684,900	240,103
2010	13,467,223	4,523,145	2	7,386	5,342,489	4,597,432	65,338
2009	13,467,223	4,523,145	2	8,033	6,901,950	5,369,800	

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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 year ended December 31, 2011, 2010 and 2009 was approximately $0.4 million, $0.4 million and $0.4 million, 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. Two thirds of the options granted are performance based awards whose criteria for vesting is tied to a future liquidity event (as defined) and also contingent upon meeting certain return thresholds (as defined). At this time the Partnership does not believe it is probable that these options will vest and therefore has not recorded any expense in the December 31, 2011 or 2010 consolidated financial statements in accordance with ASC 718. The grant date fair value associated with all performance based award options of the Partnership aggregates to approximately $4.5 million and $4.0 million as of December 31, 2011 and 2010, respectively. One third of the options granted were time based awards and the service period for these options is four years with shares vesting at a rate of 25% ratably from the grant date.

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

	2011	2010
Outstanding at January 1	21,866	
Granted	1,610	21,866
Exercised		
Cancelled/Forfeited		
Outstanding at December 31	23,476	21,866
Options exercisable at end of period		
Weighted average fair value of options granted to date	$ 112.62	$ 108.55
Weighted average remaining contractual life (years)	8.71	9.72

The following table represents the time based option awards outstanding for years ended December 31, 2011 and 2010 as well as other Plan data:

	2011	2010
Range of exercise prices	$ 1,000 - $1,139	$ 1,000 - $1,084
Outstanding	23,476	21,866
Remaining contractual life (years)	8.71	9.72
Weighted average exercise price	$ 1,011	$ 1,002

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (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 and 2010.

	2011 Grants
Weighted average dividend yield	8.13%
Weighted average risk-free interest rate	2.02%
Weighted average expected life	7.0 years
Weighted average estimated volatility	38.10%
Weighted average exercise price	$ 1,134.76
Weighted average fair value of options granted (per option)	$ 168.01

	2010 Grants
Weighted average dividend yield	10.28%
Weighted average risk-free interest rate	2.1%
Weighted average expected life	7.0 years
Weighted average estimated volatility	38.00%
Weighted average exercise price	$ 1,001.83
Weighted average fair value of options granted (per option)	$ 108.55

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

At December 31, 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 $1,180,000.

For the year ended December 31,	Options
2012	$ 671,430
2013	353,381
2014	143,969
2015	11,161
Total	$ 1,179,941

Dividend equivalent rights associated with the Plan amounted to $2.2 million and $0.6 million for the years ended December 31, 2011 and 2010, respectively. These dividend rights will be paid in four installments as the option vests.

10. Minimum Future Rentals

The Partnership s real estate investments are leased under noncancelable triple-net operating leases. Under the provisions of the leases, the Partnership receives fixed minimum monthly rentals, generally with annual increases, and the operators are responsible for the payment of all operating expenses, including repairs and maintenance, insurance, and real estate taxes of the property throughout the term of the leases.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At December 31, 2011, future minimum annual rentals to be received under the noncancelable lease terms are as follows:

2012	$ 107,432,234
2013	111,436,447
2014	110,012,490
2015	109,992,794
2016	108,497,485
Thereafter	514,788,003
	$ 1,062,159,453

11. Quarterly Results of Operations (Unaudited)

The following is a summary of our unaudited quarterly results of operations for the years ended December 31, 2011 and 2010 (in thousands) excluding the effects of discontinued operations. The sum of individual quarterly amounts may not agree to the annual amounts included in the consolidated statements of income due to rounding.

	Year Ended December 31, 2011			
	1st Quarter(1)	2nd Quarter	3rd Quarter(2)	4th Quarter(3)
Total revenues	$ 20,835	$ 25,835	$ 22,994	$ 27,384
Net income attributable to common stockholders	$ 1,716	$ 7,002	$ 314	$ 2,281

	Year Ended December 31, 2010			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter(4)
Total revenues	$ 21,956	$ 22,627	$ 22,751	$ 22,069
Net income attributable to common stockholders	$ 11,629	$ 11,326	$ 9,007	$ 6,020

(1) The results include $3.0 million in straight-line rent write-offs and $3.1 million in deferred financing costs write-offs in connection with our senior note issuance during the first quarter.
(2) The results include $3.5 million in straight-line rent write-offs, $2.2 million of indemnity expense related to a operator transition, and $0.9 million of impairment recognized in the third quarter.
(3) The results include $5.2 million of impairment recognized in the fourth quarter.
(4) The results include $1.1 million in straight-line rent write offs recognized in the fourth quarter.

12. 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 Partnership received a loan of approximately $0.3 million, which has been paid off in full as of April 29, 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,

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

accounting and all required financial services; legal administration and regulatory compliance; investor, operator, 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.

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 approximately $53.7 million (of which half were subsequently redeemed). The preliminary pricing was based upon trading multiples of comparably sized publicly traded healthcare Real Estate Investment Trusts. 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 approximately $92.0 million 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Coincident with the Merger, 50% of the Class F Unit was purchased and settled by the Partnership for approximately $23.6 million 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 approximately $23.6 million.

13. 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 December 31, 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)
Floor rate	1.25%
Effective date	November 9, 2010
Termination date	September 17, 2015
Asset balance at December 31, 2011 (included in other assets)	$
Asset balance at December 31, 2010 (included in other assets)	$4,094,432
Liability balance at December 31, 2011 (included in other liabilities)	$(3,297,342)
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 years ended December 31, 2011, 2010, and 2009, the Partnership recognized approximately $0, $2.9 million, and $7.0 million of net income, respectively, in the consolidated statements of operations and comprehensive income related to the change in the fair value of 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 December 31, 2011 (dollars in thousands):

	Total Carrying Value at December 31, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets	$	$	$	$
Derivative liabilities	(3,297)		(3,297)	
	$ (3,297)	$	$ (3,297)	$

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

14. Commitments and Contingencies

The Partnership has a contractual arrangement with a operator 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 operator if and when the state withholds these fees from the operator 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 $1.4 million has been paid to date. For the year ended December 31, 2011, the Partnership s indemnity expense for these fees was approximately $0.4 million which equaled the actual amount paid during the period, and are included as a component of transaction costs in the consolidated statements of operations and comprehensive income.

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 operator in one of its facilities to reimburse any liabilities, obligations or claims of any kind or nature resulting from the actions of the former operator in such facility, Brighten Health Care Group. The Partnership is obligated to reimburse the fees to the operator if and when the operator 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 remaining $1.5 million was accrued and included as a component of transaction costs in the consolidated statements of operations and comprehensive income for the year ended December 31, 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.

15. Concentration of Credit Risk

As of December 31, 2011, the Partnership s portfolio of investments consisted of 223 healthcare facilities, located in 26 states and operated by 35 third party operators. At December 31, 2011, approximately 47.4% (measured as a percentage of total assets) were leased by five private operators: Saber Health Group (15.6%), Evergreen Healthcare (10.4%), Sun Mar Healthcare (8.2%), Daybreak Healthcare (7.3%), and Benchmark (5.9%). No other operator represents more than 5.5% of our total assets. The five states in which the Partnership had its highest concentration of total assets were California (17.4%), Texas (10.5%), Arkansas (8.0%), Ohio (8.0%), and Pennsylvania (7.5%) at December 31, 2011.

For the year ended December 31, 2011, the Partnership s rental income from operations totaled approximately $91.0 million, of which approximately $11.8 million was from Evergreen Healthcare (12.8%), $10.4 million from Saber Health Group (11.2%), $10.3 million from Daybreak Healthcare (11.2%) and

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

$9.7 million was from Sun Mar Healthcare (10.5%). No other operator generated more than 7.6% of the Partnership s rental income from operations for the year ended December 31, 2011.

Below is a summary of unaudited financial information as of and for the year ended December 31, 2011 for the two lessees (operators) of our properties whose total assets, in the aggregate, exceeds 10% of the Partnership s total assets at December 31, 2011. Financial performance under the terms of lease agreements with these lessees is, by agreement, guaranteed by the entities whose financial data is as follows:

	Saber Health Group	Evergreen Healthcare
Financial position		
Current assets	$ 60,101,714	$ 53,759,002
Noncurrent assets	14,836,834	35,171,070
Current liabilities	42,805,808	55,737,050
Noncurrent liabilities	35,822,405	104,381,291
(Deficit) equity	(3,749,665)	(71,188,269)
Results of operations		
Revenues	$ 253,149,467	$ 264,634,527
Gross profit	7,029,682	18,379,327
Income from continuing operations	11,765,523	3,087,345
Net income	5,942,277	3,087,345

16. Discontinued Operations

ASC 205-20 requires that the operations and associated gains and/or losses from the sale or planned disposition of components of an entity, as defined, be reclassified and presented as discontinued operations in the Company s consolidated financial statements for all periods presented. In April 2012, the Company sold three properties in Arkansas and one property in Massachusetts to unrelated third parties. Below is a summary of the components of the discontinued operations for the respective periods:

	Year Ended December 31,		
	2011	2010	2009
Total revenues	$ 1,260,671	$ 1,163,559	$ 1,670,224
Total expenses	(1,494,386)	(507,413)	(877,997)
Discontinued operations	$ (233,715)	$ 656,146	$ 792,227

17. Subsequent Events

On January 6, 2012, Aviv Financing II acquired a vacant parcel of land in Ohio from an unrelated third party for a purchase price of $275,000. The Partnership financed this purchase through cash.

On January 31, 2012, the Partnership, under Aviv Financing V entered into a $187.5 million secured revolving credit facility with General Electric Capital Corporation and certain other lenders party thereto (the 2016 Revolver). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the 2016 Revolver. The interest rate under our 2016 Revolver is generally based on LIBOR (subject to a floor of 1.0%) plus 4.25%. The initial term of the 2016 Revolver expires in January 2016 with a one-year

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

extension option, provided that certain conditions precedent are satisfied (as defined). The proceeds from the 2016 Revolver are available for general corporate purposes. The amount of the 2016 Revolver may be increased by up to $87.5 million (resulting in total availability of up to $275 million), provided that certain conditions precedent are satisfied (as defined).

On March 1, 2012, Aviv Financing I acquired seven properties in Iowa and one in Nebraska from two unrelated third parties for a purchase price of $16,400,000. The Partnership financed the purchase through cash and borrowings of $10,360,000 under the Acquisition Credit Line.

On March 1, 2012, Aviv Financing I acquired a property in Nevada from an unrelated third party for a purchase price of $4,800,000. The Partnership financed the purchase through cash and borrowings of $3,339,000 under the Acquisition Credit Line.

On March 2, 2012, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of $2,500,000. The Partnership financed the purchase through cash and borrowings of $1,750,000 under the Acquisition Credit Line.

18. Condensed Consolidating Information

The REIT and certain of the Partnership s direct and indirect wholly owned subsidiaries (the Subsidiary Guarantors and Subordinated Subsidiary Guarantors) fully and unconditionally guaranteed on a joint and several basis, the obligation to pay principal and interest with respect to the Senior Notes issued in February 2011 and April 2011. These Senior Notes were issued by Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers). 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 Subsidiary Guarantors or Subordinated Subsidiary 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 December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010, and 2009:

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2011

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Net real estate investments	$	$ 374,278,067	$ 425,568,706	$ 22,740,966	$	$ 822,587,739
Cash and cash equivalents	42,354,896	(2,639,048)	6,630	(518,751)		39,203,727
Deferred financing costs, net	7,777,902		5,335,606	28,822		13,142,330
Other	16,119,370	27,324,577	31,161,998	223,220		74,829,165
Investment in and due from related parties, net	541,083,875	(5,807,374)	(316,073,840)	(6,958,782)	(212,243,879)	
Total assets	$ 607,336,043	$ 393,156,222	$ 145,999,100	$ 15,515,475	$ (212,243,879)	$ 949,762,961
Liabilities and equity						
Senior notes payable and other debt	$ 302,552,127	$	$ 284,159,963	$ 13,761,488	$	$ 600,473,578
Due to related parties	6,726,541					6,726,541
Tenant security and escrow deposits	385,000	6,505,204	8,623,432	226,281		15,739,917
Accounts payable and accrued expenses	9,476,684	4,774,819	3,181,640	691,024		18,124,167
Other liabilities	40,937,725	6,457,934	14,045,133			61,440,792
Total liabilities	360,078,077	17,737,957	310,010,168	14,678,793		702,504,995
Total equity	247,257,966	375,418,265	(164,011,068)	836,682	(212,243,879)	247,257,966
Total liabilities and equity	$ 607,336,043	$ 393,156,222	$ 145,990,100	$ 15,515,475	$ (212,243,879)	$ 949,762,961

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2010

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Net real estate investments	$	$ 286,113,584	$ 323,858,529	$ 17,128,420	$	$ 627,100,533
Cash and cash equivalents	12,126,776	131,590	777,022	(6,914)		13,028,474
Deferred financing costs, net	100,000		9,834,291	23,345		9,957,636
Other	13,380,055	28,003,734	39,892,306	36,481		81,312,576
Investment in and due from related parties, net	232,906,755	47,656,869	(90,503,883)	(6,964,810)	(183,094,931)	
Total assets	$ 258,513,586	$ 361,905,777	$ 283,858,265	$ 10,216,522	$ (183,094,931)	$ 731,399,219
Liabilities and equity						
Senior notes payable and other debt	$	$	$ 431,471,341	$ 9,104,575	$	$ 440,575,916
Due to related parties	6,092,936					6,092,936
Tenant security and escrow deposits		6,738,399	6,684,306	235,679		13,658,384
Accounts payable and accrued expenses	1,431,564	735,161	3,367,345	478,739		6,012,809
Other liabilities	5,833,468	4,039,938	10,030,150			19,903,556
Total liabilities	13,357,968	11,513,498	451,553,142	9,818,993		486,243,601
Total equity	245,155,618	350,392,279	(167,694,877)	397,529	(183,094,931)	245,155,618
Total liabilities and equity	$ 258,513,586	$ 361,905,777	$ 283,858,265	$ 10,216,522	$ (183,094,931)	$ 731,399,219

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31, 2011

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 39,586,642	$ 50,056,282	$ 1,368,634	$	$ 91,011,558
Interest on secured loans	2,234,012	1,025,810	1,933,322			5,193,144
Interest and other income	18,226	488,059	337,509			843,794
Total revenues	2,252,238	41,100,511	52,327,113	1,368,634		97,048,496
Expenses						
Interest expense	20,458,737		17,743,684	464,434		38,666,855
Depreciation and amortization		9,847,153	10,096,522	328,087		20,271,762
General and administrative	4,116,570	49,722	7,252,303	3,812		11,422,407
Transaction costs	1,398,566	2,043,044	2,051,489			5,493,099
Loss on impairment		3,842,771	1,390,034			5,232,805
Reserve for uncollectible secured loan receivables	1,426,149		86,156			1,512,305
Gain on sale of assets, net			(1,170,991)			(1,170,991)
Loss on debt extinguishment			3,806,513			3,806,513
Other expenses		266,902				266,902
Total expenses	27,400,022	16,049,592	41,255,710	796,333		85,501,657
Income before discontinued operations	(25,147,784)	25,050,919	11,071,403	572,301		11,546,839
Discontinued operations		(84,060)		(149,655)		(233,715)
Net (loss) income	(25,147,784)	24,966,859	11,071,403	422,646		11,313,124
Equity in income (loss) of subsidiaries	36,460,908				(36,460,908)	
Net income (loss) allocable to common units	$ 11,313,124	$ 24,966,859	$ 11,071,403	$ 422,646	$ (36,460,908)	$ 11,313,124
Unrealized loss on derivative instruments			(7,391,774)			(7,391,774)
Total comprehensive income	$ 11,313,124	$ 24,966,859	$ 3,679,629	$ 422,646	$ (36,460,908)	$ 3,921,350

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31, 2010

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 36,934,429	$ 46,931,730	$ 230,857	$	$ 84,097,016
Interest on secured loans	1,384,731	1,461,057	2,326,183			5,171,971
Interest and other income	20,132	116,173	(3,019)			133,286
Total revenues	1,404,863	38,511,659	49,254,894	230,857		89,402,273
Expenses						
Interest expense	305,547	860,212	22,486,033	77,961		23,729,753
Depreciation and amortization		8,196,500	8,995,192	54,681		17,246,373
General and administrative	3,576,085	88,521	6,156,916	1,125		9,822,647
Transaction costs	101,007	188,733	1,287,187	1,298		1,578,225
Loss on impairment		96,000				96,000
Reserve for uncollectible secured loan receivables	750,000					750,000
Change in fair value of derivatives			(2,931,309)			(2,931,309)
Gain on sale of assets, net		70,181	(581,734)			(511,553)
Loss on debt extinguishment	14,900	690,615	1,590,047			2,295,562
Total expenses	4,747,539	10,190,762	37,002,332	135,065		52,075,698
Income before discontinued operations	(3,342,676)	28,320,897	12,252,562	95,792		37,326,575
Discontinued operations		729,723		(73,578)		656,145
Net (loss) income	(3,342,676)	29,050,620	12,252,562	22,214		37,982,720
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	41,325,396				(41,325,396)	
Net income (loss) allocable to common units	$ 20,369,205	$ 29,050,620	$ 12,252,562	$ 22,214	$ (41,325,396)	$ 20,369,205
Unrealized gain on derivative instruments			4,094,432			4,094,432
Total comprehensive income	$ 20,369,205	$ 29,050,620	$ 16,469,994	$ 22,214	$ (41,325,396)	$ 24,463,637

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME

For the Year Ended December 31, 2009

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 36,693,024	$ 44,286,520	$	$	$ 80,979,544
Interest on secured loans	355,037	949,466	2,137,644			3,442,147
Interest and other income	28,300	297,110	140,767			466,177
Total revenues	383,337	37,939,600	46,564,931			84,887,868
Expenses						
Interest expense	487,617	840,751	25,740,210			27,068,578
Depreciation and amortization		7,599,498	9,320,031			16,919,529
General and administrative	1,622,828	479,144	5,455,828			7,557,800
Transaction costs	7,218,441	117,512	105,429			7,441,382
Change in fair value of derivatives			(6,987,825)			(6,987,825)
Total expenses	9,328,886	9,036,095	33,633,673			51,999,464
Income before discontinued operations	(8,945,549)	28,902,695	12,931,258			32,888,404
Discontinued operations		416,912		375,315		792,227
Net (loss) income	(8,945,549)	29,319,607	12,931,258	375,315		33,680,631
Distributions and accretion on Class E Preferred Units	(14,569,875)					(14,569,875)
Net income attributable to noncontrolling interests	(221,154)					(221,154)
Equity in income (loss) of subsidiaries	42,626,180				(42,626,180)	
Net income (loss) allocable to common units	$ 18,889,602	$ 29,319,607	$ 12,931,258	$ 375,315	$ (42,626,180)	$ 18,889,602

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (293,472,178)	$ 90,160,280	$ 253,507,819	$ 235,096	$	$ 50,431,017
Investing activities						
Purchase of real estate investments		(73,174,325)	(108,039,876)			(181,214,201)
Sale of real estate investments			1,510,000			1,510,000
Capital improvements		(4,624,561)	(4,739,226)			(9,363,787)
Development projects		(16,015,901)		(5,390,246)		(21,406,147)
Secured loan receivables received from other	(68,778)	8,692,914	5,713,575			14,337,711
Secured loan receivables funded to others	(2,700,000)	(7,809,045)	(410,742)			(10,919,787)
Net cash used in investing activities	(2,768,778)	(92,930,918)	(105,966,269)	(5,390,246)		(207,056,211)
Financing activities						
Borrowings of debt	302,750,000		97,416,570	4,761,462		404,928,032
Repayment of debt			(244,727,948)	(104,549)		(244,832,497)
Payment of financing costs	(8,593,540)		(1,000,564)	(13,600)		(9,607,704)
Deferred contribution	35,000,000					35,000,000
Capital contributions	40,419,757					40,419,757
Cost of raising capital						
Cash distributions to partners	(43,107,141)					(43,107,141)
Net cash provided by (used in) financing activities	326,469,076		(148,311,942)	4,643,313		182,800,447
Net increase (decrease) in cash and cash equivalents	30,228,120	(2,770,638)	(770,392)	(511,837)		26,175,253
Cash and cash equivalents:						
Beginning of year	12,126,776	131,590	777,022	(6,914)		13,028,474
End of year	$ 42,354,896	$ (2,639,048)	$ 6,630	$ (518,751)	$	$ 39,203,727

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (70,625,627)	$ 47,525,428	$ 74,653,171	$ 3,127,284	$	$ 54,680,256
Investing activities						
Purchase of real estate investments		(18,440,000)	(24,944,043)	(11,500,000)		(54,884,043)
Sale of real estate investments		96,898	3,988,927			4,085,825
Payment of earn-out provision for previously acquired real estate investments			(9,600,731)			(9,600,731)
Capital improvements		(5,102,838)	(547,959)			(5,650,797)
Development projects		(1,663,820)	145,824	(714,337)		(2,232,333)
Secured loan receivables received from others	5,917,739	2,579,247	789,284			9,286,270
Secured loan receivables funded to others	(8,652,165)	(7,113,290)	(355,383)			(16,120,838)
Net cash used in investing activities	(2,734,426)	(29,643,803)	(30,524,081)	(12,214,337)		(75,116,647)
Financing activities						
Borrowings of debt			433,677,230	9,112,340		442,789,570
Repayment of debt	(12,000,000)	(18,950,549)	(451,564,376)	(7,765)		(482,522,690)
Payment of financing costs	(100,000)		(10,443,495)	(24,436)		(10,567,931)
Payment for swap termination			(3,380,160)			(3,380,160)
Capital contributions	223,866,121					223,866,121
Redemption of Class E Preferred Units and warrants	(92,001,451)					(92,001,451)
Redemption of Class F Units			(23,602,649)			(23,602,649)
Cash distributions to partners	(34,534,439)		(2,124,013)			(36,658,452)
Net cash provided by (used in) financing activities	85,230,231	(18,950,549)	(57,437,463)	9,080,139		17,922,358
Net increase (decrease) in cash and cash equivalents	11,870,178	(1,068,924)	(13,308,373)	(6,914)		(2,514,033)
Cash and cash equivalents:						
Beginning of year	256,598	1,200,514	14,085,395			15,542,507
End of year	$ 12,126,776	$ 131,590	$ 777,022	$ (6,914)	$	$ 13,028,474

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	Issuers	Subsidiary Guarantors	Subordinated Subguarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ 16,614,404	$ 7,931,821	$ 10,246,067	$ 5,250,000	$	$ 40,042,292
Investing activities						
Purchase of real estate investments			(11,125,694)	(5,250,000)		(16,375,694)
Capital improvements		(3,470,541)	(2,049,687)			(5,520,228)
Development projects		(7,850,086)	(137,359)			(7,987,445)
Secured loan receivables received from others	137,442	756,110	1,276,842			2,170,394
Secured loan receivables funded to others	(7,297,707)	(1,356,474)	(2,125,741)			(10,779,922)
Net cash provided by (used in) investing activities	(7,160,265)	(11,920,991)	(14,161,639)	(5,250,000)		(38,492,895)
Financing activities						
Borrowings of debt		4,705,816	28,320,257	2,625,000		35,651,073
Repayment of debt	(1,500,000)	(199,549)	(14,767,207)	(2,625,000)		(19,091,756)
Payment of financing costs			(102,803)			(102,803)
Proceeds from issuance of warrants	8,399,117					8,399,117
Capital contributions						
Redemption of Class E Preferred Units and warrants	17,898,975					17,898,975
Redemption of Class F Units						
Cash distributions to partners	(33,695,587)		(4,427,402)			(38,122,989)
Net cash provided by (used in) financing activities	(8,897,495)	4,506,267	9,022,845			4,631,617
Net decrease in cash and cash equivalents	556,644	517,097	5,107,273			6,181,014
Cash and cash equivalents:						
Beginning of period	(300,046)	683,417	8,978,122			9,361,493
End of period	$ 256,598	$ 1,200,514	$ 14,085,395	$	$	$ 15,542,507

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Accounts Receivable and Secured Loans Receivable Allowance for doubtful Accounts

	Balance at Beginning of Year	Charged to (Recovered from) Costs and Expenses	Deductions and Write-offs	Balance at End of Year
Allowance for uncollectible accounts receivable				
Year ended December 31, 2011	$	$ 79,812	$	$ 79,812
Year ended December 31, 2010	223,803	(40,459)	(183,344)	
Year ended December 31, 2009	113,932	335,868	(225,997)	223,803
Allowance for uncollectible secured loan receivable				
Year ended December 31, 2011	$ 750,000	$ 1,512,305	$ (86,156)	$ 2,176,149
Year ended December 31, 2010	28,828	721,172		750,000
Year ended December 31, 2009		28,828		28,828

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

SCHEDULE III REAL ESTATE INVESTMENTS

					Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[(g)]				
cription	Type of Asset	Encumbrances	City	State	Land	Buildings & Improvements	Improvements	Impairment / Dispositions	Land	Buildings & Improvements	Accumulated Depreciation	Year of Construction	Date Acquired
b Broadway	(a)	(2)	Methuen	MA	$ 31,469	$ 495,552	$	$ (130,000)	$ 31,469	$ 365,552	$ (164,498)	1910	1993
Colonial	(a)	(2)	Lawrence	MA	63,160	958,681		(225,000)	63,160	733,681	(330,157)	1963	1993
Fall River	(c)		Fall River	MA	90,707	1,308,677		(1,399,384)					1993
Care enwood	(a)	(2)	Lowell	MA	82,483	1,210,652		(252,500)	82,483	958,152	(431,164)	1964	1993
Hammond	(a)	(2)	Worchester	MA	42,062	663,598	488,598	(663,598)	42,062	488,598	(219,869)	1965	1993
for North	(a)	(2)	North Reading	MA	113,195	1,567,397		(252,500)	113,195	1,314,897	(591,703)	1966	1993
use Nursing	(c)		Quincy	MA	66,000	1,051,668		(1,117,668)					1993
Care osewood	(a)	(2)	Fall River	MA	31,893	512,984		(142,501)	31,893	370,483	(166,717)	1882	1993
b-Sandalwood	(a)	(2)	Oxford	MA	64,435	940,982	497,782	(192,500)	64,435	1,246,264	(384,714)	1966	1993
Spring Valley	(a)	(2)	Worchester	MA	71,084	1,030,725		(205,000)	71,084	825,725	(371,576)	1960	1993
b Town Manor	(c)		Lawrence	MA	89,790	1,305,518		(1,395,308)					1993
b Woodmill	(a)	(2)	Lawrence	MA	61,210	946,028		(235,000)	61,210	711,028	(319,963)	1965	1993
b-Worcester	(c)		Worchester	MA	92,512	1,374,636		(1,467,148)					1993
e Community	(a)	(2)	South Haven	MI	221,000	4,239,161	12,959		221,000	4,252,120	(829,923)	1975	2005
or	(a)	(2)	Pepin	WI	318,000	1,569,959	182,045		318,000	1,752,004	(309,980)	1978	2005
Health Care	(a)	(2)	Highland	IL	189,921	1,723,523			189,921	1,723,523	(362,626)	1963	2005
Skilled ehab	(a)	(2)	Omaha	NE	211,000	6,694,584		(1,510)	209,490	6,694,584	(1,477,526)	1971	2005
	(a)	(2)	Santa Fe	NM	1,029,800	2,692,295	630,608		1,029,800	3,322,903	(688,502)	1985	2005
ursing and	(a)	(2)	Clayton	NM	41,000	790,476			41,000	790,476	(227,029)	1960	2005
ottage b Center	(a)	(2)	Hobbs	NM	9,000	671,536			9,000	671,536	(225,301)	1963	2005
d ehab Center	(a)	(2)	Bloomfield	NM	343,800	4,736,296			343,800	4,736,296	(954,321)	1985	2005
Valley Center	(a)	(2)	Espanola	NM	216,000	4,143,364			216,000	4,143,364	(919,478)	1984	2005
Haven	(a)	(2)	Lordsburg	NM	57,041	1,881,927			57,041	1,881,927	(350,477)	1972	2005
Care Center	(a)	(2)	Silver City	NM	305,000	5,843,505			305,000	5,843,505	(1,143,540)	1984	2005
sing and Rehab	(a)	(2)	Raton	NM	128,000	1,509,456			128,000	1,509,456	(417,333)	1985	2005
Care Center	(a)	(2)	Gallup	NM	329,000	3,952,779			329,000	3,952,779	(841,101)	1978	2005
illa ehab	(a)	(2)	Dayton	TX	18,000	435,568	9,400		18,000	444,968	(107,714)	1964	2005
Oaks ehab	(a)	(2)	Ft. Worth	TX	137,000	1,147,400	(9,400)		137,000	1,138,000	(287,720)	1963	2005
	(a)	(2)	Bonham	TX	63,000	2,583,389			63,000	2,583,389	(541,131)	1970	2005

s Nursing and													
Nursing and	(a)	(2)	Cooper	TX	96,000	2,726,580	8,304		96,000	2,734,884	(559,753)	1966	2005
sing and Rehab	(a)	(2)	Wolfe City	TX	49,000	1,010,304	(8,304)		49,000	1,002,000	(225,281)	1946	2005
la Nursing and	(a)	(3)	San Antonio	TX	341,847	1,931,216	951,592		341,847	2,882,808	(549,348)	1969	2005
Nursing	(a)		Ft. Worth	TX	87,904	1,764,129		(1,852,033)					2005
ursing and	(a)	(3)	Garland	TX	56,509	1,058,409	1,401,030		56,509	2,459,439	(290,688)	1964	2005
ursing and	(a)	(3)	Wylie	TX	209,992	2,683,768	5,438		209,992	2,689,206	(559,464)	1975	2005
Nursing and	(a)	(3)	Mansfield	TX	486,958	2,142,550	(17,723)		486,958	2,124,827	(474,635)	1964	2005
Nursing and	(a)	(3)	Lancaster	TX	625,790	1,847,633	(15,270)		625,790	1,832,363	(481,431)	1973	2005
rsing and	(a)	(4)	Clifton	TX	125,000	2,974,643			125,000	2,974,643	(666,780)	1995	2005
d Nursing and	(a)	(2)	Brownwood	TX	140,000	3,463,711	844,609		140,000	4,308,320	(708,624)	1968	2005
sing and	(a)	(2)	Irving	TX	137,000	1,248,284	(10,284)		137,000	1,238,000	(290,419)	1972	2005
ursing and	(a)	(3)	Stanton	TX	261,000	1,017,599	11,707		261,000	1,029,306	(231,828)	1972	2005
ls Nursing and	(a)	(3)	Valley Mills	TX	34,000	1,091,210	(8,977)		34,000	1,082,233	(235,395)	1971	2005
Care Center	(a)		Moody	TX	13,000	328,263		(341,263)					2005
ealthcare	(a)	(3)	Bellingham	WA	61,000	491,085	1,983,432		61,000	2,474,517	(265,694)	1965	2005
la Nursing and	(a)	(4)	Orange	TX	97,500	1,948,490	17,468		97,500	1,965,958	(423,569)	1973	2005
Nursing and	(a)	(4)	Orange	TX	98,500	2,072,051	22,567		98,500	2,094,618	(466,572)	1955	2005
ursing and	(a)	(2)	Wheeler	TX	17,000	1,369,290			17,000	1,369,290	(313,914)	1982	2005
te Nursing and	(a)	(4)	Watauga	TX	1,061,000	3,845,890			1,061,000	3,845,890	(767,548)	1999	2005
th Center	(a)	(2)	Harrisonville	MO	143,500	1,922,391	122,010		143,500	2,044,401	(391,399)	1970	2005
ealth Center	(a)	(2)	Harrisonville	MO	189,000	2,531,961	68,462		189,000	2,600,423	(482,866)	1977	2005
ey Health	(a)	(2)	Rayton	MO	252,000	3,375,981	58,200		252,000	3,434,181	(710,737)	1978	2005
althcare	(a)	(2)	Monett	MO	259,000	3,469,761	(26,381)		259,000	3,443,380	(693,357)	1976	2005
ge Health	(a)	(2)	Lee s Summit	MO	292,250	3,914,964	32,514		292,250	3,947,478	(768,828)	1986	2005
rds e Center	(a)	(3)	Lewiston	ID	201,000	4,319,316	35,324		201,000	4,354,640	(1,002,064)	1958	2005

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

SCHEDULE III (CONTINUED)

					Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[g]					
scription	Type of Asset	Encumbrances	City	State	Land	Buildings & Improvements	Improvements	Impairment / Dispositions	Land	Buildings & Improvements	Accumulated Depreciation	Year of Construction	Date Acquired	Life on Depre i State c Oper Com
idge for e	(a)	(3)	Payette	ID	179,000	3,165,530	(26,331)		179,000	3,139,199	(557,003)	1964	2005	40
Valley Assisted	(b)	(3)	Wendell	ID	177,000	405,331	1,005,334		177,000	1,410,665	(152,005)	1911	2005	40
l Rehab and Center	(a)	(3)	McCall	ID	213,000	675,976	(5,624)		213,000	670,352	(146,885)	1965	2005	40
Park Care	(a)	(3)	Portland	OR	112,000	2,205,297			112,000	2,205,297	(564,499)	1959	2005	40
Care	(a)	(4)	Burlington	WA	115,000	1,169,629			115,000	1,169,629	(234,027)	1930	2005	40
bia View Center	(a)	(2)	Cathlamet	WA	49,200	504,900			49,200	504,900	(119,562)	1965	2005	40
rst Park e	(a)		Seattle	WA		360,236		(360,236)					2005	40
view care Center	(a)	(3)	Grandview	WA	19,300	1,155,216	14,917		19,300	1,170,133	(329,071)	1964	2005	40
st Manor	(a)	(3)	Sunnyside	WA	102,000	1,638,826	5,269,826		102,000	6,908,652	(415,870)	1970	2005	40
een lls Center	(a)	(3)	Phoenix	AZ	500,000	4,537,644			500,000	4,537,644	(1,166,270)	1997	2005	40
een Hot s Center	(a)	(4)	Hot Springs	MT	103,500	1,942,861	19,412		103,500	1,962,273	(388,214)	1963	2005	40
een Polson	(a)	(4)	Polson	MT	121,000	2,357,612	(19,412)		121,000	2,338,200	(496,834)	1971	2005	40
een Sun enter	(a)	(3)	Sun City	AZ	476,231	5,697,720	60,161		476,231	5,757,881	(1,206,101)	1985	2005	40
Gardens at	(b)	(3)	Mesa	AZ	123,000	1,640,673	(13,547)		123,000	1,627,126	(326,721)	1974	2005	40
een Mesa an Center	(a)	(3)	Mesa	AZ	466,000	6,231,061	(46,614)	(615,000)	466,000	5,569,447	(1,329,657)	1973	2005	40
een The Center	(a)	(2)	The Dalles	OR	200,000	3,831,789	91,952		200,000	3,923,741	(731,577)	1964	2005	40
een Vista Center	(a)	(2)	LaGrande	OR	281,000	4,783,790	248,354		281,000	5,032,144	(891,795)	1961	2005	40
an Health hab Center	(a)	(2)	Colfax	WA	231,000	6,271,162	38,289		231,000	6,309,451	(1,119,667)	1985	2005	40
in ment Hotel	(b)	(3)	Youngtown	AZ	101,300	1,939,835	163,302		101,300	2,103,137	(435,071)	1971	2005	40
r Care	(a)	(3)	Gilmer	TX	257,000	2,992,894	362,306		257,000	3,355,200	(625,255)	1967	2005	40
bus g and Center	(a)	(2)	Columbus	WI	352,000	3,476,920	209,328		352,000	3,686,248	(655,099)	1950	2005	40
an Rehab re Center	(a)	(3)	Anacortes	WA	625,000	1,184,855	2,041,630		625,000	3,226,485	(574,072)	1965	2005	40
at Faribault	(a)	(3)	Faribault	MN	70,000	1,484,598	102,124		70,000	1,586,722	(355,658)	1958	2005	40
at nna	(a)	(3)	Owatonna	MN	125,000	2,321,296	(19,308)		125,000	2,301,988	(474,594)	1963	2005	40
at Willmar	(a)	(3)	Wilmar	MN	70,000	1,341,155	19,645		70,000	1,360,800	(284,125)	1998	2005	40

at Florence s	(a)	(2)	Omaha	NE	413,000	3,516,247	4,353		413,000	3,520,600	(827,102)	1999	2005	40
at Ogden	(a)	(3)	Ogden	UT	233,800	4,478,450	600,246		233,800	5,078,696	(874,854)	1977	2005	40
tt Manor g Center	(a)	(3)	Prescott	AR	43,500	1,461,860	209,056		43,500	1,670,916	(405,386)	1965	2005	40
ty Nursing	(a)	(3)	Star City	AR	28,000	1,068,891	80,125		28,000	1,149,016	(226,920)	1969	2005	40
iew Manor body	(a)	(2)	Peabody	KS	22,000	502,177			22,000	502,177	(103,727)	1963	2005	40
rd Grove led Care	(a)	(2)	Benton Harbor	MI	166,000	3,185,496	361,939		166,000	3,547,435	(673,395)	1971	2005	40
ville Care	(a)		Marysville	CA	281,000	1,319,608		(1,600,608)					2005	40
City Care	(a)		Yuba City	CA	177,385	2,129,584		(2,306,969)					2005	40
gton Care	(a)	(3)	Lexington	MO	151,000	2,943,170	325,142		151,000	3,268,312	(660,259)	1970	2005	40
Falls Care	(a)	(2)	Twin Falls	ID	448,000	5,144,793			448,000	5,144,793	(1,012,401)	1961	2005	40
n Lane Care	(a)	(2)	Fullerton	CA	2,982,000	3,648,346			2,982,000	3,648,346	(705,956)	1966	2005	40
View Care	(a)	(4)	Baldwin Park	CA	868,400	1,748,141	6,377		868,400	1,754,518	(388,845)	1938	2005	40
Maria Care	(a)		Long Beach	CA	139,600	766,778		(906,378)					2005	40
treet Care	(a)	(3)	Oakland	CA	246,000	684,695	11,776		246,000	696,471	(141,024)	1961	2005	40
rthur Care	(a)	(3)	Oakland	CA	246,000	1,415,776	(11,776)		246,000	1,404,000	(384,497)	1960	2005	40
na Vista mer s Center	(a)	(4)	Pomona	CA	403,000	954,853			403,000	954,853	(215,325)	1959	2005	40
lescent al	(a)	(4)	Baldwin Park	CA	1,308,000	486,043			1,308,000	486,043	(127,236)	1963	2005	40
y Oaks g Center	(a)	(3)	Pomona	CA	1,393,000	2,426,180			1,393,000	2,426,180	(483,625)	1964	2005	40
een g/Rehab	(a)	(3)	Effingham	IL	317,388	3,461,794			317,388	3,461,794	(702,211)	1974	2005	40
t at nson	(a)	(2)	Hutchinson	KS	180,000	2,546,991			180,000	2,546,991	(532,129)	1963	2005	40
idge care/Rehab	(a)	(3)	Little Rock	AR	465,000	3,011,597	55,321		465,000	3,066,918	(893,375)	1969	2005	40
s Nursing hab Center	(a)	(3)	Salem	IL	125,000	4,663,792	900,000		125,000	5,563,792	(971,791)	1972	2005	40
and Hills /Rehab	(a)	(3)	Little Rock	AR	270,000	4,006,007			270,000	4,006,007	(688,890)	1979	2005	40
Richland	(a)		North Richland Hills	TX	980,458		5,067,466	(6,047,924)					2005	40
l Heights	(a)	(2)	Little Rock	AR	1,411,446		7,330,169		1,411,446	7,330,169	(1,063,673)	2008	2006	40
Nursing hab	(a)	(2)	Willis	TX	212,000	2,407,367			212,000	2,407,367	(387,518)	1975	2006	40
ette Place Center	(a)	(3)	St. Charles	MO	1,300,000	10,777,312	3,586		1,300,000	10,780,898	(1,559,506)	1994	2006	40
lral Gardens Center	(a)	(3)	St. Louis	MO	1,600,000	9,524,876	51,229		1,600,000	9,576,105	(1,424,929)	1979	2006	40
ge Park l Care	(a)	(3)	Rolla	MO	1,200,000	7,840,918	59,901		1,200,000	7,900,819	(1,114,401)	1993	2006	40
orest Skilled	(a)	(3)	Ballwin	MO	550,000	3,995,129	42,870		550,000	4,037,999	(601,075)	2004	2006	40

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

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					Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[(g)]					
cription	Type of Asset	Encumbrances	City	State	Land	Buildings & Improvements	Improvements	Impairment / Dispositions	Land	Buildings & Improvements	Accumulated Depreciation	Year of Construction	Date Acquired	Life or Depre i State c Oper Com
nd Care hab	(a)	(3)	Olney	IL	350,000	2,484,264			350,000	2,484,264	(416,970)	2004	2006	40
m Nursing hab	(a)	(3)	Bonham	TX	76,000	1,129,849			76,000	1,129,849	(171,900)	1969	2006	40
bus g and	(a)	(2)	Columbus	TX	150,000	1,808,552			150,000	1,808,552	(292,895)	1974	2006	40
n Nursing hab	(a)	(2)	Denison	TX	178,000	1,945,000			178,000	1,945,000	(297,461)	1958	2006	40
ias g and	(a)	(2)	Falfurias	TX	92,000	1,065,000			92,000	1,065,000	(177,455)	1974	2006	40
n Nursing hab	(a)	(2)	Houston	TX	228,000	2,451,893			228,000	2,451,893	(374,068)	1976	2006	40
g County g/Rehab	(a)	(4)	Kingsville	TX	315,000	3,688,676			315,000	3,688,676	(562,364)	1947	2006	40
Haven g and	(a)	(2)	Mount Vernon	TX	180,000	1,970,861			180,000	1,970,861	(327,443)	2004	2006	40
t at eld	(b)	(3)	Mansfield	OH	146,000	2,689,968	15,748		146,000	2,705,716	(377,139)	1980	2006	40
on Care	(a)	(3)	Clarkston	WA	161,633	7,038,367	4,537,514		161,633	11,575,881	(1,244,562)	1970	2006	40
nd Terrace g Center	(a)	(3)	Camas	WA	592,776	3,921,159	5,234,581		592,776	9,155,740	(866,012)	1970	2006	40
nd litation	(a)	(4)	Richland	WA	693,000	9,307,000	145,819		693,000	9,452,819	(1,302,072)	2004	2006	40
een Freewater	(a)	(2)	Milton Freewater	OR	700,000	5,403,570			700,000	5,403,570	(814,211)	1965	2006	40
s Rehab re Center	(a)	(3)	Matoon	IL	250,000	2,390,779	260,000	(13,246)	250,000	2,637,533	(360,740)	1963	2006	40
e Living	(a)	(3)	Yorkville	IL	560,000	3,073,603		(3,168)	560,000	3,070,435	(497,520)	1963	2006	40
View g / Rehab	(a)	(3)	Zion	IL	147,000	5,235,290	139,889	(3,855,328)	30,355	1,636,496	(666,850)	1970	2006	40
d Hall	(a)	(3)	Irving	TX	1,746,000	11,418,567	113,706	(142,702)	1,746,000	11,389,571	(1,648,057)	1964	2006	40
nt Nursing hab	(a)	(3)	Madison	WI	480,000	1,861,061	6,207		480,000	1,867,268	(329,630)	1974	2006	40
sh g and Center	(a)	(3)	Cincinnati	OH	125,000	6,278,450	447,530		125,000	6,725,980	(1,119,598)	1969	2006	40
hester g/Rehab	(a)	(3)	West Chester	OH	100,000	5,663,460	368,689		100,000	6,032,149	(1,000,968)	1965	2006	40
	(a)	(3)	Willmington	OH	125,000	6,078,450	472,388		125,000	6,550,838	(1,083,737)	1951	2006	40

ngton g/Rehab														
ed Care al of de	(a)	(2)	Riverside	CA	1,091,000	5,646,826		(26,375)	1,091,000	5,620,451	(1,227,831)	1967	2006	40
ge Manor	(a)	(2)	Monterey Park	CA	1,585,508	9,274,154		(23,200)	1,585,508	9,250,954	(1,790,583)	1965	2006	40
Park Care	(a)	(2)	Santa Ana	CA	1,076,447	5,983,614	596,442		1,076,447	6,580,056	(942,477)	1967	2006	40
Valley g Center	(a)	(2)	Tujunga	CA	613,800	5,031,473		(25,382)	613,800	5,006,091	(865,367)	1967	2006	40
ancho do Care	(a)	(2)	San Diego	CA	1,425,347	9,652,911	65,349	(57,067)	1,425,347	9,661,193	(1,444,220)	1994	2006	40
Nursing	(a)	(3)	Austin	TX	1,501,040	4,504,643	185,833		1,501,040	4,690,476	(590,439)	2007	2007	40
Hill Care and Villas	(a)	(3)	Hamilton	TX	58,397	5,781,296			58,397	5,781,296	(706,056)	1998	2007	40
en at rd	(a)	(3)	Medford	MA	2,365,610	6,612,915	291,912	(858,916)	2,122,533	6,288,988	(926,808)	1978	2007	40
en at r	(a)	(3)	Ambler	PA	370,010	5,111,673	(681,580)		370,010	4,430,093	(562,528)	1963	2007	40
en at all	(a)	(3)	Broomall	PA	607,870	3,930,013	590,503		607,870	4,520,516	(631,641)	1955	2007	40
en at Bryn	(a)	(3)	Bryn Mawr	PA	708,300	6,352,474	1,187,886		708,300	7,540,360	(918,492)	1972	2007	40
en at Julia o	(a)	(3)	Lake Ariel	PA	369,050	7,559,765	730,412		369,050	8,290,177	(1,094,149)	1980	2007	40
Samaritan g Home	(a)	(2)	Avon	OH	393,813	8,856,210	108,495		393,813	8,964,705	(1,298,381)	1964	2007	40
lle Illinois	(a)	(3)	Belleville	IL	670,481	3,431,286			670,481	3,431,286	(419,366)	1978	2007	40
tead s Leases	(a)	(3)		TX	345,197	4,352,982	5,504		345,197	4,358,486	(550,921)		2007	40
Haven g Home	(a)	(3)	Searcy	AR	772,501	2,413,388	761,524		772,501	3,174,912	(324,347)	1961	2008	40
een Arvin care	(a)	(2)	Arvin	CA	900,000	4,764,928	758,102		1,020,441	5,402,589	(525,044)	1984	2008	40
een field care	(a)	(2)	Bakersfield	CA	1,000,000	12,154,112	1,760,333		1,133,824	13,780,621	(1,207,162)	1987	2008	40
een rt care	(a)	(2)	Lakeport	CA	1,100,000	5,237,033	848,045		1,247,206	5,937,872	(590,241)	1987	2008	40
ope Care	(a)	(2)	Tracy	CA	1,900,000	10,293,920	1,631,836		2,154,265	11,671,491	(1,041,255)	1987	2008	40
Ridge Care	(a)	(2)	Oroville	CA	800,000	8,609,470	1,933,101		907,059	10,435,512	(931,776)	1987	2008	40
Oaks & Rehab	(a)	(2)	Chico	CA	1,300,000	8,397,558	1,297,764		1,473,971	9,521,351	(928,551)	1988	2008	40
een & Rehab	(a)	(2)	LaGrande	OR	1,400,000	808,374	295,533		1,587,353	916,554	(113,142)	1975	2008	40
een rton & Rehab	(a)	(2)	Bremerton	WA	650,000	1,366,315	269,830	(1,390,033)	258,285	637,827	(146,113)	1969	2008	40
ountains	(a)	(3)	Belleville	IL	989,489	5,007,411			989,489	5,007,411	(442,198)	1972	2008	40
ide & Rehab	(a)	(3)	Little Rock	AR	750,690	4,421,289	1,613,473		750,690	6,034,762	(538,746)	1969	2008	40
e Nursing	(a)	(3)	Jonesboro	AR	417,050	7,007,007			417,050	7,007,007	(678,534)	1973	2008	40
brook & Rehab	(a)	(3)	Benton	AR	250,231	3,170,134			250,231	3,170,134	(330,209)	1968	2008	40
nn & Rehab	(a)	(3)	Trumann	AR	166,821	3,587,185			166,821	3,587,185	(343,416)	1971	2008	40
t at rson	(a)	(2)	McPherson	KS	92,001	1,874,921			92,001	1,874,921	(168,969)	1970	2008	40
n Nursing	(a)	(4)	Riverside	CA	230,000	1,209,976			230,000	1,209,976	(112,123)	1957	2008	40
	(a)	(3)	Searcy	AR		10,213,112				10,213,112	(823,174)	2009	2009	40

yrd Haven g Home														
een & Rehab luma	(a)	(2)	Petaluma	CA	748,668	2,459,910			748,668	2,459,910	(264,529)	1969	2009	40
een ain View & Rehab	(a)	(2)	Carson City	NV	3,454,723	5,942,468			3,454,723	5,942,468	(459,236)	1977	2009	40
Rock and	(a)	(1)	Little Rock	AR	471,169	4,778,831	6,795,588		471,169	11,574,419	(421,853)	1971	2009	40

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					Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[(g)]					
Description	**Type of Asset**	**Encumbrances**	**City**	**State**	**Land**	**Buildings & Improvements**	**Improvements**	**Impairment / Dispositions**	**Land**	**Buildings & Improvements**	**Accumulated Depreciation**	**Year of Construction**	**Date Acquired**	**Life on Which Depreciation in Statement of Operations Computed**
Hidden Acres Health Care	(a)	(3)	Mount Pleasant	TN	67,413	3,312,587			67,413	3,312,587	(139,369)	1979	2010	40 years
Community Care and Rehab	(a)	(1)	Riverside	CA	1,648,067	9,851,933			1,648,067	9,851,933	(382,768)	1965	2010	40 years
Heritage Gardens of Portageville	(a)	(3)	Portageville	MO	223,658	3,088,802			223,658	3,088,802	(108,656)	1995	2010	40 years
Heritage Gardens of Greenville	(a)	(3)	Greenville	MO	118,925	2,218,775			118,925	2,218,775	(79,850)	1990	2010	40 years
Heritage Gardens of Senath	(a)	(3)	Senath	MO	108,843	2,773,194	263,143		108,843	3,036,337	(107,963)	1980	2010	40 years
Heritage Gardens of Senath South	(a)	(3)	Senath	MO	72,805	1,854,998			72,805	1,854,998	(67,959)	1980	2010	40 years
The Carrington	(a)	(2)	Lynchburg	VA	705,888	4,294,112			705,888	4,294,112	(138,011)	1994	2010	40 years
Arma Care Center	(a)	(2)	Arma	KS	57,452	2,897,772			57,452	2,897,772	(85,877)	1970	2010	40 years
Yates Center Nursing and Rehab	(a)	(2)	Yates	KS	54,340	2,990,435			54,340	2,990,435	(88,193)	1967	2011	40 years
Great Bend Health & Rehab Center	(a)	(2)	Great Bend	KS	111,482	4,588,518	288,312		111,482	4,876,830	(172,122)	1965	2010	40 years
Maplewood at Norwalk	(b)	(3)	Norwalk	CT	1,589,950	1,010,050	4,611,873		1,589,950	5,621,923	(25,251)	1983	2010	40 years
Carrizo Springs Nursing & Rehab	(a)	(3)	Carrizo Springs	TX	45,317	1,954,683			45,317	1,954,683	(63,153)	1965	2010	40 years
Maplewood at Orange	(b)	(2)	Orange	CT	1,133,533	11,155,287	2,131,478		1,133,533	13,286,765	(351,534)	1999	2010	40 years
Wellington Leasehold	(a)	(3)	Wellington	KS			1,403,108			1,403,108	(19,769)	1957	2010	21years
St. James Nursing & Rehab	(a)	(3)	Carrabelle	FL	1,144,155	8,855,845			1,144,155	8,855,845	(214,960)	2009	2011	40 years
University Manor	(a)	(3)	Cleveland	OH	886,425	8,694,575			886,425	8,694,575	(183,827)	1982	2011	40 years
Grand Rapids Care Center	(a)	(3)	Grand Rapids	OH	288,249	1,516,629			288,249	1,516,629	(28,633)	1993	2011	40 years
Bellevue Care Center	(a)	(3)	Bellevue	OH	282,354	3,440,207			282,354	3,440,207	(64,119)	1988	2011	40 years
Orchard Grove Assisted	(b)	(3)	Bellevue	OH	282,354	3,440,207			282,354	3,440,207	(64,120)	1998	2011	40 years

Living													
Woodland Manor Nursing and Rehabilitation	(a)	(3)	Conroe	TX	576,518	2,090,586	115,000	576,518	2,205,586	(51,016)	1975	2011	40 years
Fredericksburg Nursing and Rehabilitation	(a)	(3)	Fredericksburg	TX	326,731	3,046,370		326,731	3,046,370	(58,617)	1970	2011	40 years
Jasper Nursing and Rehabilitation	(a)	(3)	Jasper	TX	113,083	2,554,020		113,083	2,554,020	(46,490)	1972	2011	40 years
Legacy Park Community Living Center	(a)	(3)	Peabody	KS	33,420	1,266,580		33,420	1,266,580	(25,752)	1963	2011	40 years
Lakewood Senior Living of Pratt	(a)	(3)	Pratt	KS	18,503	502,901		18,503	502,901	(12,496)	1964	2011	40 years
Lakewood Senior Living of Seville	(a)	(3)	Wichita	KS	93,731	896,938		93,731	896,938	(19,176)	1977	2011	40 years
Lakewood Senior Living of Haviland	(a)	(3)	Haviland	KS	112,480	648,771		112,480	648,771	(15,506)	1971	2011	40 years
Oak Manor Nursing and Rehabilitation	(a)	(3)	Commerce	TX	224,899	1,867,793	78,806	224,899	1,946,599	(41,184)	1963	2011	40 years
Loma Linda Healthcare	(a)	(3)	Moberly	MO	913,017	4,556,983		913,017	4,556,983	(89,139)	1987	2011	40 years
Maplewood at Newtown	(b)	(3)	Newtown	CT	4,941,584	7,058,416	3,332,745	6,314,004	9,018,742	(175,867)	2000	2011	40 years
Chatham Acres Nursing Home	(a)	(3)	Chatham	PA	203,431	1,996,569		203,431	1,996,569	(47,735)	1873	2011	40 years
Transitions Healthcare Gettysburg	(a)	(3)	Gettysburg	PA	241,994	5,858,005	67,696	241,994	5,925,701	(70,586)	1950	2011	40 years
Maplewood at Darien	(b)	(3)	Darien	CT	2,430,458	3,069,542	1,132,247	2,430,458	4,201,789	(26,305)	2012	2011	40 years
Crawford Manor	(a)	(2)	Cleveland	OH	119,877	3,080,123		119,877	3,080,123	(27,412)	1994	2011	40 years
Aviv Asset Management	(d)	(3)	Chicago	IL			411,969		411,969	(156,747)			
Skagit Aviv	(e)	(3)	Mt. Vernon	WA			422,205		422,205				
Chatham Acres	(e)	(3)	Chatham	PA			274,318		274,318				
Amberwood Manor Nursing Home Rehabilitation	(a)	(5)	New Philadelphia	PA	450,642	3,264,346		450,642	3,264,346	(14,435)	1962	2011	40 years
Caring Heights Community Care & Rehabilitation Center	(a)	(5)	Coroapolis	PA	1,546,079	10,018,012		1,546,079	10,018,012	(44,480)	1983	2011	40 years
Dunmore Healthcare Group	(a)	(5)	Dunmore	PA	398,110	6,812,777		398,110	6,812,777	(30,530)	2002	2011	40 years
Eagle Creek Healthcare Group	(a)	(5)	West Union	OH	1,055,733	5,774,130		1,055,733	5,774,130	(25,726)	1981	2011	40 years
Edison Manor Nursing & Rehabilitation	(a)	(5)	New Castle	PA	393,475	8,246,253		393,475	8,246,253	(37,098)	1982	2011	40 years
Indian Hills Health & Rehabilitation Center	(a)	(5)	Euclid	OH	852,677	8,425,268		852,677	8,425,268	(37,367)	1989	2011	40 years
Milcrest Nursing	(a)	(5)	Marysville	OH	735,942	2,169,369		735,942	2,169,369	(9,872)	1968	2011	40 years

Center													
Scranton Healthcare Center	(a)	(5)	Scranton	PA	1,120,202	5,536,985		1,120,202	5,536,985	(24,174)	2002	2011	40 years
Deseret Nursing & Rehabilitation at Colby	(a)	(5)	Colby	KS	569,437	2,798,928		569,437	2,798,928	(12,144)	1974	2011	40 years
Deseret Nursing & Rehabilitation at Kensington	(a)	(5)	Kensington	KS	279,893	1,418,766		279,893	1,418,766	(6,514)	1959	2011	40 years
Deseret Nursing & Rehabilitation at Onaga	(a)	(5)	Onaga	KS	86,863	2,866,488		86,863	2,866,488	(12,426)	1959	2011	40 years
Deseret Nursing & Rehabilitation at Oswego	(a)	(5)	Oswego	KS	183,378	839,678		183,378	839,678	(3,981)	1960	2011	40 years
Deseret Nursing & Rehabilitation at Smith Center	(a)	(5)	Smith Center	KS	106,166	1,650,402		106,166	1,650,402	(7,359)	1964	2011	40 years
Burford Manor	(a)	(5)	Davis	OK	80,000	3,220,000		80,000	3,220,000	(14,292)	1969	2011	40 years
Care Meridian Cowan Heights	(h)	(5)	Santa Ana	CA	219,887	1,129,422		219,887	1,129,422		1989	2011	40 years
Care Meridian Escondido	(h)	(5)	Escondido	CA	169,913	1,139,416		169,913	1,139,416		1990	2011	40 years
Care Meridian Fresno Marks	(h)	(5)	Fresno	CA	269,862	1,709,125		269,862	1,709,125		1990	2011	40 years
Care Meridian La Habra Heights	(h)	(5)	La Habra	CA	199,898	1,339,314		199,898	1,339,314		1990	2011	40 years
Care Meridian Sacramento	(h)	(5)	Elk Grove	CA	219,887	1,649,155		219,887	1,649,155		1992	2011	40 years

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				Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount Carried at December 31, 2011[g]				
Type of Asset	Encumbrances	City	State	Land	Buildings & Improvements	Improvements	Impairment / Dispositions	Land	Buildings & Improvements	Accumulated Depreciation	Year of Construction	Date Acquired
(h)	(5)	Oxnard	CA	99,949	1,219,375			99,949	1,219,375		1994	2011
(h)	(5)	Silverado	CA	549,718	1,039,468			549,718	1,039,468		1999	2011
(h)	(5)	Fairfax	CA	319,836	2,148,899			319,836	2,148,899		2000	2011
(h)	(5)	Gilroy	CA	1,089,442	1,759,099			1,089,442	1,759,099		2000	2011
(h)	(5)	Artesia	CA	179,908	1,389,288			179,908	1,389,288		2002	2011
(a)	(5)	Las Vegas	NV	759,611	7,776,017			759,611	7,776,017		2004	2011
(a)	(5)	Little Rock	AR	1,040,000	3,710,000			1,040,000	3,710,000		1996	2011
	(3)	Cuyahoga Falls	OH									
				$ 103,199,886	$ 754,151,054	$ 79,220,090	$ (28,105,455)	$ 102,925,122	$ 805,542,464	$ (96,796,028)		

Assets under direct financing leases

Description	Type of Asset	Encumbrances	City	State	Initial Cost to Company	Acceleration/ Amortization	Impairment/ Dispositions	Gross Amount Carried at December 31, 2011	Year of Construction	Date Acquired
Fountain Lake	(a)	(2)	Hot Springs	AR	$ 10,418,738	$ 497,443	$	$ 10,916,181	2007	2008
					$ 10,418,738	$ 497,443	$	$ 10,916,181		

(a) Skilled Nursing Facilities (SNFs)
(b) Assisted Living Facilities (ALFs)
(c) Vacant Land

(d) Assets relating to corporate office space
(e) Developmental asset
(f) Includes six properties all allocated in Texas
(g) The aggregate cost for federal income tax purposes of the real estate as of December 31, 2011 is $611,116,546 (unaudited)
(h) Traumatic Brain Injury Center (TBIs)

Encumbrances:

(1) Standalone first mortgage
(2) The Mortgage
(3) Unencumbered
(4) The Revolver
(5) The Acquisition Credit Line

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

SCHEDULE III (CONTINUED)

	For the Years Ended December 31,		
	2011	**2010**	**2009**
Reconciliation of real estate:			
Carrying cost:			
Balance at beginning of period	$ 703,049,477	$ 636,409,268	$ 606,691,800
Additions during period:			
Acquisitions	186,078,338	63,005,000	17,856,000
Development of real estate investments and capital expenditures	36,686,682	7,815,209	11,861,468
Dispositions:			
Sale of assets	(339,009)	(4,084,000)	
Impairment[(i)]	(6,091,721)	(96,000)	
Balance at end of period	$ 919,383,767	$ 703,049,477	$ 636,409,268
Accumulated depreciation:			
Balance at beginning of period	$ 75,948,944	$ 58,673,377	$ 42,091,996
Additions during period:			
Depreciation expense	20,847,084	17,853,799	17,527,656
Dispositions:			
Sale of assets		(578,232)	(946,275)
Impairment[(i)]			
Balance at end of period	$ 96,796,028	$ 75,948,944	$ 58,673,377

(i) Represents the write-down of carrying cost and accumulated depreciation on assets where impairment charges were taken.

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AVIV REIT, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30 2012	December 31 2011
Assets		
Real estate investments		
Land	$ 113,563,712	$ 102,925,122
Buildings and improvements	910,201,968	777,249,381
Construction in progress	25,418,749	28,293,083
Assets under direct financing leases	11,015,786	10,916,181
	1,060,200,215	919,383,767
Less accumulated depreciation	(112,807,661)	(96,796,028)
Net real estate investments	947,392,554	822,587,739
Cash and cash equivalents	14,942,476	40,862,023
Straight-line rent receivable, net	35,647,906	29,926,203
Tenant receivables, net	5,623,983	6,007,800
Deferred finance costs, net	15,597,577	13,142,330
Secured loan receivables, net	34,444,718	33,031,117
Other assets	8,923,796	5,864,045
Total assets	$ 1,062,573,010	$ 951,421,257
Liabilities and equity		
Senior notes payable and other debt	$ 664,190,571	$ 600,473,578
Accounts payable and accrued expenses	15,034,146	18,124,167
Tenant security and escrow deposits	17,748,993	15,739,917
Other liabilities	32,116,821	34,824,629
Deferred contribution		35,000,000
Total liabilities	729,090,531	704,162,291
Equity:		
Stockholders equity		
Common stock (par value $0.01; 358,685 and 262,239 shares outstanding, respectively)	3,586	2,622
Additional paid-in-capital	374,884,845	264,960,352
Accumulated deficit	(37,187,620)	(21,382,823)
Accumulated other comprehensive loss	(2,374,047)	(1,867,759)
Stockholders equity	335,326,764	241,712,392
Noncontrolling interests	(1,844,285)	5,546,574
Total equity	333,482,479	247,258,966
Total liabilities and equity	$ 1,062,573,010	$ 951,421,257

See accompanying notes to consolidated financial statements.

AVIV REIT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues				
Rental income	$ 29,583,062	$ 21,761,565	$ 87,171,329	$ 64,947,508
Interest on secured loans and financing lease	860,328	1,224,785	3,543,642	3,876,793
Interest and other income	1,058,580	7,276	1,126,890	840,144
Total revenues	31,501,970	22,993,626	91,841,861	69,664,445
Expenses				
Interest expense	12,905,768	9,976,486	37,693,597	28,217,549
Depreciation and amortization	6,894,012	5,170,690	19,671,033	14,847,375
General and administrative	3,947,939	3,049,367	11,406,114	8,547,489
Transaction costs	1,286,425	2,609,727	3,507,057	3,421,283
Loss on impairment	1,766,873		6,145,731	
Reserve for uncollectible loan receivables	2,833,419	926,474	6,308,408	1,336,269
Loss on extinguishment of debt				3,806,513
Other expenses	100,088	100,088	300,265	166,814
Total expenses	29,734,524	21,832,832	85,032,205	60,343,292
Income from continuing operations	1,767,446	1,160,794	6,809,656	9,321,153
Discontinued operations		(846,805)	4,586,692	(288,611)
Net income	1,767,446	313,989	11,396,348	9,032,542
Net income allocable to noncontrolling interests	(637,162)	(143,187)	(4,451,239)	(4,119,642)
Net income allocable to stockholders	$ 1,130,284	$ 170,802	$ 6,945,109	$ 4,912,900
Net income	$ 1,767,446	$ 313,989	$ 11,396,348	$ 9,032,542
Unrealized loss on derivative instruments	(39,482)	(4,086,047)	(820,974)	(7,164,043)
Total comprehensive income (loss)	$ 1,727,964	$ (3,772,058)	$ 10,575,374	$ 1,868,499
Net income allocable to stockholders	$ 1,130,284	$ 170,802	$ 6,945,109	$ 4,912,900
Unrealized loss on derivative instruments, net of noncontrolling interest portion of $14,233, $1,863,252, $314,686, and $3,306,106, respectively	(25,249)	(2,222,695)	(506,288)	(3,857,937)
Total comprehensive income (loss) allocable to stockholders	$ 1,105,035	$ (2,051,893)	$ 6,438,821	$ 1,054,963
Earnings per common share:				
Basic:				
Income from continuing operations allocable to stockholders	$ 3.22	$ 2.68	$ 12.87	$ 21.55
Discontinued operations, net of noncontrolling interests		(1.95)	8.67	(0.67)
Net income allocable to stockholders	$ 3.22	$ 0.73	$ 21.54	$ 20.88

Diluted:				
Income from continuing operations allocable to stockholders	$ 3.20	$ 2.65	$ 12.77	$ 21.32
Discontinued operations, net of noncontrolling interests		(1.93)	8.60	(0.66)
Net income allocable to stockholders	$ 3.20	$ 0.72	$ 21.37	$ 20.66
Weighted average shares used in computing earnings per common share:				
Basic	351,261	236,022	322,472	235,207
Dilutive	353,672	238,654	324,883	237,839

See accompanying notes to consolidated financial statements.

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AVIV REIT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine Months Ended September 30, 2012 (unaudited)

	Common Stock		Additional Paid-In-	Accumulated	Accumulated Other Comprehensive	Total Stockholders	Noncontrolling	
	Shares	Amount	Capital	Deficit	income (loss)	Equity	Interests	Total Equity
Balance at January 1, 2012	262,239	$ 2,622	$ 264,960,352	$ (21,382,823)	$ (1,867,759)	$ 241,712,392	$ 5,546,574	$ 247,258,966
Non-cash stock-based compensation			925,457			925,457	304,500	1,229,957
Distributions to partners							(11,831,912)	(11,831,912)
Capital contributions	96,446	964	108,999,036			109,000,000		109,000,000
Unrealized loss on derivative instruments					(506,288)	(506,288)	(314,686)	(820,974)
Dividends to stockholders				(22,749,906)		(22,749,906)		(22,749,906)
Net income				6,945,109		6,945,109	4,451,239	11,396,348
Balance at September 30, 2012	358,685	$ 3,586	$ 374,884,845	$ (37,187,620)	$ (2,374,047)	$ 335,326,764	$ (1,844,285)	$ 333,482,479

See accompanying notes to consolidated financial statements.

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AVIV REIT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ended September 30,	
	2012	**2011**
Operating activities		
Net income	$ 11,396,348	$ 9,032,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,705,142	15,303,737
Amortization of deferred financing costs	2,626,446	1,996,845
Accretion of senior note premium	(292,423)	(129,815)
Straight-line rental income, net	(5,922,684)	1,586,497
Rental income from intangible amortization, net	(1,149,423)	(1,044,431)
Non-cash stock-based compensation	1,229,957	1,598,715
Gain on sale of assets, net	(4,425,246)	
Non-cash loss on extinguishment of debt	13,264	3,806,513
Loss on impairment of assets	6,145,731	858,916
Reserve for uncollectible loan receivables	6,308,408	1,250,113
Accretion of earn-out provision for previously acquired real estate investments	300,265	166,814
Changes in assets and liabilities:		
Tenant receivables	(2,911,903)	(6,685,920)
Other assets	(3,560,710)	2,070,268
Accounts payable and accrued expenses	(4,676,099)	95,433
Tenant security deposits and other liabilities	(856,750)	1,849,652
Net cash provided by operating activities	23,930,323	31,755,879
Investing activities		
Purchase of real estate investments	(133,998,037)	(80,719,101)
Sale of real estate investments	30,542,644	
Capital improvements	(10,458,200)	(5,780,565)
Development projects	(21,238,457)	(11,519,836)
Secured loan receivables received from others	14,797,338	13,868,584
Secured loan receivables funded to others	(17,146,086)	(7,611,840)
Net cash used in investing activities	(137,500,798)	(91,762,758)

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AVIV REIT, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(unaudited)

	Nine Months Ended September 30, 2012	2011
Financing activities		
Borrowings of debt	$ 224,761,094	$ 328,932,727
Repayment of debt	(172,211,473)	(243,892,020)
Payment of financing costs	(5,143,395)	(9,429,792)
Capital contributions	109,000,000	10,419,757
Deferred contribution	(35,000,000)	
Cash distributions to partners	(12,523,881)	(14,838,568)
Cash dividends to stockholders	(21,231,417)	(17,949,813)
Net cash provided by financing activities	87,650,928	53,242,291
Net (decrease) increase in cash and cash equivalents	(25,919,547)	(6,764,588)
Cash and cash equivalents:		
Beginning of period	40,862,023	13,029,474
End of period	$ 14,942,476	$ 6,264,886
Supplemental cash flow information		
Cash paid for interest	$ 41,967,088	$ 25,080,857
Supplemental disclosure of noncash activity		
Accrued dividends payable to stockholders	$ 10,097,872	$ 5,547,639
Accrued distributions payable to partners	$ 4,052,974	$ 4,646,091
Earn-out accrual and addition to real estate investments	$	$ 3,332,745
Write-off of straight-line rent receivable, net	$ 567,745	$ 6,785,132
Write-off of in-place lease intangibles, net	$ 48,554	$ 35,536
Write-off of deferred financing costs, net	$ 13,264	$ 3,806,513
Assumed debt	$ 11,459,794	$

See accompanying notes to consolidated financial statements.

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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 predecessor to the Partnership was formed in 2005 and, at September 30, 2012, the Partnership directly or indirectly owned or leased 250 properties, principally skilled nursing facilities, across the United States. The Company generates the majority of its revenues by entering into long-term triple-net leases with qualified local, regional, and national operators. All operating and maintenance costs and related real estate taxes of the buildings are the responsibility of the operators. Substantially all depreciation expense reflected in the consolidated statements of operations and comprehensive income 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 are held by the Operating Partnership and its subsidiaries. The REIT s equity interest in the Surviving Partnership is 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). 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 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. On January 4, 2011, an additional 8,857 shares of common stock were issued by the REIT in connection with a $10 million equity contribution by the REIT s stockholders. An additional 26,341 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. An additional 30,730 shares of common stock were issued by the REIT on January 23, 2012 in connection with the $35 million equity contribution by the REIT s stockholders on December 27, 2011. The contribution received prior to year end is recognized as a liability as of December 31, 2011 as the shares of common stock were issued in the three months ended March 31, 2012. An additional

AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

35,519 shares of common stock were issued by the REIT on March 28, 2012 concurrent with the $40 million equity contribution by the REIT s stockholders. On July 24, 2012, an additional 30,197 shares of common stock were issued by the REIT concurrent with the $34 million equity contribution by the REIT s stockholders. At September 30, 2012, there were 358,685 shares of common stock and 125 shares of preferred stock outstanding. 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 is included in additional paid-in-capital.

The operating results of the Partnership are allocated based upon the respective economic interests therein. The REIT s ownership of the Partnership was 64.46% as of September 30, 2012 and the weighted average for the three and nine months ended September 30, 2012 and 2011 were 63.95%, 61.85%, 54.4% and 54.4%, respectively.

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 comprehensive income, and such parties portion of the net equity in such subsidiaries is reported on the consolidated balance sheets as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Quarterly Reporting

The accompanying unaudited financial statements and notes of the Company as of September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011 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 and comprehensive income, 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, 2011, 2010, and 2009. The consolidated statements of operations and comprehensive income and cash flows for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of full year results.

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The balance sheet at December 31, 2011 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 Company s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission.

Real Estate Investments

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 (Level 3) or estimated cash proceeds received upon the anticipated disposition of the asset from market comparables (Level 2). As part of the impairment evaluation for the three months ended September 30, 2012, buildings in Youngstown, AZ, Zion, IL, and Bremerton, WA were impaired for $1,076,704, $540,000, and $150,169, respectively. These impairments were taken upon anticipated disposition of these assets. As part of the impairment evaluation for the nine months ended September 30, 2012, buildings in Youngstown, AZ, Fall River, MA, West Chester, OH, Cincinnati, OH, Zion, IL, and Bremerton, WA were impaired for $1,634,700, $141,204, $3,129,658, $90,000, $1,000,000, and $150,169, respectively, to reflect the estimated fair values (Level 2). As part of 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 fair value (Level 2), and is included in discontinued operations.

Revenue Recognition

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Cash rental income, net	$ 27,368,706	$ 22,958,679	$ 80,099,222	$ 65,276,702

Straight-line rental income (loss)	1,802,440	(1,517,152)	5,922,684	(1,373,625)
Rental income from intangible amortization	411,916	320,038	1,149,423	1,044,431
Total rental income	$ 29,583,062	$ 21,761,565	$ 87,171,329	$ 64,947,508

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

During the three months ended September 30, 2012 and 2011, straight-line rental income (loss) includes a write-off of straight-line rent receivable of $0 and $3,165,518, respectively, and for the nine months ended September 30, 2012 and 2011, $567,745 and $6,446,893, respectively, due to the early termination of leases and replacement of operators.

The Company s reserve for uncollectible tenant receivables is reflected in total rental income. The amount incurred during the three months ended September 30, 2012 and 2011 was $771,211 and $27,298, respectively, and for the nine months ended September 30, 2012 and 2011 was $2,512,528, and $53,019, respectively.

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. 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. The Company currently has one direct financing lease with a carrying value of $11,015,786 as of September 30, 2012. Principal amortization (accretion) is reflected as an adjustment to the asset. Such accretion was $32,264 and $33,832 for the three months ended September 30, 2012 and 2011, respectively, and $99,606 and $104,044 for the nine months ended September 30, 2012 and 2011, respectively.

Secured Loan Receivables

Secured loan receivables consist of capital improvement loans to operators and secured loans to operators. Capital improvement loans represent the financing provided by the Company to the operator for furniture, fixtures, and equipment while the operator is operating the facility. Secured loans to operators represent financing provided by the Company to operators for working capital needs and mortgage loans. Secured loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding loans and notes receivable for collectability on a loan-by-loan basis. When management identifies potential loan impairment indicators, such as nonpayment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator, or other circumstances that may impair full execution of the loan documents, and management believes it is probable that all amounts will not be collected under the contractual terms of the loan, the loan is written down to the present value of the expected future cash flows. Loan impairment is monitored via a quantitative and qualitative analysis including credit quality indicators and it is reasonably possible that a change in estimate could occur in the near term. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates other than as disclosed in Footnote 4.

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 and comprehensive income 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, 2012 is summarized in Footnote 9.

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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.

Effective January 1, 2012, companies are required to separately disclose the amounts and reasons for any transfers of assets and liabilities into and out of Level 1 and Level 2 of the fair value hierarchy. For fair value measurements using significant unobservable inputs (Level 3), companies are required to disclose quantitative information about the significant unobservable inputs used for all Level 3 measurements and a description of the Company s valuation processes in determining fair value. In addition, companies are required to provide a qualitative discussion about the sensitivity of recurring Level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs. Companies are also required to disclose information about when the current use of a non-financial asset measured at fair value differs from its highest and best use and the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. This does not have a material effect on the Company s consolidated results of operations or financial position.

The Company s interest rate swaps are valued using models developed by the respective counterparty that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. See Footnote 11 for further discussion.

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 senior notes and other notes payable with a carrying value of approximately $664.2 million and $600.5 million as of September 30, 2012 and December 31, 2011, respectively. The fair value of this debt as of September 30, 2012 was $680.1 million and as of December 31, 2011 was $597.7 million 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 similar maturities and collateral securing the indebtedness. The Company had outstanding loan receivables with a carrying value of $34.4 million and $33.0 million as of September 30, 2012 and December 31, 2011, respectively. The fair values of loan receivables as of September 30, 2012 and as of December 31, 2011 approximate their carrying values based upon interest rates available to the Company on similar borrowings (Level 3).

Derivative Instruments

In the normal course of business, a variety of financial instruments may be used to manage or hedge interest rate risk. The Company has implemented ASC 815, *Derivatives and Hedging* (ASC 815), which establishes

AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

accounting and reporting standards requiring that all derivatives, including certain derivative instruments embedded in other contracts, be recorded as either assets or liabilities 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 and comprehensive income 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 comprehensive income within the consolidated statement of changes in equity, exclusive of ineffectiveness amounts, which are recognized as adjustments to net income. In November 2010, the Company entered into two interest rate swaps and accounts for changes in fair value of such hedges through accumulated comprehensive (loss) income in equity and in the consolidated statements of operations and comprehensive income 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, 2012 or December 31, 2011.

Business Combinations

The Company applies ASC 805, *Business Combinations* (ASC 805), in determining how to account for and identify business combinations by allocating fair value to tangible and identified intangible assets acquired and liabilities assumed using market comparables and operating results (Level 3). Acquisition related costs are expensed as incurred.

Discontinued Operations

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

Reclassifications

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

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

3. Real Estate Investment Activity

The Company had the following rental property activity during the nine months ended September 30, 2012 as described below:

In January 2012, Aviv Financing II acquired a land parcel in Ohio from an unrelated third party for a purchase price of $275,000. The Company financed this purchase through cash.

In March 2012, Aviv Financing I acquired a property in Nevada from an unrelated third party for a purchase price of approximately $4,800,000. The Company financed this purchase through cash and borrowings of $3,339,000 under the Acquisition Credit Line (see Footnote 7).

In March 2012, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of approximately $2,500,000. The Company financed this purchase through cash and borrowings of $1,750,000 under the Acquisition Credit Line (see Footnote 7).

In March 2012, Aviv Financing I acquired seven properties in Iowa and one property in Nebraska from an unrelated third party for a purchase price of approximately $16,200,000. The Company financed this purchase through cash and borrowings of $10,360,000 under the Acquisition Credit Line (see Footnote 7).

In April 2012, Aviv Financing V acquired fifteen properties in Texas from an unrelated third party for a purchase price of $72,700,000. The Company financed the purchase through cash and borrowings of $37,500,000 under the 2016 Revolver (see Footnote 7).

In April 2012, Aviv Financing I acquired one property in Florida from an unrelated third party for a purchase price of $4,936,000. The Company financed the purchase through cash and borrowings of $3,455,200 under the Acquisition Credit Line (see Footnote 7).

In April 2012, Aviv Financing II sold two properties in Arkansas to an unrelated third party for a sales price of $10,180,000 and recognized a net gain of approximately $438,000.

In April 2012, Aviv Financing III sold a property in Arkansas to an unrelated third party for a sales price of $17,100,000 and recognized a net gain of approximately $4,306,300.

In April 2012, Aviv Financing II sold a property in Massachusetts to an unrelated third party for a sales price of $7,500,000, and recognized a net loss of approximately $319,000.

In May 2012, Aviv Financing V acquired one property in Wisconsin from an unrelated third party for a purchase price of $2,500,000. The Company financed the purchase through cash and borrowings of $1,750,000 under the 2016 Revolver (see Footnote 7).

In May 2012, Aviv Financing V acquired one vacant land parcel in Texas from an unrelated third party for a purchase price of $60,000. The Company financed the purchase through cash.

In June 2012, Aviv Financing III acquired a property in Connecticut from an unrelated third party for a purchase price of $16,000,000. The Company financed the purchase through the assumption of the seller s loan of approximately $11,460,000 and cash.

In July 2012, Aviv Financing II acquired a property in Indiana from an unrelated third party for a purchase price of $8,400,000. The Company financed the purchase through cash.

In August 2012, Aviv Financing II acquired a property in Idaho from an unrelated third party for a purchase price of $6,000,000. The Company financed the purchase through cash.

In September 2012, Aviv Financing II acquired a property in California from an unrelated third party for a purchase price of approximately $1,162,000. The Company financed the purchase through cash.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

In September 2012, Aviv Financing V acquired a property in Kentucky from an unrelated third party for a purchase price of approximately $9,925,000. The Company financed the purchase through borrowings under the 2016 Revolver (see Footnote 7).

The following table illustrates the effect on total revenues and net income as if we had consummated the acquisitions as of January 1, 2011 (unaudited):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Total revenues	$ 31,859,869	$ 29,797,223	$ 97,022,719	$ 81,549,130
Net income	2,349,352	3,385,186	15,272,641	14,608,267

During the three and nine months ended September 30, 2012, revenues attributable to the acquired assets were approximately $3.7 million and $6.9 million, respectively, and net income attributable to the acquired assets was approximately $1.4 million and $1.9 million, respectively, recognized in the consolidated statements of operations and comprehensive income.

Transaction-related costs are not expected to have a continuing significant impact on our financial results and therefore have been excluded from these proforma results. Related to the above business combinations, the Company incurred $1,422,993 of transaction costs for the nine months ended September 30, 2012.

In accordance with ASC 805, the Company allocated the approximate purchase price paid for these properties acquired in 2012 as follows:

Land	$ 14,388,150
Buildings and improvements	118,831,952
Furniture, fixtures, and equipment	12,237,729
Mortgages and other notes payable assumed	(11,459,794)
Total	$ 133,998,037

The following summarizes the Company s construction in progress at:

	September 30, 2012	December 31, 2011
Beginning Balance, January 1, 2012 and 2011, respectively	$ 28,293,083	$ 2,580,110
Additions	21,494,924	25,712,973
Sold/withdrawn projects	(8,035,194)	

Placed in service		(16,334,064)		
	$	25,418,749	$	28,293,083

During 2012 and 2011, the Company capitalized expenditures for improvements related to various development projects. In 2012, the Company placed into service three additions and two remodels to three properties located in Washington. In accordance with ASC 835 *Capitalization of Interest* (ASC 835), the Company capitalizes interest based on the average cash balance of construction in progress for the period using the weighted-average interest rate on all outstanding debt, which approximated 7.0% for the three and nine months ended September 30, 2012. The balance of capitalized interest within construction in progress at

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

September 30, 2012 and December 31, 2011 was $781,988 and $682,273, respectively. The amount capitalized during the three months ended September 30, 2012, and 2011, relative to interest incurred was $345,169 and $174,147, respectively, and during the nine months ended September 30, 2012 and 2011, relative to interest incurred was $848,379, and $320,090, respectively. Interest capitalization ceases when the assets are available to be placed in service.

4. Secured Loan Receivables

The following summarizes the Company s secured loan receivables, net, at:

	September 30, 2012		
	Capital Improvement Loan Receivables	Secured Operator Loan Receivables	Total Secured Loan Receivables
Beginning balance, January 1, 2012	$ 13,605,932	$ 19,425,185	$ 33,031,117
New loans issued	5,308,695	11,837,391	17,146,086
Reserve for uncollectible secured loans		(4,910,052)	(4,910,052)
Loan amortization, repayments, and other	(2,597,203)	(8,225,230)	(10,822,433)
	$ 16,317,424	$ 18,127,294	$ 34,444,718

Interest income on secured loans and financing leases for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Capital improvement loan receivable	$ 354,089	$ 254,470	$ 1,024,727	$ 916,455
Secured operator loan receivables	145,938	614,459	1,441,212	1,896,114
Direct financing lease	360,301	355,856	1,077,703	1,064,224
Total interest income	$ 860,328	$ 1,224,785	$ 3,543,642	$ 3,876,793

The Company s reserve on a loan-by-loan basis for uncollectible secured loan receivables balances at September 30, 2012 and December 31, 2011 was $7,086,201 and $2,176,149, respectively, and any movement in the reserve is reflected in reserve for uncollectible loan receivables in the consolidated statements of operations and comprehensive income. The gross balance of secured loan receivables for which a reserve on a loan-by-loan basis for uncollectible secured loan receivables has been applied was approximately $12.6 million and $8.9 million at September 30, 2012 and December 31, 2011, respectively.

During 2012 and 2011, the Company funded loans for both working capital and capital improvement purposes to various operators. All loans held by the Company accrue interest and are recorded as interest income unless the loan is deemed impaired in accordance with company policy. The payments received from the operator cover both interest accrued as well as amortization of the principal balance due. Any payments received from the operator made outside of the normal loan amortization schedule are considered principal prepayments and reduce the outstanding secured loan receivables balance.

5. Deferred Finance Costs

The following summarizes the Company s deferred finance costs at:

	September 30, 2012	December 31, 2011
Gross amount	$ 21,023,282	$ 15,952,760
Accumulated amortization	(5,425,705)	(2,810,430)
Net	$ 15,597,577	$ 13,142,330

AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the three and nine months ended September 30, 2012, the Company wrote-off deferred financing costs of $0 and $24,436, respectively, and $0 and $11,172 of accumulated amortization associated with the Construction Loan (see Footnote 7) pay down.

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

6. Lease Intangibles

The Company considers renewals on above or below market leases when ascribing value to the in-place lease intangible assets and liabilities, respectively, at the date of a property acquisition. Upon acquisition of a property with a future lease renewal option, the Company may record an additional lease intangible asset or liability. In those instances where the renewal lease rate does not adjust to a current market rent, the Company evaluates the probability of renewal based upon the past and current operations of the property, the current rent coverage ratio of the operator, and the number of years until potential renewal option exercise. If renewal is considered probable and the stated renewal rate is above or below current market rates, an additional lease intangible asset or liability, respectively, is recorded at acquisition and amortized over the renewal period.

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

	Assets					
	September 30, 2012			December 31, 2011		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Above market leases	$ 7,501,851	$ (3,778,671)	$ 3,723,180	$ 7,501,851	$ (3,339,335)	$ 4,162,516
In-place lease assets	651,730	(48,880)	602,850	651,730		651,730
Tenant relationship	212,416	(12,745)	199,671	212,416		212,416
	$ 8,365,997	$ (3,840,296)	$ 4,525,701	$ 8,365,997	$ (3,339,335)	$ 5,026,662

	Liabilities					
	September 30, 2012			December 31, 2011		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Below market leases	$ 26,320,395	$ (16,312,897)	$ 10,007,498	$ 26,525,395	$ (14,929,137)	$ 11,596,258

Amortization expense for in-place lease assets and tenant relationship was $20,542 and $0 for the three months ended September 30, 2012 and 2011, respectively, and $61,625 and $0 for the nine months ended September 30, 2012 and 2011, respectively, and is included as a component of depreciation and amortization in the consolidated statements of operations and comprehensive income. Amortization expense for the above

market leases intangible asset for the three months ended September 30, 2012 and 2011 was $146,445 and $161,142, respectively, and for the nine months ended September 30, 2012 and 2011 was $439,336 and $483,427, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income. Accretion for the below market leases intangible liability for the three months ended September 30, 2012 and 2011 was $515,199 and $516,566, respectively, and for the nine months ended September 30, 2012 and 2011 was $1,540,206 and $1,563,243, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

For the nine months ended September 30, 2012 and 2011, the Company wrote-off above market leases of $0 and $933,369 with accumulated amortization of $0 and $338,587, respectively, and below market leases of $205,000 and $1,435,000 with accumulated accretion of $156,446 and $875,603, respectively, for a net recognition of $48,554 and $35,385, respectively, 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.

7. Senior Notes Payable and Other Debt

The Company s senior notes payable and other debt consisted of the following:

	September 30, 2012	December 31, 2011
Senior Notes (interest rate of 7.75% on September 30, 2012 and December 31, 2011, respectively), inclusive of $3.3 million and $2.6 million net premium balance on September 30, 2012 and December 31, 2011, respectively	$ 403,282,714	$ 302,552,127
Term Loan (interest rate of 5.75% on September 30, 2012 and December 31, 2011, respectively)	194,064,946	196,943,393
Acquisition Credit Line (interest rate of 5.75% on September 30, 2012 and December 31, 2011, respectively)	18,925,200	72,216,570
Construction loan (interest rate of 5.95% on December 31, 2011)		6,073,802
2016 Revolver (interest rate of 5.25% on September 30, 2012)	26,368,589	
2014 Revolver (interest rate of 6.50% on September 30, 2012 and December 31, 2011, respectively)		15,000,000
Acquisition loans (interest rate of 6.00% on September 30, 2012 and December 31, 2011, respectively)	7,611,232	7,687,686
HUD loan (interest rate of 5.00% on September 30, 2012), inclusive of $2.5 million premium balance	13,937,890	
Total	$ 664,190,571	$ 600,473,578

Senior Notes

On February 4, 2011, April 5, 2011, and March 28, 2012, Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers) issued $200 million, $100 million, and $100 million of 7 $^3/_4$% Senior Notes due 2019 (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. A premium of $2.75 million and $1.00 million was associated with the offering of the $100 million of Senior Notes on April 5, 2011 and the $100 million of Senior Notes on March 28, 2012, respectively. The premium will be amortized as an adjustment to the yield on the Senior Notes over their term. The Company used the proceeds, amongst other things, to pay down approximately $87.7 million of the Acquisition Credit Line, $5.5 million of the 2016 Revolver and $6.1 million of the Construction Loan during 2012 and $201.6 million on the Term Loan and the balance of $28.7 million on the Acquisition Credit Line during 2011.

Term Loan

Principal payments on the Term Loan are payable in monthly installments beginning on November 1, 2010. The payment schedule for the Term Loan is based upon a 25-year mortgage style amortization as defined in the

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Credit Agreement. Interest rates, at the Company s option, are based upon the base rate or Eurodollar base rate (0.46% and 0.37% at September 30, 2012 and December 31, 2011, respectively, with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . This loan matures in September 2015 and has two one-year extensions. As a result of swaps with a notional amount of $200 million (see Footnote 11), the Company s variable interest rate on such notional amount is fixed at 6.49%.

The Acquisition Credit Line

Under the Credit Agreement, the Company also has a $100 million Acquisition Credit Line. On each payment date, the Company shall pay interest only in arrears on any outstanding principal balance of the Acquisition Credit Line. Interest rates, at the Company s option, are based upon the base rate or Eurodollar base rate (0.46% and 0.37% at September 30, 2012 and December 31, 2011, respectively, with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . Additionally, an unused fee equal to 1% per annum of the daily unused balance on the Acquisition Credit Line is due monthly.

The Company incurred $679,767 in prepayment penalties associated with an $87.7 million pay down in March 2012, which is recognized as interest expense in the consolidated statements of operations and comprehensive income. The ability to draw on the Acquisition Credit Line terminates in September 2013 at which time principal and interest are payable until its maturity date in September 2015. The Acquisition Credit Line had an outstanding balance of $18.9 million as of September 30, 2012.

2014 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 2014 Revolver). On each payment date, the Company pays interest only in arrears on any outstanding principal balance of the 2014 Revolver. The interest rate under the Company s 2014 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, 2012 the interest rates are based upon the base rate (3.25% at September 30, 2012 and December 31, 2011, respectively) plus the applicable percentage based on the consolidated leverage ratio (3.25% at September 30, 2012 and December 31, 2011, respectively). 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 with a one-year extension option, provided that certain conditions precedent are satisfied. On January 23, 2012, the outstanding balance was repaid and the properties securing the 2014 Revolver were released. However, the 2014 Revolver remains effective, and we may add properties to Aviv Financing IV, LLC in the future, thereby creating borrowing availability under the facility.

2016 Revolver

On January 31, 2012, the Company, under Aviv Financing V, L.L.C., entered into a $187.5 million secured revolving credit facility (the 2016 Revolver). On each payment date, the Company pays interest only in arrears on any outstanding principal balance of the 2016 Revolver. The interest rate under our 2016 Revolver is generally based on LIBOR (subject to a floor of 1.0%) plus 4.25%. The initial term of 2016 Revolver expires in January 2016 with a one-year extension option, provided that certain conditions precedent are satisfied. The amount of the 2016 Revolver may be increased by up to $87.5 million (resulting in total availability of up to $275 million), provided that certain conditions precedent are satisfied. The 2016 Revolver had an outstanding balance of $26.4 million as of September 30, 2012.

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Other Loans

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

On November 12, 2010, a subsidiary of Aviv Financing III entered into a construction loan agreement that provides for borrowings up to $6.4 million. Interest-only payments at the prime rate (3.25% at December 31, 2011) plus 0.38%, or a minimum of 5.95%, are due monthly from December 1, 2010 through April 1, 2012. The loan was repaid on March 28, 2012.

On June 15, 2012, a subsidiary of Aviv Financing III assumed a HUD loan with a balance of approximately $11.5 million. Interest is at a fixed rate of 5.00%. The loan originated in November 2009 with a maturity date of October 1, 2044, and is based on a 40-year amortization schedule. The Company is obligated to pay the remaining principal and interest payments of the loan. A premium of $2.5 million was associated with the assumption of debt and will be amortized as an adjustment to interest expense on the HUD loan over its term.

8. Partnership Equity and Officer Incentive Program

Distributions accrued in accordance with declaration to the Partnership s partners are summarized as follows for the three months ended September 30:

	Class A	Class B	Class C	Class D	Class F	Class G
2012	$ 2,068,318	$ 532,817	$ 799,225	$	$ 553,761	$ 7,177,586
2011	$ 1,683,430	$ 809,605	$ 1,599,295	$	$ 553,761	$ 5,547,638

Distributions accrued in accordance with declaration to the Partnership s partners are summarized as follows for the nine months ended September 30:

	Class A	Class B	Class C	Class D	Class E	Class F	Class G
2012	$ 6,204,954	$ 1,697,303	$ 2,268,373	$	$	$ 1,661,283	$ 21,046,074
2011	$ 5,050,290	$ 2,702,588	$ 4,823,658	$	$	$ 1,661,283	$ 16,996,392

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

	Class A	Class B	Class C	Class D	Class F	Class G
2012	13,467,223	4,523,145	2	8,050	2,684,900	351,261
2011	13,467,223	4,523,145	2	8,050	2,684,900	236,022

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

	Class A	Class B	Class C	Class D	Class F	Class G
2012	13,467,223	4,523,145	2	8,050	2,684,900	322,472
2011	13,467,223	4,523,145	2	8,050	2,684,900	235,207

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 months ended September 30, 2012 and 2011 was $101,500 and $101,500, respectively and for the nine months ended September 30, 2012 and 2011 was $304,500 and $304,500, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 settled on December 31, 2010. The remaining 40% vested 20% on December 31, 2011 and 20% will vest on 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 and comprehensive income through the ultimate vesting date of December 31, 2012.

9. Option Awards

On September 17, 2010, the Company adopted the Plan as part of the Merger transaction, which provides for option awards. Two thirds of the options granted are performance based awards whose criteria for vesting is tied to a future liquidity event (as defined) and also contingent upon meeting certain return thresholds (as defined). At this time the Company does not believe vesting is probable and therefore has not recorded any expense in the September 30, 2012 or 2011 consolidated financial statements in accordance with ASC 718. The grant date fair value associated with all performance based award options of the Company aggregates to approximately $7.8 million and $3.4 million as of September 30, 2012 and 2011, respectively. One third of the options granted were time based awards and the service period for these options is four years with shares vesting at a rate of 25% ratably from the grant date.

The following table represents the time based option awards activity for the three and nine months ended September 30, 2012 and 2011:

	Nine months ended	
	September 30, 2012	September 30, 2011
Outstanding at January 1, 2012 and 2011	23,476	21,866
Granted	8,934	456
Exercised		
Cancelled/Forfeited	(2,683)	
Outstanding at March 31, 2012 and 2011	29,727	22,322
Granted	910	
Exercised		
Cancelled/Forfeited		
Outstanding at June 30, 2012 and 2011	30,637	22,322
Granted	1,777	
Exercised		
Cancelled/Forfeited		
Outstanding at September 30, 2012 and 2011	32,414	22,322
Weighted average fair value of options granted to date (per option)	$ 132.93	$ 109.37
Weighted average remaining contractual life (years)	8.55	8.97

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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, 2012 and 2011 as well as other Plan data:

	2012	2011
Range of exercise prices	$ 1,000 $1,138	$ 1,000 $1,124
Outstanding	32,414	22,322
Remaining contractual life (years)	8.55	8.98
Weighted average exercise price	$ 1,052	$ 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 2012 and 2011:

	2012 Grants	2011 Grants
Weighted dividend yield	7.54%	9.16%
Weighted risk-free interest rate	1.31%	2.72%
Weighted expected life	7.0 years	7.0 years
Weighted estimated volatility	38.24%	38.00%
Weighted average exercise price	$ 1,133.69	$ 1,124.22
Weighted average fair value of options granted (per option)	$ 173.96	$ 149.09

The Company recorded non-cash compensation expenses of $411,760 and $329,889 for the three months ended September 30, 2012 and 2011, respectively, and $925,457 and $936,256 for the nine months ended September 30, 2012 and 2011, respectively, related to the time based stock options accounted for as equity awards.

At September 30, 2012, 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 $2,042,000.

For the year ended December 31,	Options
2012	$ 358,024
2013	971,210
2014	490,052
2015	188,783
2016	33,662
Total	$ 2,041,731

Dividend equivalent rights associated with the Plan amounted to $664,426 and $524,567 for the three months ended September 30, 2012 and 2011, respectively, and $1,908,991 and $1,607,181 for the nine months ended September 30, 2012 and 2011, respectively and are recorded as dividends to stockholders for the periods presented. These dividend rights are 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

AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

controlled by affiliates of the Company s management. An officer of the Company received a loan of $311,748, which was paid off in full as of September 30, 2011. There were no related party receivables or payables as of September 30, 2012, other than amounts owed from the Partnership to the REIT for accrued distributions.

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, 2012, the Company was 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 Term Loan 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)
Floor rate	1.25%
Effective date	November 9, 2010
Termination date	September 17, 2015
Asset balance at September 30, 2012 (included in other assets)	$
Asset balance at December 31, 2011 (included in other assets)	$
Liability balance at September 30, 2012 (included in other liabilities)	$(4,118,316)
Liability balance at December 31, 2011 (included in other liabilities)	$(3,297,342)

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, 2012 (dollars in thousands):

	Total Carrying Value at September 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets	$	$	$	$
Derivative liabilities	(4,118)		(4,118)	
	$ (4,118)	$	$ (4,118)	$

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. 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.

12. Commitments and Contingencies

The Company had a contractual arrangement with an operator to reimburse quality assurance fees levied by the California Department of Health Care Services from August 1, 2005 through July 31, 2008. The Company

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

was obligated to reimburse the fees to the operator if and when the state withheld these fees from the operator s Medi-Cal reimbursements associated with 5 facilities that were formerly leased to Trinity Health Systems. The total possible obligation for these fees was $1.4 million, which the Company has paid. Judicial proceedings initiated by the Company seeking declaratory relief for these fees were settled on July 24, 2012 which provided for recovery of such amounts from the State of California. The approximate settlement of $756,000 is recognized in interest and other income.

During 2011, the Company entered into a contractual arrangement with an operator in one of its facilities to reimburse any liabilities, obligations or claims of any kind or nature resulting from the actions of the former operator in such facility, Brighten Health Care Group. The Company is obligated to reimburse the fees to the operator if and when the operator incurs such expenses associated with certain Indemnified Events, as defined therein. The total possible obligation for these fees is estimated to be $2.3 million, of which approximately $1.8 million has been paid to date. The remaining $0.5 million was accrued as a component of other liabilities in the consolidated balance sheets.

In late 2011, after a dispute with certain of its limited partners, the Partnership filed a declaratory judgment motion in the Delaware Chancery Court seeking confirmation that an adjustment to the distributions of cash flows of the Partnership was made in accordance with the partnership agreement following the investment in the Partnership by Aviv REIT and related financing transactions. The dispute relates to the relative distributions among classes of limited partners that existed prior to the investment by Aviv REIT.

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

13. Concentration of Credit Risk

As of September 30, 2012, the Company s real estate investments included 250 healthcare facilities, located in 29 states and operated by 37 third party operators. At September 30, 2012, approximately 54.0% (measured as a percentage of total assets) were leased by five private operators: Saber Health Group (14.4%), Daybreak Healthcare (14.1%), Evergreen Healthcare (10.1%), Maplewood Senior Living (8.0%), and Sun Mar Healthcare (7.4%). No other operator represents more than 6.6% of our total assets. The five states in which the Company had its highest concentration of total assets were Texas (17.3%), California (16.0%), Connecticut (8.0%), Ohio (7.9%) and Pennsylvania (6.7%) at September 30, 2012.

For the nine months ended September 30, 2012, the Company s rental income from continuing operations totaled approximately $87.2 million of which approximately $14.0 million was from Daybreak Healthcare (16.0%), $12.7 million was from Saber Health Group (14.5%), $9.1 million was from Evergreen Healthcare (10.4%), $7.2 million was from Sun Mar Healthcare (8.3%), and $6.2 million was from Benchmark Healthcare (7.1%). No other operator generated more than 6.2% of the Company s rental income from operations for the nine months ended September 30, 2012.

14. Discontinued Operations

ASC 205-20 requires that the operations and associated gains and/or losses from the sale or planned disposition of components of an entity, as defined, be reclassified and presented as discontinued operations in the Company s consolidated financial statements for all periods presented. In April 2012, the Company sold three

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

properties in Arkansas and one property in Massachusetts to unrelated third parties (see Footnote 3). Below is a summary of the components of the discontinued operations for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Total revenues	$	$ 185,684	$ 269,932	$ 1,064,093
Expenses:				
Interest expense			(27,104)	
Amortization of deferred financing costs		(2,047)	(1,958)	(6,075)
Gain on sale of assets, net			4,425,246	
Loss on extinguishment of debt			(13,264)	
Other expenses		(1,030,442)	(66,160)	(1,346,629)
Total gains (expenses)		(1,032,489)	4,316,760	(1,352,704)
Discontinued operations	$	$ (846,805)	$ 4,586,692	$ (288,611)
Discontinued operations allocation to noncontrolling interests	$	$ (386,165)	$ 1,791,492	$ (131,632)
Discontinued operations allocation to controlling interests	$	$ (460,640)	$ 2,795,200	$ (156,979)

15. Subsequent Events

On October 31, 2012, Aviv Financing II acquired a property in Wisconsin from an unrelated third party for a purchase price of $7,600,000. The Company financed the purchase through cash.

In November 2012, certain limited partners (including Ari Ryan, one of our directors prior to the completion of this offering, and other members of the estate of Zev Karkomi, one of our co-founders) filed suit in the Circuit Court of Cook County, Illinois against Aviv REIT, the Partnership and Mr. Bernfield alleging that the adjustment described above in Footnote 12 was improper and adding certain fiduciary duty claims against Aviv REIT and Mr. Bernfield in connection with the adjustment and certain equity incentive programs implemented in connection with the investment in the Partnership by Aviv REIT, the terms of which were approved by several of the plaintiffs in the Illinois action. The Company believes that the adjustments were calculated in accordance with the terms of the Partnership s partnership agreement and that the fiduciary duty claims are meritless. In December 2012 we reached an agreement in principle regarding a settlement with the defendant in the Delaware action and the plaintiffs in the Illinois action. The contemplated settlement would result in the release of the Company, the Partnership and Mr. Bernfield in exchange for a partial reallocation of relative distributions among classes of limited partners, which reallocation would be funded by the limited partners that previously received such distributions or offset against distributions otherwise due. No additional amounts would be payable by the Company, the Partnership or Mr. Bernfield and, accordingly, the settlement, if finalized, is not expected to have a material impact on the Company or the Partnership. Additionally, the Company does not believe loss is probable and does not believe an estimate of a range of losses is possible at this time.

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AVIV REIT, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

16. Earnings per Common Share

The following table shows the amounts used in computing our basic and diluted earnings per common share:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Numerator for basic and diluted earnings per share:				
Income from continuing operations attributable to stockholders	$ 1,130,284	$ 631,442	$ 4,149,909	$ 5,069,879
Discontinued operations, net of noncontrolling interests		(460,640)	2,795,200	(156,979)
Net income allocable to stockholders	$ 1,130,284	$ 170,802	$ 6,945,109	$ 4,912,900
Denominator:				
Denominator for basic earnings per share-weighted average shares.	351,261	236,022	322,472	235,207
Effective dilutive securities:				
Stock options	2,411	2,632	2,411	2,632
Denominator for diluted earnings per share adjusted weighted average shares	353,672	238,654	324,883	237,839
Basic earnings per share:				
Income from continuing operations allocable to stockholders	$ 3.22	$ 2.68	$ 12.87	$ 21.55
Discontinued operations, net of noncontrolling interests		(1.95)	8.67	(0.67)
Net income allocable to stockholders	$ 3.22	$ 0.73	$ 21.54	$ 20.88
Diluted earnings per share:				
Income from continuing operations allocable to stockholders	$ 3.20	$ 2.65	$ 12.77	$ 21.32
Discontinued operations, net of noncontrolling interests		(1.93)	8.60	(0.66)
Net income allocable to stockholders	$ 3.20	$ 0.72	$ 21.37	$ 20.66

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30 2012	December 31 2011
Assets		
Real estate investments		
Land	$ 113,563,712	$ 102,925,122
Buildings and improvements	910,201,968	777,249,381
Construction in progress	25,418,749	28,293,083
Assets under direct financing leases	11,015,786	10,916,181
	1,060,200,215	919,383,767
Less accumulated depreciation	(112,807,661)	(96,796,028)
Net real estate investments	947,392,554	822,587,739
Cash and cash equivalents	12,863,141	39,203,727
Straight-line rent receivable, net	35,647,906	29,926,203
Tenant receivables, net	5,623,983	6,007,800
Deferred finance costs, net	15,597,577	13,142,330
Secured loan receivables, net	34,444,718	33,031,117
Other assets	8,923,796	5,864,045
Total assets	$ 1,060,493,675	$ 949,762,961
Liabilities and equity		
Senior notes payable and other debt	$ 664,190,571	$ 600,473,578
Accounts payable and accrued expenses	15,034,146	18,124,167
Tenant security and escrow deposits	17,748,993	15,739,917
Other liabilities	30,038,486	33,167,333
Deferred contribution		35,000,000
Total liabilities	727,012,196	702,504,995
Equity:		
Partners equity	337,599,795	250,555,308
Accumulated other comprehensive loss	(4,118,316)	(3,297,342)
Total equity	333,481,479	247,257,966
Total liabilities and equity	$ 1,060,493,675	$ 949,762,961

See accompanying notes to the consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Revenues				
Rental income	$ 29,583,062	$ 21,761,565	$ 87,171,329	$ 64,947,508
Interest on secured loans and financing lease	860,328	1,224,785	3,543,642	3,876,793
Interest and other income	1,058,580	7,276	1,126,890	840,144
Total revenues	31,501,970	22,993,626	91,841,861	69,664,445
Expenses				
Interest expenses	12,905,768	9,976,486	37,693,597	28,217,549
Depreciation and amortization	6,894,012	5,170,690	19,671,033	14,847,375
General and administrative	3,947,939	3,049,367	11,406,114	8,547,489
Transaction costs	1,286,425	2,609,727	3,507,057	3,421,283
Loss on impairment	1,766,873		6,145,731	
Reserve for uncollectible loan receivables	2,833,419	926,474	6,308,408	1,336,269
Loss on extinguishment of debt				3,806,513
Other expenses	100,088	100,088	300,265	166,814
Total expenses	29,734,524	21,832,832	85,032,205	60,343,292
Income from continuing operations	1,767,446	1,160,794	6,809,656	9,321,153
Discontinued operations		(846,805)	4,586,692	(288,611)
Net income allocable to common units	$ 1,767,446	$ 313,989	$ 11,396,348	$ 9,032,542
Net income allocable to common units	$ 1,767,446	$ 313,989	$ 11,396,348	$ 9,032,542
Unrealized loss on derivative instruments	(39,482)	(4,086,047)	(820,974)	(7,164,043)
Total comprehensive income (loss) allocable to common units	$ 1,727,964	$ (3,772,058)	$ 10,575,374	$ 1,868,499

See accompanying notes to the consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine Months Ended September 30, 2012 (unaudited)

	Partners Equity	Accumulated Other Comprehensive Loss	Total Equity
Balance at January 1, 2012	$ 250,555,308	$ (3,297,342)	$ 247,257,966
Non-cash stock-based compensation	1,229,957		1,229,957
Distributions to partners	(34,581,818)		(34,581,818)
Capital contributions	109,000,000		109,000,000
Unrealized loss on derivative instruments		(820,974)	(820,974)
Net income	11,396,348		11,396,348
Balance at September 30, 2012	$ 337,599,795	$ (4,118,316)	$ 333,481,479

See accompanying notes to the consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ended September 30,	
	2012	**2011**
Operating activities		
Net income	$ 11,396,348	$ 9,032,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,705,142	15,303,737
Amortization of deferred financing costs	2,626,446	1,996,845
Accretion of bond premium	(292,423)	(129,815)
Straight-line rental income, net	(5,922,684)	1,586,497
Rental income from intangible amortization, net	(1,149,423)	(1,044,431)
Non-cash stock-based compensation	1,229,957	1,598,715
Gain on sale of assets, net	(4,425,246)	
Non-cash loss on extinguishment of debt	13,264	3,806,513
Loss on impairment of assets	6,145,731	858,916
Reserve for uncollectible loan receivables	6,308,408	1,250,113
Accretion of earn-out provision for previously acquired real estate investments	300,265	166,814
Changes in assets and liabilities:		
Tenant receivables	(2,911,903)	(6,685,920)
Other assets	(3,560,710)	2,070,268
Accounts payable and accrued expenses	(4,676,099)	95,433
Tenant security deposits and other liabilities	(1,277,789)	580,951
Net cash provided by operating activities	23,509,284	30,487,178
Investing activities		
Purchase of real estate investments	(133,998,037)	(80,719,101)
Sale of real estate investments	30,542,644	
Capital improvements	(10,458,200)	(5,780,565)
Development projects	(21,238,457)	(11,519,836)
Secured loan receivables received from others	14,797,338	13,868,564
Secured loan receivables funded to others	(17,146,086)	(7,611,840)
Net cash used in investing activities	(137,500,798)	(91,762,758)

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(unaudited)

	Nine Months Ended September 30, 2012	2011
Financing activities		
Borrowings of debt	$ 224,761,094	$ 328,932,727
Repayment of debt	(172,211,473)	(243,892,020)
Payment of financing costs	(5,143,395)	(9,429,792)
Capital contributions	109,000,000	10,419,757
Deferred contribution	(35,000,000)	
Cash distributions to partners	(33,755,298)	(32,788,381)
Net cash provided by financing activities	87,650,928	53,242,291
Net (decrease) increase in cash and cash equivalents	(26,340,586)	(8,033,289)
Cash and cash equivalents:		
Beginning of period	39,203,727	13,028,474
End of period	$ 12,863,141	$ 4,995,185
Supplemental cash flow information		
Cash paid for interest	$ 41,967,088	$ 25,080,857
Supplemental disclosure of noncash activity		
Accrued distributions payable to partners	$ 14,150,846	$ 10,193,730
Earn-out accrual and addition to real estate investments	$	$ 3,332,745
Write-off of straight-line rent receivable	$ 567,745	$ 6,785,132
Write-off of in-place lease intangibles, net	$ 48,554	$ 35,536
Write-off of deferred financing costs, net	$ 13,264	$ 3,806,513
Assumed debt	$ 11,459,794	$

See accompanying notes to consolidated financial statements.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Description of Operations and Formation

Aviv Healthcare Properties Limited Partnership, a Delaware limited partnership, and Subsidiaries (the Partnership) directly or indirectly owned or leased 250 properties, principally skilled nursing facilities, across the United States at September 30, 2012. The Partnership generates the majority of its revenues by entering into long-term triple-net leases with qualified local, regional, and national operators. All operating and maintenance costs and related real estate taxes of the buildings are the responsibility of the operators. Substantially all depreciation expense reflected in the consolidated statements of operations and comprehensive income 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.

The predecessor of the Partnership was formed in 2005. 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 are held by the Operating Partnership and its subsidiaries. The REIT s equity interest in the Surviving Partnership is 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, 2012, there were 358,685 shares of common stock and 125 shares of preferred stock outstanding.

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, were contributed to the Partnership in September 2010 in exchange for Class G Units in the Partnership. An additional $75 million was contributed by the REIT s stockholders during 2011, of which $35 million was recognized as a contribution in January 2012. Additionally, the REIT s stockholders contributed $40 million and $34 million on March 28, 2012 and July 24, 2012, respectively. As of September 30, 2012, the REIT owned 64.46% of the Partnership and the weighted average for the three and nine months ended September 30, 2012 and 2011 were 63.95%, 61.85%, 54.4% and 54.4%, respectively.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 comprehensive income, and such parties portion of the net equity in such subsidiaries is reported on the consolidated balance sheets as noncontrolling interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Quarterly Reporting

The accompanying unaudited financial statements and notes of the Partnership as of September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011 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 and comprehensive income, 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, 2011, 2010, and 2009. The consolidated statements of operations and comprehensive income and cash flows for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of full year results.

The balance sheet at December 31, 2011 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 Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission.

Real Estate Investments

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

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

determined by using customary industry standard methods that include discounted cash flow and/or direct capitalization analysis (Level 3) or estimated cash proceeds received upon the anticipated disposition of the asset from market comparables (Level 2). As part of the impairment evaluation for the three months ended September 30, 2012, buildings in Youngstown, AZ, Zion, IL, and Bremerton, WA were impaired for $1,076,704, $540,000, and $150,169, respectively. These impairments were taken upon anticipated disposition of these assets. As part of the impairment evaluation for the nine months ended September 30, 2012, buildings in Youngstown, AZ, Fall River, MA, West Chester, OH, Cincinnati, OH, Zion, IL, and Bremerton, WA were impaired for $1,634,700, $141,204, $3,129,658, $90,000, $1,000,000, and $150,169, respectively, to reflect the estimated fair value (Level 2). As part of 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 fair value (Level 2), and is included in discontinued operations.

Revenue Recognition

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Cash rental income, net	$ 27,368,706	$ 22,958,679	$ 80,099,222	$ 65,276,702
Straight-line rental income (loss)	1,802,440	(1,517,152)	5,922,684	(1,373,625)
Rental income from intangible amortization	411,916	320,038	1,149,423	1,044,431
Total rental income	$ 29,583,062	$ 21,761,565	$ 87,171,329	$ 64,947,508

During the three months ended September 30, 2012 and 2011, straight-line rental income (loss) includes a write-off of straight-line rent receivable of $0 and $3,165,518, respectively, and for the nine months ended September 30, 2012 and 2011, $567,745 and $6,446,893, respectively, due to the early termination of leases and replacement of operators.

The Partnership s reserve for uncollectible tenant receivables is reflected in total rental income. The amount incurred during the three months ended September 30, 2012 and 2011 was $771,211 and $27,298, respectively, and for the nine months ended September 30, 2012 and 2011 was $2,512,528, and $53,019, respectively.

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

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life of the facilities, the existence of a bargain purchase option, and certain other terms in the lease agreements. 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. The Partnership currently has one direct financing lease with a carrying value of $11,015,786 as of September 30, 2012. Principal amortization (accretion) is reflected as an adjustment to the asset. Such accretion was $32,264 and $33,832 for the three months ended September 30, 2012 and 2011, respectively, and $99,606 and $104,044 for the nine months ended September 30, 2012 and 2011, respectively.

Secured Loan Receivables

Secured loan receivables consist of capital improvement loans to operators and secured loans to operators. Capital improvement loans represent the financing provided by the Company to the operator for furniture, fixtures, and equipment while the operator is operating the facility. Secured loans to operators represent financing provided by the Company to operators for working capital needs and mortgage loans. Secured loan receivables are carried at their principal amount outstanding. Management periodically evaluates outstanding loans and notes receivable for collectability on a loan-by-loan basis. When management identifies potential loan impairment indicators, such as nonpayment under the loan documents, impairment of the underlying collateral, financial difficulty of the operator, or other circumstances that may impair full execution of the loan documents, and management believes it is probable that all amounts will not be collected under the contractual terms of the loan, the loan is written down to the present value of the expected future cash flows. Loan impairment is monitored via a quantitative and qualitative analysis including credit quality indicators and it is reasonably possible that a change in estimate could occur in the near term. No other circumstances exist that would suggest that additional reserves are necessary at the balance sheet dates other than as disclosed in Footnote 4.

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 and comprehensive income 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, 2012 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.

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

Effective January 1, 2012, companies are required to separately disclose the amounts and reasons for any transfers of assets and liabilities into and out of Level 1 and Level 2 of the fair value hierarchy. For fair value measurements using significant unobservable inputs (Level 3), companies are required to disclose quantitative information about the significant unobservable inputs used for all Level 3 measurements and a description of the Partnership s valuation processes in determining fair value. In addition, companies are required to provide a qualitative discussion about the sensitivity of recurring Level 3 measurements to changes in the unobservable inputs disclosed, including the interrelationship between inputs. Companies are also required to disclose information about when the current use of a non-financial asset measured at fair value differs from its highest and best use and the hierarchy classification for items whose fair value is not recorded on the balance sheet but is disclosed in the notes. This does not have a material effect on the Partnership s consolidated results of operations or financial position.

The Partnership s interest rate swaps are valued using models developed by the respective counterparty that use as their basis readily observable market parameters and are classified within Level 2 of the valuation hierarchy. See Footnote 11 for further discussion.

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 senior notes and other notes payable with a carrying value of approximately $664.2 million and $600.5 million as of September 30, 2012 and December 31, 2011, respectively. The fair value of this debt as of September 30, 2012 was $680.1 million and as of December 31, 2011 was $597.7 million 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 $34.4 million and $33.0 million as of September 30, 2012 and December 31, 2011, respectively. The fair values of loan receivables as of September 30, 2012 and as of December 31, 2011 approximate their carrying values based upon interest rates available to the Partnership on similar borrowings (Level 3).

Derivative Instruments

In the normal course of business, a variety of financial instruments may be used to manage or hedge interest rate risk. 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 embedded in other contracts, be recorded as either assets or liabilities 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 and comprehensive income 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 comprehensive income within the consolidated statement of changes in equity, exclusive of ineffectiveness amounts, which are recognized as adjustments to net income. In November 2010, the Partnership entered into two interest rate swaps and accounts for changes in fair value of such hedges through

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

accumulated comprehensive (loss) income in equity and in the consolidated statements of operations and comprehensive income 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, 2012 or December 31, 2011.

Business Combinations

The Partnership applies ASC 805, *Business Combinations* (ASC 805), in determining how to account for and identify business combinations by allocating fair value to tangible and identified intangible assets acquired and liabilities assumed using market comparables and operating results (Level 3). Acquisition related costs are expensed as incurred.

Discontinued Operations

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

Reclassifications

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

3. Real Estate Investment Activity

The Partnership had the following rental property activity during the nine months ended September 30, 2012 as described below:

In January 2012, Aviv Financing II acquired a land parcel in Ohio from an unrelated third party for a purchase price of $275,000. The Partnership financed this purchase through cash.

In March 2012, Aviv Financing I acquired a property in Nevada from an unrelated third party for a purchase price of approximately $4,800,000. The Partnership financed this purchase through cash and borrowings of $3,339,000 under the Acquisition Credit Line (see Footnote 7).

In March 2012, Aviv Financing I acquired a property in Ohio from an unrelated third party for a purchase price of approximately $2,500,000. The Partnership financed this purchase through cash and borrowings of $1,750,000 under the Acquisition Credit Line (see Footnote 7).

In March 2012, Aviv Financing I acquired seven properties in Iowa and one property in Nebraska from an unrelated third party for a purchase price of approximately $16,200,000. The Partnership financed this purchase through cash and borrowings of $10,360,000 under the Acquisition Credit Line (see Footnote 7).

In April 2012, Aviv Financing V acquired fifteen properties in Texas from an unrelated third party for a purchase price of $72,700,000. The Partnership financed the purchase through cash and borrowings of $37,500,000 under the 2016 Revolver (see Footnote 7).

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In April 2012, Aviv Financing I acquired one property in Florida from an unrelated third party for a purchase price of $4,936,000. The Partnership financed the purchase through cash and borrowings of $3,455,200 under the Acquisition Credit Line (see Footnote 7).

In April 2012, Aviv Financing II sold two properties in Arkansas to an unrelated third party for a sales price of $10,180,000 and recognized a net gain of approximately $438,000.

In April 2012, Aviv Financing III sold a property in Arkansas to an unrelated third party for a sales price of $17,100,000 and recognized a net gain of approximately $4,306,300.

In April 2012, Aviv Financing II sold a property in Massachusetts to an unrelated third party for a sales price of $7,500,000, and recognized a net loss of approximately $319,000.

In May 2012, Aviv Financing V acquired one property in Wisconsin from an unrelated third party for a purchase price of $2,500,000. The Partnership financed the purchase through cash and borrowings of $1,750,000 under the 2016 Revolver (see Footnote 7).

In May 2012, Aviv Financing V acquired one vacant land parcel in Texas from an unrelated third party for a purchase price of $60,000. The Partnership financed the purchase through cash.

In June 2012, Aviv Financing III acquired a property in Connecticut from an unrelated third party for a purchase price of $16,000,000. The Partnership financed the purchase through the assumption of the seller s loan of approximately $11,460,000 and cash.

In July 2012, Aviv Financing II acquired a property in Indiana from an unrelated third party for a purchase price of $8,400,000. The Partnership financed the purchase through cash.

In August 2012, Aviv Financing II acquired a property in Idaho from an unrelated third party for a purchase price of $6,000,000. The Partnership financed the purchase through cash.

In September 2012, Aviv Financing II acquired a property in California from an unrelated third party for a purchase price of approximately $1,162,000. The Partnership financed the purchase through cash.

In September 2012, Aviv Financing V acquired a property in Kentucky from an unrelated third party for a purchase price of approximately $9,925,000. The Partnership financed the purchase through borrowings under the 2016 Revolver (see Footnote 7).

The following table illustrates the effect on total revenues and net income as if we had consummated the acquisitions as of January 1, 2011 (unaudited):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Total revenues	$ 31,859,869	$ 29,797,223	$ 97,022,719	$ 81,549,130
Net income	2,349,352	3,385,156	15,272,641	14,608,267

During the three and nine months ended September 30, 2012, revenues attributable to the acquired assets were approximately $3.7 million and $6.9 million, respectively, and net income attributable to the acquired assets was approximately $1.4 million and $1.9 million, respectively, recognized in the consolidated statements of operations and comprehensive income.

Transaction-related costs are not expected to have a continuing significant impact on our financial results and therefore have been excluded from these proforma results.

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Related to the above business combinations, the Partnership incurred $1,422,993 of transaction costs for the nine months ended September 30, 2012. In accordance with ASC 805, the Partnership allocated the approximate purchase price paid for these properties acquired in 2012 as follows:

Land	$ 14,388,150
Buildings and improvements	118,831,952
Furniture, fixtures, and equipment	12,237,729
Mortgages and other notes	(11,459,794)
Total	$ 133,998,037

The following summarizes the Partnership s construction in progress at:

	September 30, 2012	December 31, 2011
Beginning Balance, January 1, 2012 and 2011, respectively	$ 28,293,083	$ 2,580,110
Additions	21,494,924	25,712,973
Sold/withdrawn projects	(8,035,194)	
Placed in service	(16,334,064)	
	$ 25,418,749	$ 28,293,083

During 2012 and 2011, the Partnership capitalized expenditures for improvements related to various development projects. In 2012, the Partnership placed into service three additions and two remodels to three properties located in Washington. In accordance with ASC 835 *Capitalization of Interest* (ASC 835), the Partnership capitalizes interest based on the average cash balance of construction in progress for the period using the weighted-average interest rate on all outstanding debt, which approximated 7.0% for the three and nine months ended September 30, 2012. The balance of capitalized interest within construction in progress at September 30, 2012 and December 31, 2011 was $781,988 and $682,273, respectively. The amount capitalized during the three months ended September 30, 2012, and 2011, relative to interest incurred was $345,169 and $174,147, respectively, and during the nine months ended September 30, 2012 and 2011, relative to interest incurred was $848,379, and $320,090, respectively. Interest capitalization ceases when the assets are available to be placed in service.

4. Secured Loan Receivables

The following summarizes the Partnership s secured loan receivables, net, at:

	September 30, 2012		
	Capital Improvement Loan Receivables	Secured Operator Loan Receivables	Total Secured Loan Receivables

Beginning balance, January 1, 2012	$ 13,605,932	$ 19,425,185	$ 33,031,117
New loans issued	5,308,695	11,837,391	17,146,086
Reserve for uncollectible secured loans		(4,910,052)	(4,910,052)
Loan amortization, repayments and other	(2,597,203)	(8,225,230)	(10,822,433)
	$ 16,317,424	$ 18,127,294	$ 34,444,718

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Interest income on secured loans and financing leases for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Capital improvement loan receivable	$ 354,089	$ 254,470	$ 1,024,727	$ 916,455
Secured operator loan receivables	145,938	614,459	1,441,212	1,896,114
Direct financing lease	360,301	355,856	1,077,703	1,064,224
Total interest income	$ 860,328	$ 1,224,785	$ 3,543,642	$ 3,876,793

The Partnership s reserve on a loan-by-loan basis for uncollectible secured loan receivables balances at September 30, 2012 and December 31, 2011 was $7,086,201 and $2,176,149, respectively and any movement in the reserve is reflected in reserve for uncollectible loan receivables in the consolidated statements of operations and comprehensive income. The gross balance of secured loan receivables for which a reserve on a loan-by-loan basis for uncollectible secured loan receivables has been applied was approximately $12.6 million and $8.9 million at September 30, 2012 and December 31, 2011, respectively.

During 2012 and 2011, the Partnership funded loans for both working capital and capital improvement purposes to various operators. All loans held by the Partnership accrue interest and are recorded as interest income unless the loan is deemed impaired in accordance with company policy. The payments received from the operator cover both interest accrued as well as amortization of the principal balance due. Any payments received from the operator made outside of the normal loan amortization schedule are considered principal prepayments and reduce the outstanding secured loan receivables balance.

5. Deferred Finance Costs

The following summarizes the Partnership s deferred finance costs at:

	September 30, 2012	December 31, 2011
Gross amount	$ 21,023,282	$ 15,952,760
Accumulated amortization	(5,425,705)	(2,810,430)
Net	$ 15,597,577	$ 13,142,330

For the three and nine months ended September 30, 2012, the Partnership wrote-off deferred financing costs of $0 and $24,436, respectively, and $0 and $11,172 of accumulated amortization associated with the Construction Loan (see Footnote 7) pay down.

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

6. Lease Intangibles

The Partnership considers renewals on above or below market leases when ascribing value to the in-place lease intangible assets and liabilities, respectively, at the date of a property acquisition. Upon acquisition of a property with a future lease renewal option, the Partnership may record an additional lease intangible asset or liability. In those instances where the renewal lease rate does not adjust to a current market rent, the Partnership evaluates the probability of renewal based upon the past and current operations of the property, the current rent coverage ratio of the operator, and the number of years until potential renewal option exercise. If renewal is

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considered probable and the stated renewal rate is above or below current market rates, an additional lease intangible asset or liability, respectively, is recorded at acquisition and amortized over the renewal period.

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

	Assets					
	September 30, 2012			December 31, 2011		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Above market leases	$ 7,501,851	$ (3,778,671)	$ 3,723,180	$ 7,501,851	$ (3,339,335)	$ 4,162,516
In-place lease assets	651,730	(48,880)	602,850	651,730		651,730
Tenant relationship	212,416	(12,745)	199,671	212,416		212,416
	$ 8,365,997	$ (3,840,296)	$ 4,525,701	$ 8,365,997	$ (3,339,335)	$ 5,026,662

	Liabilities					
	September 30, 2012			December 31, 2011		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Below market leases	$ 26,320,395	$ (16,312,897)	$ 10,007,498	$ 26,525,395	$ (14,929,137)	$ 11,596,258

Amortization expense for in-place lease assets and tenant relationship was $20,542 and $0 for the three months ended September 30, 2012 and 2011, respectively, and $61,625 and $0 for the nine months ended September 30, 2012 and 2011, respectively, and is included as a component of depreciation and amortization in the consolidated statements of operations and comprehensive income. Amortization expense for the above market leases intangible asset for the three months ended September 30, 2012 and 2011 was $146,445 and $161,142, respectively, and for the nine months ended September 30, 2012 and 2011 was $439,336 and $483,427, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income. Accretion for the below market leases intangible liability for the three months ended September 30, 2012 and 2011 was $515,199 and $516,566, respectively, and for the nine months ended September 30, 2012 and 2011 was $1,504,206 and $1,563,243, respectively, and is included as a component of rental income in the consolidated statements of operations and comprehensive income.

For the nine months ended September 30, 2012 and 2011, the Partnership wrote-off above market leases of $0 and $933,369 with accumulated amortization of $0 and $338,587, respectively, and below market leases of $205,000 and $1,435,000 with accumulated accretion of $156,446 and $875,603, respectively, for a net recognition of $48,554 and $35,385, respectively, 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.

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7. Senior Notes Payable and Other Debt

The Partnership s senior notes payable and other debt consisted of the following:

	September 30, 2012	December 31, 2011
Senior Notes (interest rate of 7.75% on September 30, 2012 and December 31, 2011, respectively), inclusive of $3.3 million and $2.6 million net premium balance on September 30, 2012 and December 31, 2011, respectively	$ 403,282,714	$ 302,552,127
Term Loan (interest rate of 5.75% on September 30, 2012 and December 31, 2011, respectively)	194,064,946	196,943,393
Acquisition Credit Line (interest rate of 5.75% on September 30, 2012 and December 31, 2011, respectively)	18,925,200	72,216,570
Construction loan (interest rate of 5.95% on December 31, 2011)		6,073,802
2016 Revolver (interest rate of 5.25% on September 30, 2012)	26,368,589	
2014 Revolver (interest rate of 6.50% on September 30, 2012 and December 31, 2011, respectively)		15,000,000
Acquisition loans (interest rate of 6.00% on September 30, 2012 and December 31, 2011, respectively)	7,611,232	7,687,686
HUD loan (interest rate of 5.00% on September 30, 2012) inclusive of $2.5 million premium balance on September 30, 2012	13,937,890	
Total	$ 664,190,571	$ 600,473,578

Senior Notes

On February 4, 2011, April 5, 2011, and March 28, 2012, Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers) issued $200 million, $100 million, and $100 million of 7 $^{3}/_{4}$ % Senior Notes due 2019 (the Senior Notes), respectively. The Company 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. A premium of $2.75 million and $1.00 million was associated with the offering of the $100 million of Senior Notes on April 5, 2011 and the $100 million of Senior Notes on March 28, 2012, respectively. The premium will be amortized as an adjustment to the yield on the Senior Notes over their term. The Partnership used the proceeds, amongst other things, to pay down approximately $87.7 million of the Acquisition Credit Line, $5.5 million of the 2016 Revolver and $6.1 million of the Construction Loan during 2012 and $201.6 million on the Term Loan and the balance of $28.7 million on the Acquisition Credit Line during 2011.

Term Loan

Principal payments on the Term Loan are payable in monthly installments beginning on November 1, 2010. The payment schedule for the Term Loan is based upon a 25-year mortgage style amortization as defined in the Credit Agreement. Interest rates, at the Partnership s option, are based upon the base rate or Eurodollar base rate (0.46% and 0.37% at September 30, 2012 and December 31, 2011, respectively, with a 1.25% floor)

plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . This loan matures in September 2015 and has two one-year extensions. As a result of swaps with a notional amount of $200 million (see Footnote 11), the Company s variable interest rate on such notional amount is fixed at 6.49%.

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

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The Acquisition Credit Line

Under the Credit Agreement, the Partnership also has a $100 million Acquisition Credit Line. On each payment date, the Partnership shall pay interest only in arrears on any outstanding principal balance of the Acquisition Credit Line. Interest rates, at the Partnership s option, are based upon the base rate or Eurodollar base rate (0.46% and 0.37% at September 30, 2012 and December 31, 2011, respectively, with a 1.25% floor) plus 4.5%. The base rate, as defined in the Credit Agreement, is the rate announced from time to time by Bank of America, N.A. as its prime rate . Additionally, an unused fee equal to 1% per annum of the daily unused balance on the Acquisition Credit Line is due monthly.

The Partnership incurred $679,767 in prepayment penalties associated with an $87.7 million pay down in March 2012, which is recognized as interest expense in the consolidated statements of operations and comprehensive income. The ability to draw on the Acquisition Credit Line terminates in September 2013 at which time principal and interest are payable until its maturity date in September 2015. The Acquisition Credit Line had an outstanding balance of $18.9 million as of September 30, 2012.

2014 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 2014 Revolver). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the 2014 Revolver. The interest rate under the Partnership s 2014 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, 2012 the interest rates are based upon the base rate 3.25% at September 30, 2012 and December 31, 2011, respectively) plus the applicable percentage based on the consolidated leverage ratio (3.25% at September 30, 2012 and December 31, 2011, respectively). 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 with a one-year extension option, provided that certain conditions precedent are satisfied. On January 23, 2012, the outstanding balance was repaid and the properties securing the 2014 Revolver were released. However, the 2014 Revolver remains effective, and we may add properties to Aviv Financing IV, LLC in the future, thereby creating borrowing availability under the facility.

2016 Revolver

On January 31, 2012, the Partnership, under Aviv Financing V, L.L.C., entered into a $187.5 million secured revolving credit facility (the 2016 Revolver). On each payment date, the Partnership pays interest only in arrears on any outstanding principal balance of the 2016 Revolver. The interest rate under our 2016 Revolver is generally based on LIBOR (subject to a floor of 1.0%) plus 4.25%. The initial term of 2016 Revolver expires in January 2016 with a one-year extension option, provided that certain conditions precedent are satisfied. The amount of the 2016 Revolver may be increased by up to $87.5 million (resulting in total availability of up to $275 million), provided that certain conditions precedent are satisfied. The 2016 Revolver had an outstanding balance of $26.4 million as of September 30, 2012.

Other Loans

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

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

On November 12, 2010, a subsidiary of Aviv Financing III entered into a construction loan agreement that provides for borrowings up to $6.4 million. Interest-only payments at the prime rate (3.25% at December 31, 2011) plus 0.38%, or a minimum of 5.95%, are due monthly from December 1, 2010 through April 1, 2012. The loan was repaid on March 28, 2012.

On June 15, 2012, a subsidiary of Aviv Financing III assumed a HUD loan with a balance of approximately $11.5 million. Interest is at a fixed rate of 5.00%. The loan originated in November 2009 with a maturity date of October 1, 2044, and is based on a 40-year amortization schedule. The Partnership is obligated to pay the remaining principal and interest payments of the loan. A premium of $2.5 million was associated with the assumption of debt and will be amortized as an adjustment to interest expense on the HUD loan over its term.

8. Partnership Equity and Officer Incentive Program

Distributions accrued in accordance with declaration to the Partnership s partners are summarized as follows for the three months ended September 30:

	Class A	Class B	Class C	Class D	Class F	Class G
2012	$ 2,068,318	$ 532,817	$ 799,225	$	$ 553,761	$ 7,177,586
2011	$ 1,683,430	$ 809,605	$ 1,599,295	$	$ 553,761	$ 5,547,638

Distributions accrued in accordance with declaration to the Partnership s partners are summarized as follows for the nine months ended September 30:

	Class A	Class B	Class C	Class D	Class F	Class G
2012	$ 6,204,954	$ 1,697,303	$ 2,268,373	$	$ 1,661,283	$ 21,046,074
2011	$ 5,050,290	$ 2,702,588	$ 4,823,658	$	$ 1,661,283	$ 16,996,392

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

	Class A	Class B	Class C	Class D	Class F	Class G
2012	13,467,223	4,523,145	2	8,050	2,684,900	351,261
2011	13,467,223	4,523,145	2	8,050	2,684,900	236,022

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

	Class A	Class B	Class C	Class D	Class F	Class G

2012	13,467,223	4,523,145	2	8,050	2,684,900	322,472
2011	13,467,223	4,523,145	2	8,050	2,684,900	235,207

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 months ended September 30, 2012 and 2011 was $101,500 and $101,500, respectively and for the nine months ended September 30, 2012 and 2011 was $304,500 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 settled on December 31, 2010. The remaining 40% vested 20% on December 31, 2011 and 20% will vest on December 31, 2012, and will settle in 2018, subject to the terms and conditions of the amended incentive program agreement.

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 and comprehensive income 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 $337,699,811 and $(100,016) at September 30, 2012, 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 $243,579,151 and $6,976,157 at December 31, 2011, respectively.

9. Option Awards

On September 17, 2010, the Company adopted the Plan as part of the Merger transaction, which provides for option awards. Two thirds of the options granted are performance based awards whose criteria for vesting is tied to a future liquidity event (as defined) and also contingent upon meeting certain return thresholds (as defined). At this time the Company does not believe vesting is probable and therefore has not recorded any expense in the September 30, 2012 or 2011 consolidated financial statements in accordance with ASC 718. The grant date fair value associated with all performance based award options of the Company aggregates to approximately $7.8 million and $3.4 million as of September 30, 2012 and 2011, respectively. One third of the options granted were time based awards and the service period for these options is four years with shares vesting at a rate of 25% ratably from the grant date.

The following table represents the time based option awards activity for the three and nine months ended September 30, 2012 and 2011.

	Nine months ended	
	September 30, 2012	**September 30, 2011**
Outstanding at January 1, 2012 and 2011	23,476	21,866
Granted	8,934	456
Exercised		
Cancelled/Forfeited	(2,683)	
Outstanding at March 31, 2012 and 2011	29,727	22,322
Granted	910	
Exercised		
Cancelled/Forfeited		
Outstanding at June 30, 2012 and 2011	30,637	22,322
Granted	1,777	
Exercised		
Cancelled/Forfeited		
Outstanding at September 30, 2012 and 2011	32,414	22,322

Options exercisable at end of period		
Weighted average fair value of options granted to date (per option)	$ 132.93	$ 109.37
Weighted average remaining contractual life (years)	8.55	8.97

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

The following table represents the time based option awards outstanding at September 30, 2012 and 2011 as well as other Plan data:

	2012	2011
Range of exercise prices	$1,000 $1,138	$ 1,000 $1,124
Outstanding	32,414	22,322
Remaining contractual life (years)	8.55	8.98
Weighted average exercise price	$ 1,052	$ 1,004

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 2012 and 2011.

	2012 Grants	2011 Grants
Weighted dividend yield	7.54%	9.16%
Weighted risk-free interest rate	1.31%	2.72%
Weighted expected life	7.0 years	7.0 years
Weighted estimated volatility	38.24%	38.00%
Weighted average exercise price	$ 1,133.69	$ 1,124.22
Weighted average fair value of options granted (per option)	$ 173.96	$ 149.09

The Partnership recorded non-cash compensation expenses of $411,760 and $329,889 for the three months ended September 30, 2012 and 2011, respectively, and $925,457 and $936,256 for the nine months ended September 30, 2012 and 2011, respectively, related to the time based stock options accounted for as equity awards.

At September 30, 2012, 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 $2,042,000.

For the year ended December 31,	Options
2012	$ 358,024
2013	971,210
2014	490,052
2015	188,783
2016	33,662
Total	$ 2,041,731

Dividend equivalent rights associated with the Plan amounted to $664,426 and $524,567 for the three months ended September 30, 2012 and 2011, respectively, and $1,908,991 and $1,607,181 for the nine months ended September 30, 2012 and 2011, respectively and are recorded as dividends to stockholders for the periods presented. These dividend rights are 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

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

entities controlled by affiliates of the Partnership s management. An officer of the Partnership received a loan of $311,748, which was paid off in full as of September 30, 2011. There were no related party receivables or payables as of September 30, 2012, other than amounts owed from the Partnership to the REIT for accrued distributions.

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, 2012, the Partnership was 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 Term Loan 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)
Floor rate	1.25%
Effective date	November 9, 2010
Termination date	September 17, 2015
Asset balance at September 30, 2012 (included in other assets)	$
Asset balance at December 31, 2011 (included in other assets)	$
Liability balance at September 30, 2012 (included in other liabilities)	$(4,118,316)
Liability balance at December 31, 2011 (included in other liabilities)	$(3,297,342)

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, 2012 (dollars in thousands):

	Total Carrying Value at September 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets	$	$	$	$
Derivative liabilities	(4,118)		(4,118)	
	$ (4,118)	$	$ (4,118)	$

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. 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.

12. Commitments and Contingencies

The Partnership had a contractual arrangement with an operator to reimburse quality assurance fees levied by the California Department of Health Care Services from August 1, 2005 through July 31, 2008. The

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

Partnership was obligated to reimburse the fees to the operator if and when the state withheld these fees from the operator s Medi-Cal reimbursements associated with 5 facilities that were formerly leased to Trinity Health Systems. The total possible obligation for these fees was $1.4 million, which the Partnership has paid. Judicial proceedings initiated by the Partnership seeking declaratory relief for these fees were settled on July 24, 2012 which provided for recovery of such amounts from the State of California. The approximate settlement of $756,000 is recognized in interest and other income.

During 2011, the Partnership entered into a contractual arrangement with an operator in one of its facilities to reimburse any liabilities, obligations or claims of any kind or nature resulting from the actions of the former operator in such facility, Brighten Health Care Group. The Partnership is obligated to reimburse the fees to the operator if and when the operator incurs such expenses associated with certain Indemnified Events, as defined therein. The total possible obligation for these fees is estimated to be $2.3 million, of which approximately $1.8 million has been paid to date. The remaining $0.5 million was accrued as a component of other liabilities in the consolidated balance sheets.

In late 2011, after a dispute with certain of its limited partners, the Partnership filed a declaratory judgment motion in the Delaware Chancery Court seeking confirmation that an adjustment to the distributions of cash flows of the Partnership was made in accordance with the partnership agreement following the investment in the Partnership by Aviv REIT and related financing transactions. The dispute relates to the relative distributions among classes of limited partners that existed prior to the investment by Aviv REIT.

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

13. Concentration of Credit Risk

As of September 30, 2012, the Partnership s real estate investments included 250 healthcare facilities, located in 29 states and operated by 37 third party operators. At September 30, 2012, approximately 54.0% (measured as a percentage of total assets) were leased by five private operators: Saber Health Group (14.4%), Daybreak Healthcare (14.1%), Evergreen Healthcare (10.1%), Maplewood Senior Living (8.0%), and Sun Mar Healthcare (7.4%). No other operator represents more than 6.6% of our total assets. The five states in which the Partnership had its highest concentration of total assets were Texas (17.3%), California (16.0%), Connecticut (8.0%), Ohio (7.9%) and Pennsylvania (6.7%) at September 30, 2012.

For the nine months ended September 30, 2012, the Partnership s rental income from continuing operations totaled approximately $87.2 million of which approximately $14.0 million was from Daybreak Healthcare (16.0%), $12.7 million was from Saber Health Group (14.5%), $9.1 million was from Evergreen Healthcare (10.4%), $7.2 million was from Sun Mar Healthcare (8.3%), and $6.2 million was from Benchmark Healthcare (7.1%). No other operator generated more than 6.2% of the Company s rental income from operations for the nine months ended September 30, 2012.

14. Discontinued Operations

ASC 205-20 requires that the operations and associated gains and/or losses from the sale or planned disposition of components of an entity, as defined, be reclassified and presented as discontinued operations in the Partnership s consolidated financial statements for all periods presented. In April 2012, the Partnership sold three

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

properties in Arkansas and one property in Massachusetts to unrelated third parties (see Footnote 3). Below is a summary of the components of the discontinued operations for the respective periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Total revenues	$	$ 185,684	$ 269,932	$ 1,064,093
Expenses:				
Interest expense			(27,104)	
Amortization of deferred financing costs		(2,047)	(1,958)	(6,075)
Gain on sale of assets, net			4,425,246	
Loss on extinguishment of debt			(13,264)	
Other expenses		(1,030,442)	(66,160)	(1,346,629)
Total gains (expenses)		(1,032,489)	4,316,760	(1,352,704)
Discontinued operations	$	$ (846,805)	$ 4,586,692	$ (288,611)

15. Subsequent Events

On October 31, 2012, Aviv Financing II acquired a property in Wisconsin from an unrelated third party for a purchase price of $7,600,000. The Partnership financed the purchase through cash.

In November 2012, certain limited partners (including Ari Ryan, one of our directors prior to the completion of this offering, and other members of the estate of Zev Karkomi, one of our co-founders) filed suit in the Circuit Court of Cook County, Illinois against Aviv REIT, the Partnership and Mr. Bernfield alleging that the adjustment described above in Footnote 12 was improper and adding certain fiduciary duty claims against Aviv REIT and Mr. Bernfield in connection with the adjustment and certain equity incentive programs implemented in connection with the investment in the Partnership by Aviv REIT, the terms of which were approved by several of the plaintiffs in the Illinois action. The Partnership believes that the adjustments were calculated in accordance with the terms of the Partnership s partnership agreement and that the fiduciary duty claims are meritless. In December 2012 we reached an agreement in principle regarding a settlement with the defendant in the Delaware action and the plaintiffs in the Illinois action. The contemplated settlement would result in the release of Aviv REIT, the Partnership and Mr. Bernfield in exchange for a partial reallocation of relative distributions among classes of limited partners, which reallocation would be funded by the limited partners that previously received such distributions or offset against distributions otherwise due. No additional amounts would be payable by Aviv REIT, the Partnership or Mr. Bernfield and, accordingly, the settlement, if finalized, is not expected to have a material impact on Aviv REIT or the Partnership. Additionally, the Partnership does not believe loss is probable and does not believe an estimate of a range of losses is possible at this time.

16. Condensed Consolidating Information

The REIT and certain of the Partnership s direct and indirect wholly owned subsidiaries (the Subsidiary Guarantors and Subordinated 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, April 2011, and March 2012. The Senior Notes were issued by Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation (the Issuers). 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 Subsidiary Guarantors or Subordinated Subsidiary 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, 2012 and December 31, 2011 and for the three and nine months ended September 30, 2012 and 2011:

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2012

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Net real estate investments	$	$ 512,126,429	$ 408,523,795	$ 26,742,330	$	$ 947,392,554
Net cash and cash equivalents	13,747,931	(1,263,985)	21,639	357,556		12,863,141
Deferred financing costs, net	9,333,510		6,250,590	13,477		15,597,577
Other	18,686,603	33,791,964	29,094,624	3,067,212		84,640,403
Investment in and due from related parties, net	712,074,994	(24,669,301)	(428,964,715)	(2,551,327)	(255,889,651)	
Total assets	$ 753,843,038	$ 519,985,107	$ 14,925,933	$ 27,629,248	$ (255,889,651)	$ 1,060,493,675
Liabilities and equity						
Secured notes payable and other debt	$ 403,282,714	$	$ 239,358,735	$ 21,549,122	$	$ 664,190,571
Due to related parties	7,825,326					7,825,326
Tenant security and escrow deposits	50,000	8,902,393	8,391,334	405,266		17,748,993
Accounts payable and accrued expenses	4,900,004	7,099,167	2,987,375	47,600		15,034,146
Other liabilities	4,303,515	4,809,080	13,100,565			22,213,160
Total liabilities	420,361,559	20,810,640	263,838,009	22,001,988		727,012,196
Total equity	333,481,479	499,174,467	(248,912,076)	5,627,260	(255,889,651)	333,481,479
Total liabilities and equity	$ 753,843,038	$ 519,985,107	$ 14,925,933	$ 27,629,248	$ (255,889,651)	$ 1,060,493,675

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2011

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets						
Net real estate investments	$	$ 467,638,798	$ 332,207,975	$ 22,740,966	$	$ 822,587,739
Cash and cash equivalents	42,354,896	(2,636,211)	3,793	(518,751)		39,203,727
Deferred financing costs, net	7,777,902		5,335,606	28,822		13,142,330
Other	16,119,370	32,185,588	26,300,987	223,220		74,829,165
Investment in and due from related parties, net	541,083,875	(7,320,249)	(314,560,965)	(6,958,782)	(212,243,879)	
Total assets	$ 607,336,043	$ 489,867,926	$ 49,287,396	$ 15,515,475	$ (212,243,879)	$ 949,762,961
Liabilities and equity						
Secured notes payable and other debt	$ 302,552,127	$	$ 284,159,963	$ 13,761,488	$	$ 600,473,578
Due to related parties	6,726,541					6,726,541
Tenant security and escrow deposits	385,000	8,234,934	6,893,702	226,281		15,739,917
Accounts payable and accrued expenses	9,476,684	4,802,452	3,154,007	691,024		18,124,167
Other liabilities	40,937,725	7,075,758	13,427,309			61,440,792
Total liabilities	360,078,077	20,113,144	307,634,981	14,678,793		702,504,995
Total equity	247,257,966	469,754,782	(258,347,585)	836,682	(212,243,879)	247,257,966
Total liabilities and equity	$ 607,336,043	$ 489,867,926	$ 49,287,396	$ 15,515,475	$ (212,243,879)	$ 949,762,961

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME

For the Three Months Ended September 30, 2012

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 14,750,969	$ 14,129,422	$ 702,671	$	$ 29,583,062
Interest on secured loans	67,493	344,213	448,622			860,328
Interest and other income	197	898,081	160,257	45		1,058,580
Total revenues	67,690	15,993,263	14,738,301	702,716		31,501,970
Expenses						
Interest expense	8,017,628		4,653,667	234,473		12,905,768
Depreciation and amortization		3,612,651	3,101,838	179,523		6,894,012
General and administrative	1,340,358	61,208	2,525,752	20,621		3,947,939
Transaction costs	712,632	491,069	80,734	1,990		1,286,425
Loss on impairment		1,616,704	150,169			1,766,873
Reserve for uncollectible secured loan receivables	2,833,419					2,833,419
Loss on extinguishment of debt						
Other expenses		100,088				100,088
Total expenses	12,904,037	5,881,720	10,512,160	436,607		29,734,524
(Loss) income before discontinued operations	(12,836,347)	10,111,543	4,226,141	266,109		1,767,446
Discontinued operations						
Net (loss) income	(12,836,347)	10,111,543	4,226,141	266,109		1,767,446
Equity in income (loss) of subsidiaries	14,603,793				(14,603,793)	
Net income (loss) allocable to common units	$ 1,767,446	$ 10,111,543	$ 4,226,141	$ 266,109	$ (14,603,793)	$ 1,767,446
Unrealized (loss) on derivative instruments			(39,482)			(39,482)
Total comprehensive income (loss)	$ 1,767,446	$ 10,111,543	$ 4,186,659	$ 266,109	$ (14,603,793)	$ 1,727,964

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2012

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 45,012,210	$ 40,693,261	$ 1,465,858	$	$ 87,171,329
Interest on secured loans	1,145,686	1,081,292	1,316,664			3,543,642
Interest and other income	3,480	963,108	160,257	45		1,126,890
Total revenues	1,149,166	47,056,610	42,170,182	1,465,903		91,841,861
Expenses						
Interest expense	22,092,838		15,112,392	488,367		37,693,597
Depreciation and amortization		10,619,497	8,676,635	374,901		19,671,033
General and administrative	4,085,197	202,367	7,089,300	29,250		11,406,114
Transaction costs	1,722,927	861,017	885,203	37,910		3,507,057
Loss on impairment		5,995,562	150,169			6,145,731
Reserve for uncollectible secured loan receivables	6,308,408					6,308,408
Loss on extinguishment of debt						
Other expenses		300,265				300,265
Total expenses	34,209,370	17,978,708	31,913,699	930,428		85,032,205
(Loss) income before discontinued operations	(33,060,204)	29,077,902	10,256,483	535,475		6,809,656
Discontinued operations		331,589		4,255,103		4,586,692
Net (loss) income	(33,060,204)	29,409,491	10,256,483	4,790,578		11,396,348
Equity in income (loss) of subsidiaries	44,456,552				(44,456,552)	
Net income (loss) allocable to common units	$ 11,396,348	$ 29,409,491	$ 10,256,483	$ 4,790,578	$ (44,456,552)	$ 11,396,348
Unrealized (loss) on derivative instruments			(820,974)			(820,974)
Total comprehensive income (loss)	$ 11,396,348	$ 29,409,491	$ 9,435,509	$ 4,790,578	$ (44,456,552)	$ 10,575,374

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME

For the Three Months Ended September 30, 2011

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 11,359,427	$ 10,056,274	$ 345,864	$	$ 21,761,565
Interest on secured loans	436,193	413,368	375,224			1,224,785
Interest and other income	3,051	4,175	50			7,276
Total revenues	439,244	11,776,970	10,431,548	345,864		22,993,626
Expenses						
Interest expense	5,955,113		3,905,443	115,930		9,976,486
Depreciation and amortization		2,912,335	2,176,333	82,022		5,170,690
General and administrative	1,172,557	44,725	1,831,285	800		3,049,367
Transaction costs	1,303,077	1,305,509	1,141			2,609,727
Loss on impairment						
Reserve for uncollectible secured loan receivables	926,474					926,474
Loss on extinguishment of debt						
Other expenses		100,088				100,088
Total expenses	9,357,221	4,362,657	7,914,202	198,752		21,832,832
(Loss) income before discontinued operations	(8,917,977)	7,414,313	2,517,346	147,112		1,160,794
Discontinued operations		(809,603)		(37,202)		(846,805)
Net (loss) income	(8,917,977)	6,604,710	2,517,346	109,910		313,989
Equity in income (loss) of subsidiaries	9,231,966				(9,231,966)	
Net income (loss) allocable to common units	$ 313,989	$ 6,604,710	$ 2,517,346	$ 109,910	$ (9,231,966)	$ 313,989
Unrealized (loss) on derivative instruments			(4,086,047)			(4,086,047)
Total comprehensive income (loss)	$ 313,989	$ 6,604,710	$ (1,568,701)	$ 109,910	$ (9,231,966)	$ (3,772,058)

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND

COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2011

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues						
Rental income	$	$ 33,736,396	$ 30,173,074	$ 1,038,038	$	$ 64,947,508
Interest on secured loans	1,058,317	1,445,042	1,373,434			3,876,793
Interest and other income	17,825	822,268	51			840,144
Total revenues	1,076,142	36,003,706	31,546,559	1,038,038		69,664,445
Expenses						
Interest expense	14,439,500		13,429,178	348,871		28,217,549
Depreciation and amortization		8,244,558	6,356,752	246,065		14,847,375
General and administrative	3,416,778	20,517	5,107,095	3,099		8,547,489
Transaction costs	1,332,253	1,922,967	166,063			3,421,283
Loss on impairment						
Reserve for uncollectible secured loan receivables	1,250,113	86,156				1,336,269
Loss on extinguishment of debt			3,806,513			3,806,513
Other expenses		166,814				166,814
Total expenses	20,438,644	10,441,012	28,865,601	598,035		60,343,292
(Loss) income before discontinued operations	(19,362,502)	25,562,694	2,680,958	440,003		9,321,153
Discontinued operations		(176,544)		(112,067)		(288,611)
Net (loss) income	(19,362,502)	25,386,150	2,680,958	327,936		9,032,542
Equity in income (loss) of subsidiaries	28,395,044				(28,395,044)	
Net income (loss) allocable to common units	$ 9,032,542	$ 25,386,150	$ 2,680,958	$ 327,936	$ (28,395,044)	$ 9,032,542
Unrealized (loss) on derivative instruments			(7,164,043)			(7,164,043)
Total comprehensive income (loss)	$ 9,032,542	$ 25,386,150	$ (4,483,085)	$ 327,936	$ (28,395,044)	$ 1,868,499

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AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2012

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (162,379,790)	$ 59,477,001	$ 132,573,777	$ (6,161,704)	$	$ 23,509,284
Investing activities						
Purchase of real estate investments		(46,761,831)	(82,696,000)	(4,540,206)		(133,998,037)
Sale of real estate investments		13,806,873		16,735,771		30,542,644
Capital improvements		(8,096,344)	(2,361,856)			(10,458,200)
Development projects		(19,730,054)		(1,508,403)		(21,238,457)
Secured loan receivables received from others	6,927,817	7,689,947	179,574			14,797,338
Secured loan receivables funded to others	(11,837,391)	(5,013,366)	(295,329)			(17,146,086)
Net cash provided by (used in) investing activities	(4,909,574)	(58,104,775)	(85,173,611)	10,687,162		(137,500,798)
Financing activities						
Borrowings of debt	101,000,000		121,224,200	2,536,894		224,761,094
Repayment of debt			(166,025,428)	(6,186,045)		(172,211,473)
Payment of financing costs	(2,562,303)		(2,581,092)			(5,143,395)
Capital contributions	109,000,000					109,000,000
Deferred contributions	(35,000,000)					(35,000,000)
Cash distributions to partners	(33,755,298)					(33,755,298)
Net cash provided by (used in) financing activities	138,682,399		(47,382,320)	(3,649,151)		87,650,928
Net increase (decrease) in cash and cash equivalents	(28,606,965)	1,372,226	17,846	876,307		(26,340,586)
Cash and cash equivalents:						
Beginning of period	42,354,896	(2,636,211)	3,793	(518,751)		39,203,727
End of period	$ 13,747,931	$ (1,263,985)	$ 21,639	$ 357,556	$	$ 12,863,141

AVIV HEALTHCARE PROPERTIES LIMITED PARTNERSHIP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2011

(unaudited)

	Issuers	Subsidiary Guarantors	Subordinated Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	$ (280,613,517)	$ 71,963,626	$ 236,977,197	$ 2,159,872	$	$ 30,487,178
Investing activities						
Purchase of real estate investments		(65,574,325)	(15,144,776)			(80,719,101)
Sale of real estate investments						
Capital improvements		(2,971,764)	(2,808,801)			(5,780,565)
Development projects		(8,368,411)		(3,151,425)		(11,519,836)
Secured loan receivables received from others	4,606,008	8,080,690	1,181,886			13,868,584
Secured loan receivables funded to others	(2,700,000)	(4,548,384)	(363,456)			(7,611,840)
Net cash provided by (used in) investing activities	1,906,008	(73,382,194)	(17,135,147)	(3,151,425)		(91,762,758)
Financing activities						
Borrowings of debt	302,750,000		25,200,000	982,727		328,932,727
Repayment of debt			(243,812,204)	(79,816)		(243,892,020)
Payment of financing costs	(8,529,228)		(900,564)			(9,429,792)
Capital contributions	10,419,757					10,419,757
Cash distributions to partners	(32,788,381)					(32,788,381)
Net cash provided by (used in) financing activities	271,852,148		(219,512,768)	902,911		53,242,291
Net (decrease) increase in cash and cash equivalents	(6,855,361)	(1,418,568)	329,282	(88,642)		(8,033,289)
Cash and cash equivalents:						
Beginning of period	12,126,776	929,770	(21,158)	(6,914)		13,028,474
End of period	$ 5,271,415	$ (488,798)	$ 308,124	$ (95,556)	$	$ 4,995,185

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. ***Other Expenses of Issuance and Distribution.***

The following sets forth the estimated costs and expenses, other than underwriting discounts and commissions, payable by the Registrant in connection with the sale of the securities being registered hereby. All amounts shown are estimates except the SEC registration fee and the FINRA filing fee.

Securities and Exchange Commission registration fee	$ 40,920
FINRA filing fees	*
NYSE listing fee	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous	*
Total	$ *

* *To be filed by amendment.*

Item 32. ***Sales to Special Parties.***

None.

Item 33. ***Recent Sales of Unregistered Securities.***

During the past three years, we (including our predecessor partnership, Aviv Healthcare Properties Limited Partnership), have issued and sold the following unregistered securities:

(1) On July 30, 2010, we sold 100 shares of our common stock to LG Aviv L.P. for an aggregate purchase price of $1.

(2) On September 17, 2010, we consummated a strategic equity transaction with an affiliate of Lindsay Goldberg LLC (Lindsay Goldberg). In connection with the transaction, Lindsay Goldberg, through the formation of Aviv REIT, made an aggregate investment in us, including through the contribution of limited partnership interests it purchased from certain of our limited partners concurrently with its investment, of $217.8 million. In exchange, Lindsay Goldberg received 217,718 shares of our common stock. Concurrently with the transaction with Lindsay Goldberg, We issued one share of our common stock to an entity controlled by Craig M. Bernfield in exchange for $1,000. We contributed the aggregate amount of such proceeds to our operating partnership in exchange for 217,719 Class G Units of our operating partnership.

(3) On September 17, 2010, we issued 125 shares in a Regulation D private placement of our 12.5% Series A Redeemable Cumulative Preferred Stock for an aggregate purchase price of $125,000. The purchasers of the securities were 125 individual non-affiliates who each qualified as accredited investors. We contributed the proceeds from the sale of preferred stock to our operating partnership in exchange for 125 Class G Preferred Units of our operating partnership.

(4) On September 17, 2010, April 1, 2011, October 28, 2011, January 23, 2012, March 28, 2012 and July 24, 2012, Lindsay Goldberg made an aggregate of $159.0 million in additional equity investments in us in exchange for an aggregate of 140,866 shares of our common stock. On each such date, we further contributed the additional equity investment to our operating partnership in exchange for an aggregate of 140,866 Class G Units of our operating partnership.

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(5) Immediately prior to the closing of the offering, partnership units of our operating partnership will be converted into OP Units having an aggregate value of approximately $, based on an assumed initial public offering price of $.

Information regarding issuances of securities under our 2010 Management Incentive Plan and other compensatory arrangements for the years ended December 31, 2011, 2010 and 2009 is set forth in Footnote 9 of our consolidated financial statements.

The issuances of securities set forth above were made in reliance on the exemptions provided by Section 18(b)(4)(D) of the Securities Act of 1933 and Rule 506 of Regulation D thereunder, Section 4(2) of the Securities Act of 1933, or Section 3(b) of the Securities Act of 1933 and Rule 701 promulgated thereunder. There were no underwriters employed in connection with any of the transactions set forth in this Item 33.

Item 34. ***Indemnification of Directors and Officers.***

Our charter and bylaws provide for indemnification of our officers and directors against liabilities to the fullest extent permitted by the Maryland General Corporation Law, or MGCL, as amended from time to time.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and either was committed in bad faith or was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or on behalf of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by the director or officer or on the director s or officer s behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any present or former director or officer who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, managing member or manager of another corporation, real estate investment trust, partnership, joint venture, trust, limited liability company, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

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Item 35. ***Treatment of Proceeds from Stock Being Registered.***

None of the proceeds will be credited to an account other than the appropriate capital share account.

Item 36. ***Financial Statements and Exhibits.***

(a) See page F-1 for an index of the financial statements that are being filed as part of this Registration Statement on Form S-11.

(b) The following is a list of exhibits being filed as part of, or incorporated by reference into, this Registration Statement on Form S-11:

Exhibit **Number**	**Description**
1.1*	Form of Underwriting Agreement
3.1*	Form of Articles of Amendment and Restatement of Aviv REIT, Inc.
3.2*	Form of Amended and Restated Bylaws of Aviv REIT, Inc.
3.3*	Form of First Amended and Restated Agreement of Limited Partnership of Aviv Healthcare Properties Operating Partnership I, L.P.
4.1	Indenture, dated as of February 4, 2011, among Aviv Healthcare Properties Limited Partnership, 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, included as Exhibit 4.1 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
4.1.1	First Supplemental Indenture, dated as of March 22, 2011, among Aviv Healthcare Properties Limited Partnership, 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, included as Exhibit 4.1.1 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
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, included as Exhibit 4.1.2 to Registrant s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 and incorporated herein by reference thereto.
4.1.3	Third Supplemental Indenture, dated as of December 29, 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, included as Exhibit 4.1.3 to Registrant s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference thereto.
4.1.4	Fourth Supplemental Indenture, dated as of March 28, 2012, 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, included as Exhibit 4.1.4 to Registrant s Form S-4 Registration Statement No. 333-180754 and incorporated herein by reference thereto.
4.1.5**	Fifth Supplemental Indenture, dated as of November 30, 2012, 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.
4.2	Form of 7 $^{3}/_{4}$% Senior Notes due 2019 (included in Exhibit 4.1).

4.3**	Amended and Restated Registration Rights Agreement, dated as of September 17, 2010, among Aviv REIT, Inc., Aviv Healthcare Merger Sub LP, Aviv Healthcare Properties Limited Partnership, and the Bernfield Investors, the Karkomi Investors and the LG Investors (each as defined therein).

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Exhibit Number	Description
5.1*	Opinion of Venable LLP as to the legality of the securities being offered.
8.1*	Opinion of Sidley Austin LLP regarding certain tax matters.
10.1	Credit Agreement, dated as of September 17, 2010, among Aviv Financing I, L.L.C., as the Parent Borrower, the other borrowers named therein, as Borrowers, General Electric Capital Corporation, as Administrative Agent and Lender, and the other financial institutions named therein, as Lenders, included as Exhibit 10.1 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.1	Amendment No. 1 to Credit Agreement, dated as of February 4, 2011, among Aviv Financing I, L.L.C., as the Parent Borrower, the other borrowers named therein, as Borrowers, General Electric Capital Corporation, as Administrative Agent and Lender, and the other financial institutions named therein, as Lenders, included as Exhibit 10.1.1 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.2	Amendment No. 2 to Credit Agreement, dated as of April 5, 2011, among Aviv Financing I, L.L.C., as the Parent Borrower, the other borrowers named therein, as Borrowers, General Electric Capital Corporation, as Administrative Agent and Lender, and the other financial institutions named therein, as Lenders, included as Exhibit 10.1.2 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.3	Borrower Joinder Agreement and Affirmation Agreement, dated as of October 1, 2010, among Southeast Missouri Property, L.L.C., as Additional Borrower, Yuba Aviv, L.L.C., Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent, included as Exhibit 10.1.3 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.4	Borrower Joinder and Affirmation Agreement, dated as of December 30, 2010, among Great Bend Property, L.L.C., Arma Yates, L.L.C., Orange ALF Property, L.L.C., each as Additional Borrowers, October Associates, L.L.C., Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent, included as Exhibit 10.1.4 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.5	Release Agreement, dated as of February 4, 2011, by General Electric Capital Corporation, as Administrative Agent, in favor of Aviv Financing I, L.L.C., as Parent Borrower, included as Exhibit 10.1.5 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.1.6	Release Agreement, dated as of April 5, 2011, by General Electric Capital Corporation, as Administrative Agent, in favor of Aviv Financing I, L.L.C., as Parent Borrower, included as Exhibit 10.1.6 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
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, included as Exhibit 10.1.7 to Registrant s Quarterly Report on Form 10-K for the quarter ended September 30, 2011 and incorporated herein by reference thereto.
10.1.8	Borrower Joinder and Affirmation Agreement, dated as of December 29, 2011, among McCarthy Street Property, L.L.C., Sandalwood Arkansas Property, L.L.C. and Southern California Nevada, L.L.C., each as Additional Borrowers, Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent, included as Exhibit 10.1.8 to Registrant s Annual Report on Form 10-K for the year ended December 31, 2011 and incorporated herein by reference thereto.

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Exhibit Number	Description
10.1.9**	Borrower Joinder Agreement, dated as of April 2, 2012, between Texas Fifteen Property, L.L.C., as Subsidiary, and General Electric Capital Corporation, as Administrative Agent.
10.1.10**	Borrower Joinder Agreement, dated as of May 1, 2012, between Mount Washington Property, L.L.C., as Subsidiary, and General Electric Capital Corporation, as Administrative Agent.
10.1.11**	Borrower Joinder and Affirmation Agreement, dated as of June 19, 2012, among Mount Washington Property, L.L.C. as Additional Borrower, Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent.
10.1.12**	Release Agreement, dated as of June 19, 2012, by General Electric Capital Corporation, as Administrative Agent, in favor of Aviv Financing V, L.L.C, as Parent Borrower.
10.1.13**	Borrower Joinder and Affirmation Agreement, dated as of September 25, 2012, among Commerce Sterling Hart Drive, L.L.C., Conroe Rigby Owen Road, L.L.C., Fredericksburg South Adams Street, L.L.C., Jasper Springhill Street, L.L.C., and Missouri Associates, L.L.C., each as Additional Borrowers, Aviv Financing I, L.L.C., as Parent Borrower, and General Electric Capital Corporation, as Administrative Agent.
10.1.14**	Release Agreement, dated as of September 25, 2012, by General Electric Capital Corporation, as Administrative Agent, in favor of Aviv Financing V, L.L.C, as Parent Borrower.
10.2	Credit Agreement, dated as of February 4, 2011, among Aviv Financing IV, L.L.C., as the Parent Borrower, the other borrowers named therein, as Borrowers, Aviv REIT, Inc., Aviv Healthcare Properties Limited Partnership, Aviv Healthcare Properties Operating Partnership I, L.P. and each of the other guarantors named therein, as Guarantors, Bank of America, N.A., as Administrative Agent, and the other financial institutions named therein, as Lenders, included as Exhibit 10.2 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.2.1	Amendment No. 1 to Credit Agreement, dated as of March 22, 2011, among Aviv Financing IV, L.L.C., as the Parent Borrower, the other borrowers named therein, as Borrowers, Aviv REIT, Inc., Aviv Healthcare Properties Limited Partnership, Aviv Healthcare Properties Operating Partnership I, L.P. and each of the other guarantors named therein, as Guarantors, Bank of America, N.A., as Administrative Agent, and the other financial institutions named therein, as Lenders, included as Exhibit 10.2.1 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.3	Credit Agreement, dated as of January 31, 2012, among Aviv Financing V, L.L.C., as Parent Borrower, the other Borrowers party thereto, Aviv REIT, Inc., as REIT Guarantor, Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Properties Operating Partnership I, L.P., as Guarantors, and the other Guarantors party thereto, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent, Sole Lead Arranger and Sole Book Manager, included as Exhibit 10.1.8 to Registrant s Current Report on Form 8-K filed February 3, 2012 and incorporated herein by reference thereto.
10.4*	Form of Credit Agreement among Aviv Financing IV, L.L.C., as the Parent Borrower, the other Borrowers party thereto, Aviv REIT, Inc., Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Properties Operating Partnership I, L.P., as Guarantors, and the other Guarantors party thereto, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, and the other financial institutions named therein, as Lenders.
10.5	Aviv REIT, Inc. 2010 Management Incentive Plan, included as Exhibit 10.3 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.

Exhibit Number	Description
10.6	Form of Time-Based Nonqualified Stock Option Award Agreement under the Aviv REIT, Inc. 2010 Management Incentive Plan, included as Exhibit 10.4 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.7	Form of Nonlimited Performance-Based Nonqualified Stock Option Award Agreement under the Aviv REIT, Inc. 2010 Management Incentive Plan, included as Exhibit 10.5 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.8	Form of Aviv Healthcare Properties Limited Partnership Class D Unit Award Agreement (for new grants), included as Exhibit 10.6 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.9	Form of Aviv Healthcare Properties Limited Partnership Class D Unit Award Agreement (for replacement grants), included as Exhibit 10.7 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.10	Amended and Restated Phantom Partnership Unit Award Agreement, dated as of September 17, 2010, among Aviv Asset Management, L.L.C., Steven J. Insoft and Aviv Healthcare Properties Limited Partnership, included as Exhibit 10.8 to Registrant s Form S-4 Registration Statement No. 333-173824 and incorporated herein by reference thereto.
10.11*	Form of Indemnification Agreement for directors and officers of Aviv REIT, Inc.
10.12	Form of Aviv REIT, Inc. 2013 Long-Term Incentive Plan.
10.13	Form of Restricted Stock Unit Award Agreement under the Aviv REIT, Inc. 2013 Long-Term Incentive Plan.
10.14	Form of Stock Option Agreement under the Aviv REIT, Inc. 2013 Long-Term Incentive Plan.
21.1	Subsidiaries of Aviv REIT, Inc.
23.1*	Consent of Venable LLP (included in the opinion filed as Exhibit 5.1).
23.2*	Consent of Sidley Austin LLP (included in the opinion filed as Exhibit 8.1).
23.3	Consent of Ernst & Young LLP.
24.1	Power of Attorney.
99.1**	Consent of Norman R. Bobins to being named as a director.
99.2**	Consent of Ben W. Perks to being named as a director.
99.3	Consent of Susan R. Lichtenstein to being named as a director.
99.4	Consent of Sharon O Keefe to being named as a director.
99.5	Consent of Mark J. Parrell to being named as a director.
99.6	Consent of James H. Roth to being named as a director.
101*	Sections of this Registration Statement, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Consolidated Statements of Operations and Comprehensive Income; (iii) Consolidated Statements of Changes in Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to Consolidated Financial Statements.

* To be filed by amendment.
** Previously filed.
Management contract or compensatory plan or arrangement.

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Item 37. ***Undertakings.***

(a) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(c) The registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on this 28th day of December, 2012.

AVIV REIT, INC.

By: /s/ CRAIG M. BERNFIELD
Name: Craig M. Bernfield
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ CRAIG M. BERNFIELD **Craig M. Bernfield**	Principal Executive Officer and Director	December 28, 2012
* **Steven J. Insoft**	Principal Executive Officer	December 28, 2012
* **James Lyman**	Principal Financial Officer	December 28, 2012
* **Donna O Neill**	Principal Accounting Officer	December 28, 2012
* **Michael W. Dees**	Director	December 28, 2012
* **Alan E. Goldberg**	Director	December 28, 2012
* **Robert D. Lindsay**	Director	December 28, 2012

* **J. Russell Triedman**	Director	December 28, 2012

*By: /s/ Craig M. Bernfield
Attorney-in-Fact

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