

AVIV REIT, INC.  
Form S-11/A  
March 18, 2013  
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As filed with the Securities and Exchange Commission on March 18, 2013

Registration No. 333-185532

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 4**

**TO**

**Form S-11**

**FOR REGISTRATION UNDER**

**THE SECURITIES ACT OF 1933 OF SECURITIES**

**OF CERTAIN REAL ESTATE COMPANIES**

**AVIV REIT, INC.**

*(Exact Name of Registrant as Specified in Governing Instruments)*

**Aviv REIT, Inc.**

**303 West Madison Street**

**Suite 2400**

**Chicago, IL 60606**

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(312) 855-0930

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)*

**Craig M. Bernfield**

**Chief Executive Officer**

**Aviv REIT, Inc.**

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*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

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

Large accelerated filer "

Accelerated filer "

Non-accelerated filer

Smaller reporting company "

(Do not check if a smaller reporting company)

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

*PROSPECTUS (Subject to Completion)*

*Issued March 18, 2013*

*13,200,000 Shares*

*COMMON STOCK*

*Aviv REIT, Inc. is offering 13,200,000 shares of its common stock. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our common stock will be between \$18.00 and \$20.00 per share.*

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

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

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

*PRICE \$ A SHARE*

	<i>Price to Public</i>	<i>Underwriting Discounts and Commissions</i>	<i>Proceeds to Aviv</i>
<i>Per Share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

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

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

*The underwriters expect to deliver the shares to the purchasers on \_\_\_\_\_, 2013.*

*MORGAN STANLEY      BofA MERRILL LYNCH      GOLDMAN, SACHS & CO.*

*Citigroup*

*RBC Capital Markets*

*SunTrust Robinson Humphrey*

*RBS*

CSCA

*, 2013*

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

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

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

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

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

uncertainties relating to the operations of our operators, including those relating to reimbursement by government and other third-party payors, compliance with regulatory requirements and occupancy levels;

our ability to successfully engage in strategic acquisitions and investments;

competition in the acquisition and ownership of healthcare properties;

our ability to monitor our portfolio;

environmental liabilities associated with our properties;

our ability to re-lease or sell any of our properties;

the availability and cost of capital;

changes in interest rates;

the amount and yield of any additional investments;



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

our ability to maintain our status as a REIT.

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

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**PRESENTATION OF NON-GAAP FINANCIAL INFORMATION**

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

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

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

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

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

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

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

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



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**PRESENTATION OF PORTFOLIO METRICS**

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

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

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

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

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

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

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

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

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**PROSPECTUS SUMMARY**

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

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

**Company Overview**

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

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

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



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

## **Industry Overview**

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

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

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

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

## **Competitive Strengths**

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

***Established Healthcare REIT with Expertise Investing in SNFs.*** We specialize in triple-net leasing post-acute and long-term care SNFs to large and experienced operators. We own one of the largest portfolios of SNFs in the United States and have been investing in SNFs for over 30

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years. As of December 31, 2012, 221 of our 258 properties were SNFs, representing 86.9% of our contractual rent. We have established a strong reputation in the SNF industry for experience, knowledge and relationship-oriented investing. In the last five years, we have acquired 124 properties leased to 22 tenants, for a total of \$559.0 million. We have extensive experience and expertise regarding the management of our portfolio, which we believe is critical to our success. Our network of market-leading SNF operators has created a pipeline of growth opportunities.



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

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

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

***Platform Built for Growth with Proven Investment Track Record.*** We employ 32 people across the organization and are committed to maintaining a growth-oriented infrastructure. We have 11 professionals focused on sourcing, underwriting and executing transactions. Our acquisition team has enabled us to grow our

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total assets at December 31, 2012 by 96% over the last five years. We have also developed an experienced asset management team of 8 professionals that oversees our properties, preserves our assets and identifies other investments in our existing portfolio that help grow our rental stream. We are disciplined and selective about the investments we make. Our underwriting process includes a thorough assessment of the experience and credit profile of each operator, the quality of the real estate and the demographics of the market in which the property is located. The experience of our management team and our strong working relationships with our tenants have enabled us to invest \$97.2 million over the last five years in existing properties and strategic new construction projects, for which we receive incremental rent. We are disciplined and make investments with attractive returns that create long-term value.

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

***Experienced Management Team with Significant Tenure and Ownership.*** Craig M. Bernfield, our Chairman and Chief Executive Officer, has built our company for over 20 years and will be our second largest stockholder with a 7.6% ownership interest following this offering on a fully-diluted basis (assuming an initial public offering price of \$19.00 per share and including net shares issuable under in-the-money options). Our President and Chief Operating Officer, Steven J. Insoft, has been with us for eight years and has more than 20 years of experience as an operator, investor and developer of SNFs and assisted living facilities, or ALFs. Mr. Insoft will hold a 0.6% interest in our company following this offering on a fully-diluted basis (assuming an initial public offering price of \$19.00 per share and including net shares issuable under in-the-money options). Our Chief Financial Officer, James H. Lyman, joined the Company in 2012 with over 30 years of real estate, capital markets and operating experience, including significant public and private REIT experience as a chief financial officer and senior executive. Our other key senior executives and professionals have significant tenure and experience, averaging 10 years with the company and 23 years in their areas of expertise. Our entire management team has specialized knowledge that is critical to the operation and growth of our business.

## **Growth Strategies**

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

The primary elements of our growth strategy are to:

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



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

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

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

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

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

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

**Our Portfolio**

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

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

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

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

<b>Total</b>	258	100.0%
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