FORCE PROTECTION INC
Form 10KSB
April 14, 2005

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

{X} ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

or

{ } TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from 01-01-2004 to 12-31-2004

Commission File Number 0-22273

FORCE PROTECTION, INC.
(Name of small business issuer in its charter)

Nevada	84-1383888
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9801 Highway 78, Building No. 2, Ladson, SC 29456
(Address of principal executive offices) (Zip Code)

(843) 740-7015
(Issuer's telephone number)

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:
Common Stock, par value $.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes {X} No { }

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information

statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. { }

Issuer's revenues for fiscal year ending December 31, 2004 - $10,243,389.

The aggregate market value of the voting Common Stock held by non-affiliates of the Issuer was approximately $61,168,570 (computed using 226,550,262 non-affiliate shares of common stock outstanding at a closing price of $0.27 with an adjusted close of $3.29 per share of common stock due to a reverse stock split on December 31, 2004).

As of December 31, 2004, the issuer had 232,295,262 shares of common stock outstanding.

Transitional Small Business Disclosure Format (check one): Yes { } No {X}

FORCE PROTECTION, INC.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

History

We organized under the laws of the State of Colorado in November 1996 as Boulder Capital Opportunities III. Effective June 30, 1998, we acquired all assets and assumed all liabilities of Sonic Jet Performance, LLC, a California limited liability company in the business of producing and marketing recreational boats, jet boats, trailers, and related accessories. On November 4, 1998, we changed our name to Sonic Jet Performance, Inc. In 2000 and 2001, we emphasized building recreational boats and generated gross revenues of approximately one million dollars while sustaining operating losses. In 2002, we relocated our corporate headquarters, assembly, and prototyping facility to Stanton, California and shifted focus to design and production of fire and rescue boats.

In June 2002, we acquired the shares of Technical Solutions Group, Inc., a development stage manufacturer of ballistic and blast protected vehicles based in Charleston, South Carolina. Technical Solutions Group was originally formed in 1997 in Nevada to supply specialty vehicles to military and law enforcement agencies worldwide. The vehicles are used to transport personnel in hostile areas that may include landmines, and to locate and remove landmines.

In July 2003, we shifted our principal focus to the production of armored vehicles and moved our corporate headquarters to South Carolina. In August 2003, we changed our name to Force Protection, Inc. to reflect our focus on protected vehicles. In October 2003, we negotiated and finalized an agreement with investors to divest all assets related to our Fire Rescue Boat Business. Effective January 1, 2005, we reincorporated from Colorado to Nevada.

Business Overview

We are headquartered in Ladson, South Carolina and are a complete design-to-manufacturing organization, creating or licensing designs, and creating tooling, and parts necessary to assemble the products in-house. We manufacture our vehicles using proprietary technology derived from South African vehicle development programs carried out from 1972 through 1994, and incorporate design developments into the vehicles to improve their protection and functionality.

Our common stock is publicly traded on the NASD “Over the Counter Bulletin Board” under the ticker symbol "FRPT.OB."

How to Contact Us

Our address is 9801 Highway 78, Building No. 2, Ladson, SC 29456. Our phone number is (843) 740-7015.

Industry Overview

Mine Protected Vehicles were initially developed in Rhodesia and South Africa in response to the landmine problems arising from the wars in Southern Africa. The vehicles were designed to protect personnel during transport, removal of unexploded ordnance, route clearance, humanitarian de-mining, and other missions that require protection from landmines and hostile fire. The technology has been developed and used in several parts of the world, principally Africa, over the last 20 years in response to the intense use of landmines in that region. We believe the world market for mine-protected vehicles is growing rapidly. Landmines and Improvised Explosive Devices, or IEDs, are weapons of choice for terrorists and insurgent groups because they are highly effective yet relatively low cost. Rising

populations in heavily mined regions and the need to utilize and develop such areas means the problem can no longer be ignored. With increasing world tensions, we believe there is a need for vehicles that can provide a level of protection against these threats during a variety of missions. Such missions include troop transport in and around Unexploded Ordnance or mine threat areas as well as route clearance and humanitarian de-mining - which require entrance into known mine fields or areas of known terrorist activities.

Mine protected vehicles have been purchased worldwide, principally in Africa, with additional purchases by several NATO allied countries. Troop movements in overseas operations face a continuous threat because of the use of land mines or the possibility of ambush and enemy fire. Vehicles that move troops or ordnance economically and are afforded significant protection against ballistic, incendiary, landmine hazards, and IEDs are useful in these situations. This is a pressing issue for the U.S. and its allies throughout the world. The recent deaths of American and Allied personnel throughout Iraq, Afghanistan, and earlier deaths in Kosovo of American solders while riding in an up-armored M998 High Mobility Multi-purpose Wheeled Vehicle, or HMMWV, highlights the need for mine protected vehicles. Personnel transport missions create the greatest portion of demand for Mine Protected Vehicles. Various types of landmine and Unexploded Ordnance clearance missions also generate demand. Embassies, consulates, and other U.S. government agencies require vehicles to safely transport personnel at low cost. Mine protected vehicles are used around the world in mine problem areas by most military organizations. The current “hot spots” in which the U.S. and other allied countries operate, and the likely areas for the future in the “War on Terrorism”, are all heavily mined. Currently we are not aware of technologies available to detect mines effectively enough to avoid them, so mine protected vehicles are valuable for the U.S. to protect its troops.

Products

We currently produce two blast-protected vehicle product lines.

The Buffalo is a heavy weight vehicle designed principally for mine clearing activities. The Buffalo integrates a blast resistant capsule with an American-made truck engine and drive train. We believe that a key aspect of mine protected vehicle design is the dispersion of hot gasses released by a mine blast. The Buffalo is designed so that the force of the blast is routed along the Buffalo’s V-shaped hull and dissipated to the side of the vehicle so that the vehicle is not lifted or severely damaged by the blast. We believe it is the absence of this V hull design that makes it virtually impossible to properly protect a standard vehicle by retrofitting armor plates. We believe the design must be undertaken from the beginning with mine protection as the primary design criteria.

More than twenty Buffalos have been deployed since 2001 for service in Afghanistan and Iraq. The U.S. Army conducted extensive testing of the Buffalo at Aberdeen Proving Grounds where it was determined that the Buffalo blast capsule protected both the occupants and the critical automotive components from the effects of explosive blasts. Real world experience in Iraq has also shown the Buffalo can withstand blasts without injury to the occupants. We believe the Buffalo has filled a niche as a part of the U.S. Army’s new route clearance systems and has no direct competition for such role.

We launched our second product line, the Cougar, in 2004. The Cougar is intended to serve a broader market than the Buffalo, because it can be configured for a wide range of missions, including urban patrol, route clearance support, utility transport and special unit activities. Like the Buffalo, the Cougar also uses the same V-Hull design principles, an armored steel capsule provides the mine, blast and ballistic protection for the vehicle occupants and the use of standard American automotive drive train and control components allows the vehicle to be operated and serviced in much the same way as a commercial truck. The Cougar is new to market and relatively few have been deployed in active theaters of operations, but we have received inquiries from a variety of military sources. Those inquiries may not develop into product orders. We have submitted a Cougar vehicle for testing at the Aberdeen Proving Grounds and believe that such testing will validate the Cougar’s competitive advantage in armor and blast protection.

We are developing a third vehicle, the Lion. The Lion will be the smallest of our vehicles at approximately 7 tons and will be positioned for use by security services or other agencies requiring a high level of protection for personnel transport. The initial Research and Development has been done on the product and we will now focus on producing the first prototype vehicle to validate the design and manufacturing processes.

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In 2003, we produced a prototype vehicle called the Typhoon in connection with a Request for Quotation by the Israeli Ministry of Defense. We received no orders for this vehicle and we are not currently manufacturing this product. We no longer market the Typhoon because our other products better meet the market demand for this type of vehicle.

Customer Activity

In 2004, we depended on two principal customers. In the twelve-months ended December 31, 2004, approximately 90% of our revenues were derived directly or indirectly from the U.S. Army and approximately 10% from the U.S. Marine Corps. We expect to continue to depend upon contracts with governmental agencies and their contractors for a substantial portion of our revenue for the foreseeable future.

Government contracts and subcontracts typically involve long purchase and payment cycles, competitive bidding, qualification requirements, delays or changes in funding, extensive specification development, price negotiations and milestone requirements. Each government agency also maintains its own rules and regulations with which we must comply and which can vary significantly among agencies. Governmental agencies also often retain some portion of fees payable upon completion of a project and collection of these fees may be delayed for several months or even years, in some instances.

In addition, an increasing number of government contracts are fixed price contracts which may prevent us from recovering costs incurred in excess of our budgeted costs. Fixed price contracts require us to estimate the total project cost based on preliminary projections of the project's requirements. The financial viability of any given project depends in large part on our ability to estimate such costs accurately and complete the project on a timely basis. In the event actual costs exceed the fixed contractual cost, we may not be able to recover the excess costs.

Some government contracts are also subject to termination or renegotiation at the convenience of the government, which could result in a large decline in revenue in any given quarter. Although government contracts have provisions providing for the reimbursement of costs associated with termination, the termination of a material contract at a time when our funded backlog does not permit redeployment of staff could result in reductions of employees. In addition, the timing of payments from government contracts is also subject to significant fluctuation and potential delay, depending on the government agency involved. Any such delay could result in a temporary shortage in working capital.

The following chart illustrates our product deliveries in the last two calendar years and our current backlog:

Product	Vehicles delivered in 2003	Vehicles delivered in 2004	Vehicle Backlog 2005
Buffalo	10 to the U.S. Army	11 to the U.S. Army	25 to the U.S. Army
Cougar		8 to the U.S. Marines	19 to the U.S. Marines

Competitive Positioning

We are subject to significant competition from companies that market products that perform similar functions to our products, This competition could harm our ability to win business and increase the price pressure on our products. The firms we compete against include large, multinational vehicle, defense and aerospace firms such as Alvis, Vickers, Australian Defense Industries, KMW Industries, General Dynamics and Textron. Most of our competitors have considerably greater financial, marketing and technological resources than we do which may make it difficult to win new contracts and we may not be able to compete successfully. Certain competitors operate fabrication facilities and have longer operating histories and presence in key markets, greater name recognition, larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources, as a

result, these competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. They may also be able to devote greater resources to the promotion and sale of their products.

We believe our competitive advantages include:

- access to American commercial drive train technology and after market support system;
- our current and potential customers wish to purchase from an American company;
- access to low cost, heavy manufacturing facilities; and
- exclusive rights to certain South African blast-protection technology that could take time for our competitors to develop.

We believe our products are superior to other vehicles currently in use by the U.S. military for mine and blast protection. Existing military vehicles include Humvees and other non-armored utility support vehicles, or heavy-weight troop transport and offensive armor such the Bradley Fighting Vehicle or the M1A1 Abrams Tank. The un-armored utility vehicles offer a prime target for attack and efforts to "up-armor" these vehicles have not been totally successful due to the high costs associated with retrofitting armor into the body and the increased mechanical wear caused by the weight of the armor. Conventional armored vehicles such as the Bradley and the Abrams offer protection from ballistic and blast threats, but are expensive, require substantial resources to maintain, are large and difficult to maneuver in crowded urban environments and are not well-suited to peace keeping missions due to their intimidating offensive weapon systems.

As recent events has shown, there is also an increasing concern over death or injury of U.S. military personnel during operations such as "Enduring Freedom," particularly to reservists and or civilian contractors who are not expected to face front line combat, but who increasingly have become the target of insurgents and terrorists. These concerns have led the U.S. military to adopt armor protection as a base requirements for many of its transport vehicles and to look for ways to defeat the threat of IEDs and other booby trap devices, including developing "route clearance" and other explosive detection and removal teams.

Production

Our manufacturing process includes direct production and/or assembly of all critical components of our vehicles as follows:

- We utilize proprietary technology and skilled welders to create ballistic and blast protected vehicle capsules which we believe are capable of withstanding the explosive effect of landmines, Improvised Explosive Devices, or IEDs, and other blast threats encountered in wars, insurgency and urban conflicts.

- We integrate commercial American-made automotive drive-trains and other components onto the capsules to produce vehicles that have a high level of commonality with the existing U.S. military fleet and can be repaired and maintained by traditional truck mechanics.

Our Ladson facility has sufficient floor space, ample electrical and other utilities and an abundance of existing crane capacity. We have also secured sufficient tools and equipment, and have access to a local pool of labor, including many skilled welders. We maintain a dedicated staff of engineers to provide in-house engineering support and utilize various manufacturing approaches to increase efficiency and product quality. We source steel and other raw materials from various key vendors in Europe and the United States, and secure our automotive components from a variety of U.S. suppliers including:

- Caterpillar;
- Mack Trucks, a member of the Volvo Group;

- Peterbilt Truck; and
- Allison Transmission.

Sales and Marketing:

Our employees, including senior management and the Vice President of Sales, conduct our primary sales and marketing efforts. Employees call on prospective customers and foreign agents representing various governments and agencies who could have an interest in our product offerings. Currently our primary sales staff reside in the states of South Carolina and Connecticut. On September 8, 2004 we entered into an agreement with an exclusive sales representative in Israel.

We use independent referral sources who assist us in identifying opportunities for our products and services. Any payments to referral sources are negotiated on a case by case basis and are dependent on various factors including the quality of the referral, the opportunity, the role of the referral sources in the sale, and the potential revenues associated with a specific opportunity. Many of these referral sources have been converted to consulting agreements and the commissions eliminated.

We actively participate in shows involving countermine operations and technology, military vehicle, law enforcement technology, and military force protection. This includes the Association of the U.S. Army Annual Conference and Winter Symposium, Marine Expo, and Tactical Wheeled Vehicle conferences. Additionally, our marketing efforts include our web site, some advertising focused on the military community and brochures.

In December 2004, we ended our non-exclusive agreement with U.S. Marketing Group LLC to develop a commercial U.S. distribution channel for our Lion vehicle. The initial purchase order was cancelled and the $20,000 deposit was returned. We no longer have any external domestic marketing programs.

Research and Development

In 2003 we spent $102,439 on research and development. None of these costs were borne by any of our customers. In 2004 we spent $1,230,290 on research and development, none of which was borne by any of our customers.

Intellectual Property

We are party to two long term intellectual property agreements covering technology used in the production of our ballistic and blast protected vehicles. One agreement is with the CSIR Defencetek, a division of the Council for Scientific and Industrial Research, a statutory council established in accordance with the Laws of the Republic of South Africa, and the other is with MECHAM, a division of Denel Pty Ltd, a company established in accordance with the Laws of the Republic of South Africa. Under these agreements, we pay a fixed royalty in exchange for the exclusive transfer to us of the South African technology used in certain of our products.

Personnel

As of December 31, 2004, we had 182 employees in the U.S. and 3 consultants located in South Africa and Israel. Employees can be broken down into 125 hourly employees; 44 salaried employees; 11 contractors and 5 consultants. We are not a party to any collective bargaining agreement and believe employee relations are good. As of December 31, 2003, we had 29 employees in the U.S. and 4 consultants located in the United Kingdom and South Africa.

Environmental Matters

We are subject to federal, state, local and foreign laws and regulations regarding protection of the environment, including air, water, and soil. Our manufacturing business involves the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials, such as batteries, solvents, lubricants, degreasing agents, gasoline and resin. We must comply with certain requirements for the use, management, handling, and disposal of these materials. We, however, do not maintain insurance for pollutant cleanup and removal. If we are found responsible for any hazardous contamination, any fines or penalties we may be required to pay, or any clean up we are required to perform, could be very costly. Even if we are charged, and later found not responsible, for such contamination or clean up, the cost of defending the charges could be high. If either of the foregoing occurs, our business, results from operations and financial condition could be materially adversely affected. We do not believe we have any material environmental liabilities or that compliance with environmental laws, ordinances, and regulations will, individually or in the aggregate, have a material adverse effect on our business,

financial condition, or results of operations.

Other Regulatory Matters

Our operations and products are subject to extensive government regulation, supervision, and licensing under various federal, state, local and foreign statutes, ordinances and regulations. Certain governmental agencies such as the Environmental Protection Agency, or EPA, and the Occupational Safety and Health Administration, or OSHA, monitor our compliance with their regulations, require us to file periodic reports, inspect our facilities and products, and may impose substantial penalties for violations of the regulations.

While we believe that we maintain all requisite licenses and permits and are in compliance with all applicable federal, state, local and foreign regulations, there can be no assurance that we will be able to maintain all requisite licenses and permits. The failure to satisfy those and other regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations.

ITEM 2. DESCRIPTION OF PROPERTY

We lease space in two buildings in Ladson, South Carolina for our principal executive offices and manufacturing facilities. The term of the lease for Building Three is five years starting October 15, 2003. Annual rent is $215,000 for the first year plus utilities, taxes and maintenance, and $258,000 base rental for the next four years. We have 84,800 square feet of space in Building Three.

The term of the lease for Building Two is five years starting July 15, 2004, with an option to renew for another five years. Annual rent is $439,500 for the first year plus utilities, taxes and maintenance, and $439,500 base rental for the next four years, which may be adjusted by increases to the Consumer Price Factor by three to seven percent. This additional lease of 142,500 square feet gives us a stable base for future planning. We believe this space increases our ability to qualify for and fulfill larger contracts for its mine-protected vehicles. We believe our existing leased space is sufficient for the next twelve months.

ITEM 3. LEGAL PROCEEDINGS

On June 17, 2003 the CSIR, a statutory council established in accordance with the South African Research Council Act 46 of 1988, filed suit in the High Court of South Africa (Transvaal Provincal Division) against us claiming a balance due and owing under a Purchase Order for the design and supply of seven TMRP-6 protection kits with a total contract price of ZAR631,800. As of the date hereof, we have paid all amounts due under the contract and are awaiting final dismissal of the claim with prejudice.

In March 2005, we received a letter from H.C. Wainwright & Co., Inc. threatening litigation. The potential dispute relates to a letter agreement between H.C. Wainwright & Co and us dated November 29, 2004. This dispute is too preliminary for us to determine a final outcome, however, if the matter proceeds, we intend to vigorously defend against H.C. Wainwright & Co.’s claims.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 30, 2004, we held our Annual Meeting of Stockholders. As of the close of business on the record date of October 15, 2004, there were 212,728,510 shares of common stock outstanding and entitled to vote and 18.5 shares of Series B Preferred Convertible Stock outstanding and entitled to vote. Each share of Series B Stock was entitled to 6,753,286 votes and votes with the Common Stock as a class.

At the Annual Meeting, the shareholders approved the following proposals:

1. The election of R. Scott Ervin, Frank Kavanaugh, and Gale Aguilar as Directors until their respective successors shall be elected and qualified;
2. Our reincorporation from Colorado to Nevada;
3. The changing of the stated value of our common and preferred stock from “No Par Value” to the “Par Value of $0.001 Per Share”; and,
4. The authorization of a reverse stock split of our common stock in the range of 2:1 to 12:1, as determined in the sole discretion of our Board of Directors, but such authority to be granted only if Item No. 2 above - the proposal

to reincorporate in Nevada - is approved by the shareholders.

A summary of the voting is set forth below:

Results of Voting

	Proposal		Total Votes	FOR	percent	AGAINST	percent	RESULT
1	Director - Frank Kavanaugh		164,607,873	160,471,447	97.49%	1,587,022	0.96%	PASSED
	Director - Gale Aguilar		164,607,873	158,312,951	96.18%	3,745,518	2.28%	PASSED
	Director - R. Scott Ervin		164,607,873	158,762,951	96.45%	3,295,518	2.00%	PASSED
2	Re-incorporation to Nevada	*	65,521,753	58,820,171	89.77%	6,701,582	10.23%	PASSED
3	Change of Par Value	*	64,012,802	59,362,978	92.74%	4,649,824	7.26%	PASSED
4	Discretion for Reverse Split	*	64,733,810	54,031,579	83.47%	10,702,231	16.53%	PASSED

* Note - Broker non-votes not included

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market For Our Common Stock

Our common stock began trading on the OTC Bulletin Board on December 29, 1998 under the symbol “SJET.OB”. Our common stock currently trades on the OTC Bulletin Board under the symbol “FRPT.OB”. Before our listing on the OTC Bulletin Board none of our securities were traded in the public market. Bid and ask quotations for our common shares are routinely submitted by registered broker dealers who are members of the National Association of Securities Dealers on the NASD Over-the-Counter Electronic Bulletin Board. These quotations reflect inner-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions. The following table shows, for the periods indicated, the high and low closing sales prices per share of our common stock.

	High	Low	High	Low
2002				
First Quarter	$0.22	$0.08		
Second Quarter	$0.42	$0.06		
Third Quarter	$0.29	$0.07		
Fourth Quarter	$0.25	$0.10		
2003				
First Quarter	$0.27	$0.10		
Second Quarter	$0.21	$0.12		
Third Quarter	$0.13	$0.07		
Fourth Quarter	$0.11	$0.07		
2004	Pre reverse split		Restated for reverse split*	
First Quarter	$0.71	$0.07	$8.52	$0.84
Second Quarter	$0.43	$0.13	$5.16	$1.56
Third Quarter	$0.25	$0.13	$3.00	$1.56
Fourth Quarter	$0.40	$0.14	$4.80	$1.68

* Effective February 4, 2005, we had a reverse split of our common stock in the ratio of 12:1.

Shareholders

As of December 31, 2004, there were 370 shareholders of record of our common stock.

Dividend Policy

We have never declared or paid a cash dividend on our common stock. We currently intend to retain all of our future earnings, if any, for use in our business and therefore we do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our financial condition, operating results, capital requirements, restrictions contained in our agreements and other factors which our board of directors deems relevant.

On January 21, 2005 we issued 15,800 shares of Series D 6% Convertible Preferred stock. Dividend payments are semi-annual due March 1 and September 1 and are payable in cash or shares of common stock. On March 4, 2004 we issued 57,186 shares of restricted common stock as a dividend payment to the holders of the Series D Stock.

Recent Sales of Unregistered Securities

During the three months ended December 31, 2004, we issued an aggregate of 300,000 restricted shares of common stock for the exercise of warrants generating $30,000. The warrants were issued in a private placement dated April 10, 2002.

During the three months ended December 31, 2004, we issued an aggregate of 400,000 restricted shares of common stock for the exercise of warrants generating $40,000. The warrants were issued as payment under an agreement with a former employee.

During the three months ended December 31, 2004, warrants for common stock totaling 7,288,700 shares were exercised at $0.24 generating $1,749,288 from the private placement dated March 23, 2004.

During the three months ended December 31, 2004, we issued an aggregate of 14,998,052 shares of common stock at an average price of $0.203627 per share, generating $3,054,015 pursuant to our Dutchess Equity Line agreement.

The sales set forth above were undertaken under Rule 506 of Regulation D under the Securities Act of 1933, as amended, by the fact that:

- the sales were made to a sophisticated or accredited investors, as defined in Rule 502;
- we gave each purchaser the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information which we possessed or could acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished;
- at a reasonable time prior to the sale of securities, we advised each purchaser of the limitations on resale in the manner contained in Rule 502(d)2;
- neither we nor any person acting on our behalf sold the securities by any form of general solicitation or general advertising; and
- we exercised reasonable care to assure that each purchaser of the securities is not an underwriter within the meaning of Section 2(11) of the Securities Act of 1933 in compliance with Rule 502(d).

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement Concerning Forward-Looking Statements

This Report on Form 10-KSB contains forward-looking statements, including, without limitation, statements concerning possible or assumed future results of operations and those preceded by, followed by or that include the

words "believes," "could," "expects," "intends" "anticipates," or similar expressions. Our actual results could differ materially from these anticipated in the forward-looking statements for many reasons including the risks described in the Risk Factor section and elsewhere in this report. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

Overview

During the three and twelve month periods ended December 31, 2004, we continued to ramp up our business and facilities to fulfill our contracts with the U.S. Marines and the U.S. Army valued at an aggregate of approximately twenty million dollars. As of December 31, 2004, we had 182 employees, an increase of 153 employees from December 31, 2003. Additionally, as of December 31, 2004, we had 32 operational production cells to manufacture our products compared to 2 cells at December 31, 2003. During the twelve months of the year ended 2004, we spent $1,230,290 on Research and Development.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements, during the year ended December 31, 2004, we incurred losses of $10,245,833 but our Current Assets exceed our current liabilities by $5,783,200. Realization of a major portion of the assets in the accompanying balance sheet is dependent upon our continued operations, obtaining additional financing, and the success of our future operations.

Critical Accounting Policies

The Securities and Exchange Commission issued Financial Reporting release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," or FRR 60, suggesting companies provide additional disclosure and commentary on their most critical accounting policies. In FRR 60, the SEC defined the most critical accounting policies as the ones that are most important to the portrayal of a company’s financial condition and operating results, and require management to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The methods, estimates and judgments we use in applying these most critical accounting policies have a significant impact on the results we report in our financial statements.

The preparation of financial statements in conformity with generally accepted accounting principles 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As a general rule, financial information is accounted for and based on cost, not current market value. Revenues and gains should be matched using the accrual method with the expenses giving rise to the revenues and gains to determine earnings for the period. Expenses are necessarily incurred to produce revenue. Expenses are then "matched" in the same accounting period against the revenue generated. Revenues are recognized when they are earned and expenses are recognized in the same period as the related revenue (matching or using a systematic and rational allocation or expensing in the period in which they expire), not necessarily in the period in which the cash is received or expended by the company.

We believe the following critical accounting policies and procedures, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

- Revenue recognition;
- Inventory Cost; and
- Stock based compensation.

We recognize revenue upon formal acceptance of vehicles by customers. We have received progress / performance based payments from the U.S. Army and U.S. Marines. We record these progress / performance based payments as deferred revenue and carry them on the balance sheet as such until shipment acceptance.

In December 2004, FASB issued Statement No. 123 (R), *Share-Based Payment,* which establishes accounting standards for transactions in which an entity receives employee services in exchange for (a) equity instruments of the entity or (b) liabilities that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of equity instruments. Effective in the third quarter of 2005, SFAS 123(R) will require us to recognize the grant-date fair value of stock options and equity based compensation issued to employees in the statement of operations. The statement also requires that such transactions be accounted for using the fair-value-based method, thereby eliminating use of the intrinsic method of accounting in APB No. 25, *Accounting for Stock Issued to Employees,* which was permitted under Statement 123, as originally issued. To date, we have expensed stock based compensation on the intrinsic method. We currently are evaluating the impact of Statement No. 123 (R) on our financial condition and results of operations.

In November 2004, the FASB issued Statement No. 151, *Inventory Costs*, to amend the guidance in Chapter 4, *Inventory Pricing*, of the FASB Accounting Research Bulletin No. 43, *Restatement and Revision of Accounting Research Bulletins*, which will become effective for us in fiscal year 2006. Statement No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted materials. The Statement requires that those items be recognized as current-period charges. Additionally, Statement No. 151 requires that allocation of fixed production overhead to the costs of conversion be based on normal capacity of the production facility. We are currently following Statement No. 151 and we do not believe that Statement No. 151 will have a significant impact on our financial condition and results of operations.

Financial Condition and Results of Operations

The following discussion and analysis compares our results of operations for the Twelve months ended December 31, 2004 to the same period in 2003. This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this report.

Revenues. Revenues for the twelve month period ended December 31, 2004 were $10,272,757. Revenues for the twelve month period ended December 31, 2004 increased $3,522,278 compared to the same period in 2003. The increase in revenues during the twelve month period was due to the timing of awarded contracts and the beginning of our ramp up in production. Vendor part delivery schedules hampered further revenues by extending the shipment schedule into 2005. Revenues were derived primarily from the shipment of Buffalos to the U.S. Army and shipments of Cougars to the U.S. Marines. We also earned revenues by shipping spare parts for our products which accounted for $553,000 of revenue during 2004. Shipments for both the U.S. Army and U.S. Marines' contracts began in October 2004.

Cost of Sales. Cost of sales for the twelve month period ended December 31, 2004 were $11,266,998. Cost of sales for the twelve month period ended December 31, 2004 compared to the same period in 2003 increased by $6,824,580. The increase in cost of sales can be attributed to increased revenues, increased freight cost associated with air-freighting steel, and inefficiencies related to the production ramp due to employee training, vendor deliveries, vendor product quality issues and product documentation. We also recognized a $501,331 provision for loss on our contract with the U.S. Marine Corps because the contract was scheduled to be completed by December 31, 2004.

Cost of sales was 109.7% of sales for the twelve month period ended December 31, 2004 compared to 71.1% for the same period in 2003. Manufacturing costs have increased as a percentage of sales because, in 2004, we had increased freight cost associated with air-freighting steel and inefficiencies related to the production ramp. These inefficiencies were recognized as unproductive labor cost. The timing of the contract awards resulted in an almost 7 month production ramp with very little revenue recognized during the ramp period yet we were absorbing large amounts of indirect cost which is captured in Cost Of Goods Sold, or COGS. Material scrap and contractual training cost for the Marines accounted for an incremental 4.9% increase to COGS. The inclusion of the provision for the loss on the

Marine contract accounts for an incremental 4.4% of COGS. Additionally, manufacturing costs increased substantially as we increased spending in Engineering, Quality Control and Integrated Logistics Support to begin to fulfill two government contracts. Indirect cost accounted for 20.1% of COGS during the year ended December 31, 2004 as compared to 5.6% for the year ended December 31, 2003 reflecting the infrastructure ramp without a complete year of supporting revenue.

Selling, General and Administrative expenses. Selling, General and Administrative expenses for the twelve months ended December 31, 2004 were $9,136,372. As compared to the twelve month period ended December 31, 2003, Selling, General and Administrative expenses increased $5,123,286. For the twelve months ended December 31, 2004, excluding Research & Development expenditures, Selling, General & Administrative spending was $7,138,974. During 2004, we incurred and accrued $934,000 of stock based compensation paid to eight employees and one consultant. Fringe expense increased due to the increase in headcount of 153 people since the start of the year.

Other Income/Expense. We had other expenses for the twelve months ended December 31, 2004 of ($675,577). Interest expense for the twelve months ended December 31, 2004 was $684,980 consisting of $672,937 factoring and loan interest charges and $10,575 of other bank charges and $1,468 of penalties.

Net Loss. Net Loss for the twelve months ended December 31, 2004 the net loss was $10,245,833 an increase of $4,924,209 as compared to the net loss of $5,321,624 for the twelve months ended December 31, 2003. The increase in net loss is attributed to the third and forth quarter production ramp up inefficiencies to fulfill two government contracts and to build infrastructure for future growth.

Backlog

On April 23, 2004 we announced an award of a contract to deliver up to 27 Cougars, of which 14 were initially funded under the contract, to the U.S. Marine Corps. On March 8, 2005 we announced the follow-on order estimated at more than $5 million. On May 17, 2004 we announced the award of a contract to deliver 21 Buffalo vehicles to the U.S. Army. Initial deliveries began in October 2004. We have received progress payments during production and expect to receive final payments for each unit shipped within 45 days of acceptance by our customer. During 2004, we announced an additional order for the production of 15 Buffalos to be delivered during 2005. Our sales backlog was $21,961,000 at December 31, 2004, but has increased with the follow-on Cougar order by $5,000,000. It is possible that orders could be cancelled without notice, and our customer could impose penalties for late deliveries.

Trends, Risks and Uncertainties

Overall, the expansion of our operations during 2004 has been part of a growth trend that has carried us from a cramped facility in the old Charleston Navy shipyards with capacity to produce only a single vehicle at a time, to our present manufacturing plant with more than 200,000 square feet of production area and a production capacity of approximately 6-8 vehicles a month. This growth is consistent with our plan to position ourselves as the leading manufacturer in the United States of blast and mine protected vehicles, and we will continue to take appropriate steps to achieve this goal.

During the fourth quarter of 2004 we continued to expand our business operations to meet the increased demand for our products resulting from the 2004 orders placed by the U.S. Army for Buffalos, and the U.S. Marine Corps for Cougars. During fiscal year 2004, we increased our workforce by approximately 435% and increased the number of our production "cells" by 800%. We believe these infra-structure developments will assist in meeting our current obligations and enhance our qualifications to bid on future projects. Our rapid expansion in 2004 created a number of challenges for us and caused us to be slower than our originally anticipated projected delivery schedule for the Buffalos and the Cougars. . We recognized a $501,331 provision for loss on our contract with the U.S. Marine Corps. during the fourth quarter of 2004 because the contract was scheduled to be completed by December 31, 2004 We believe we are overcoming some of the hurdles associated with our initial infrastructure ramp. However, we intend to continue to increase infrastructure ramp for future growth and recognize that there are on-going risks associated with our continued growth. Additionally, there is always some risk that an unforeseen event could interrupt or negatively impact our production operations, Under our current contract with the U.S. Marines, liquidated damages can be assessed against us for delayed delivery of Cougars. We believe that we will be able to complete our current orders

according to a revised delivery schedule.

A major challenge facing us at present is satisfactory completion of our existing orders. This is significant for two reasons; first, it will demonstrate our ability to manufacture vehicles on a "production basis" i.e., multiple vehicle sets built to a consistent specification, and according to a predictable schedule and thus position us for future orders, possibility on a substantially larger scale than we have received to date. Second, as discussed above, in accordance with accepted accounting practice, we have treated progress payments received on our two main contracts as "deferred income", which means that even though we have actually received progress payments totaling $2,645,716 at year end, the revenue is not stated on our income statement. As a result, our financial results for the twelve month period ending December 31, 2004 show revenues of $10,272,757 which excludes all deferred revenue, and a resulting loss from operations of $10,245,833. When we complete and deliver the vehicles, we will be able to move current deferred amounts from the "deferred revenue" category and book it as direct revenue from operations. Booking this revenue may not cause our company to become or remain profitable.

In the past, we encountered some difficulties in securing the necessary components for our vehicles, specifically steel and, from time-to-time, truck chassis. In response, we have identified multiple vendors for certain components so we have alternate sources of supply if necessary. Additionally, we have implemented a program of advance purchasing and stockpiling critical materials. For example, we currently have pre-purchased steel and truck parts to ensure availability of material needed for current and potential future orders. It is also possible that, even if we can continue to source our necessary raw materials and parts, the price we pay will increase substantially, negatively impacting our financial performance.

Apart from the risks mentioned above, the main uncertainty about our future operations is whether we will continue to receive additional orders for our vehicles. It is impossible to predict with certainty whether such future orders will be placed by existing or new customers. If we do not receive future orders, it is unlikely that our business will continue. However, we believe our vehicles provide proven landmine and blast protection, and that for so long as there is a risk of bodily harm to service personnel from such explosive blasts, there will be a market for our products.

Liquidity And Capital Resources

As of December 31, 2004, our cash and cash equivalents were $2,264,406 compared to $278,777 as of December 31, 2003; $3,210,136 as of March 31, 2004; $1,311,687 as of June 30, 2004 and $548,781 as of September 30, 2004. Our principal sources of capital have been cash flow from operations as it relates to the receipt of performance based payments, warrant exercises, borrowings from G.C. Financial Services and the sale of common stock. To date we have not had any recent borrowings from G.C. Financial Services.

We currently have sufficient cash resources for the next two reporting periods, ending June 2005, excluding any major changes to our burn rate. We intend to seek a short term line of credit or other financing alternatives as necessary which may be required sooner if other large orders are secured. If we accept an additional contract, our cash resources will be depleted for the purchase of materials, reducing our cash resources and shortening our cash resources to cover only a few months. We anticipate that we will require additional capital funding to meet our needs, which will include expanding our workforce, funding further development on our vehicle products and strengthening our internal operations. Based on our current operating plan, we anticipate that additional financing will be required to finance growth in operations and capital expenditures in 2005 and in 2006.

Our currently anticipated levels of revenues and cash flow are subject to many uncertainties. The amount of funds that we will require depends on many factors, including without limitation, the extent and timing of sales of our products, future inventory costs, the timing and costs associated with the establishment and/or expansion, as appropriate, of our manufacturing, development, engineering and customer support capabilities, the timing and cost of our product development and enhancement activities and our operating results. Until we generate cash flow from operations that will be sufficient to satisfy our cash requirements, we will continue to seek alternative means for financing our

operations and capital expenditures and/or postpone or eliminate certain investments or expenditures. Potential alternative means for financing may include leasing capital equipment, lines of credit, or obtaining additional debt or equity financing. When needed, additional financing may not be available, or available on acceptable terms. The inability to obtain additional financing or generate sufficient cash from operations could require us to reduce or eliminate expenditures for capital equipment, research and development, production or marketing of our products, or otherwise curtail or discontinue its operations, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if we raise funds through the sale of additional equity securities, the common stock currently outstanding will be further diluted.

Operating Activities

The cash used by operating activities for the twelve months ended December 31, 2004 was $13,392,619, as compared to $4,371,480 for the twelve months ended December 31, 2003. We used cash primarily to fund existing operations, purchase inventory to manufacture our products for the second half of 2004 for the U.S. Marine and U.S. Army contracts and Research and Development for future products. During 2004, increased inventory consumed $8,082,015 of cash.

Investing Activities

Our capital expenditures for the three months ended March 31, 2004 were $49,955 which consisted primarily of office and manufacturing equipment. Capital expenditures for the three months ended June 30, 2004 were $186,144 which consisted primarily of expenditures related to the ramp-up of our manufacturing facilities. Capital expenditures for the three months ended September 30, 2004 were $539,988 which related to the support of additional headcount and the completion of the first phase of the ramp up of our manufacturing facilities. We anticipate that our capital expenditures during 2005 will increase significantly due to increased headcount, and the ramp up of additional manufacturing capacity. Short -term financing or the use of a line of credit might be required.

Our capital expenditures for the twelve months December 31, 2004 were $822,532 as compared to $125,008 during 2003, related to investments in office and manufacturing equipment and cell structure. We anticipate that our capital expenditures during 2005 will increase because of costs associated with existing contracts, and potential new opportunities.

Sale of Assets

Under an agreement dated July 1, 2003, modified on September 15, 2003, the Company sold its right, title and interest in and to the tangible and intangible assets of its Fire & Rescue Boat Division to Rockwell Power Systems Inc. (“RPSI”), which subsequently merged with Xtreme, Inc., a publicly traded company trading under the symbol XTME.OB on the Bulletin Board. As part of the consideration for such sale, RPSI caused to be delivered to the Company 1/3 of Xtreme’s authorized common stock, which was then distributed to the Company’s shareholders of record as at December 5, 2003. In addition, the Company is to receive 500 shares of Xtreme’s Series A Preferred stock, each share having a face value of $1,000. The Company has requested but not yet received such Preferred shares.

Financing Activities

We completed the following financing activities during 2004.

On March 23, 2004, we closed on a private offering. This offering, sold to six accredited investors, consisted of the following:

(a) 15,000,000 shares at $0.20 per share;

(b) an "A" Warrant for each share purchased, exercisable at $0.24 per share. The "A" Warrants expire March 23, 2006; and

(c) A "Green Shoe" warrant for each share purchased, exercisable at $0.20 per share for a period of 180 days after the effective date of the registration statement, commencing on the effective date of the registration statement.

We received gross proceeds of $3,000,000 from this private placement. In addition, during 2004, through the exercise of “A” Warrants, and the “Green Shoe” Warrants, we received additional gross proceeds of $4,907,288. Total 2004 commission and fees related to this placement totaled $344,838.

During 2004, we exercised $3,054,015 of our financing facility originally entered into on September 20, 2003 with Dutchess Private Equities Fund, also referred to as an Equity Line of Credit, for $3,500,000 under the agreement, a portion of which was advanced under a loan agreement. The balance was exercised in early January 2005 and no further funds are available under the agreement.

During 2004, Technical Solution Group, Inc. entered into an agreement with GC Financial Service, Inc. As of December 31, 2004 TSG had drawn approximately $10,272,757 gross, all of which has been repaid at December 31, 2004. We renewed our existing receivables agreement with GC Financial Services for financing on July 28, 2004. Receivables can be factored 2%. We also secured a line of credit of up to $4,000,000 at a base rate of 4.1% per month, the balance of $4 million was outstanding on December 31, 2004 but was paid in full in January of 2005. We currently we have no remaining line of credit debt.

We intend to raise additional funds in 2005 and 2006. The amount of funds we need will depend upon many factors, including without limitation, the extent and timing of sales of our products, future product costs including the cost of raw materials, the timing and costs associated with the establishment and/or expansion, as appropriate, of our manufacturing, development, engineering and customer support capabilities, the timing and cost of our product development and enhancement activities and our operating results. Until we generate cash flow from operations that will be sufficient to satisfy our cash requirements, we will need to seek alternative means for financing our operations and capital expenditures and/or postpone or eliminate certain expenditures. Potential alternative means for financing may include leasing capital equipment, or obtaining additional debt, factoring receivables or equity financing. Additional financing may not be available, or available on acceptable terms. The inability to obtain additional financing or generate sufficient cash from operations could require us to reduce or eliminate expenditures for capital equipment, research and development, production or marketing of our products, or otherwise curtail or discontinue our operations, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if we raise funds through the sale of additional equity securities, the common stock currently outstanding will be further diluted.

Inflation

We do not believe that inflation has had or is likely to have any significant impact on our revenues. However, there is currently a shortage of the type of steel we use in our products. We currently have enough steel to manufacture to our existing contracts. We continue to purchase steel anticipating future requirements. If the price of steel increases significantly, the cost of our products could increase. It is unlikely we will be able to pass on this cost under our current contracts. As a result, if the cost of our raw materials increases, our profitability, if any, could decrease.

Subsidiaries

As of December 31, 2004, we have one wholly-owned subsidiary, Technical Solutions Group, Inc. On January 12, 2005 Technical Solutions Group was renamed Force Protection Industries, Inc.

Contractual Obligations

We lease space in two buildings in Ladson, South Carolina for our principal executive offices and manufacturing facilities. The term of the lease for Building Three is five years starting October 15, 2003. Annual rent is $215,000 for the first year plus utilities, taxes and maintenance, and $258,000 base rental for the next four years. We have 84,800 square feet of space in Building Three.

The term of the lease for Building Two is five years starting July 15, 2004, with an option to renew for another five years. Annual rent is $439,500 for the first year plus utilities, taxes and maintenance, and $439,500 base rental for the next four years, which may be adjusted by increases to the Consumer Price Factor by three to seven percent. This additional lease of 142,500 square feet gives us a stable base for future planning. The space substantially increases our ability to qualify for and fulfill larger contracts for its mine-protected vehicles. We believe our facilities are adequate for our current operations and that we can obtain additional leased space if needed.

On July 15, 2004 our subsidiary entered into a 60 month option lease of $952.71 per month with Gregory Poole Lift Systems for a new Caterpillar forklift.

ITEM 7. FINANCIAL STATEMENTS

Independent Auditors' Report

To the Board of Directors and Stockholders of
Force Protection, Inc. and subsidiary

We have audited the accompanying consolidated balance sheet of Force Protection, Inc., and subsidiary (formerly known as Sonic Jet Performance, Inc.) as of December 31, 2004, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Force Protection, Inc, and subsidiary, at December 31, 2004, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and its difficulties in generating sufficient cash flow to meet its obligation and sustain its operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Jaspers + Hall, PC
Jaspers + Hall, PC
Denver, Colorado
April 8, 2005

FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
For the Period ending DECEMBER 31 2004, 2003 and 2002

	2004	2003	2002
ASSETS			
Current Assets:			
Cash	$ 2,264,406	$ 278,777	$ 114,476
Restricted cash	-	-	-
Accounts receivable	1,053,973	144,932	166,242
Inventories	22,920,212	827,337	186,463
Other current assets	80,316	60,000	146,874
Total Current Assets	26,318,907	1,311,046	644,055
Property and equipment, net	1,038,589	309,068	336,523
Other Assets:			
Licensing rights	-	-	200,000
Goodwill	-	-	1,434,873
Total Other Assets	-	-	1,634,873
TOTAL ASSETS	$ 27,357,496	$ 1,620,114	$ 2,615,451

The accompanying notes are an integral part of these financial statements.

FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
For the Period ending DECEMBER 31 2004, 2003 and 2002

		2004	2003	2002
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities:				
Account payable	$	1,867,363	$ 715,066	$ 873,544
Accrued payroll taxes		-	13,826	38,690
Other accrued liabilities	957,885		197,469	122,867
Current portion of capitalized lease obligations		-	-	-
Loans payable		360,975	536,162	56,807
General reserve		14,703,769	-	424,947
Deferred Revenue		2,645,716	209,175	
Total Current Liabilities		20,535,707	1,617,698	1,516,855
Long-term debt:		37,655		
Long-term accrued liabilities		4,101,078	176,961	277,414
Note payable - long-term		-	32,461	67,732
Total long-term		4,138,733	209,422	295,146
TOTAL LIABILITIES		24,674,441	1,881,120	1,812,001
Shareholders' equity:				
Preferred stock: no par value, 10,000,000 shares authorized, issued and outstanding				
Series A convertible preferred stock no shares issued and outstanding	-		-	-
Series B convertible preferred stock, 19.5 shares issued and outstanding		1,508,000	25,000	25,000
Series C convertible preferred stock, no shares issued and outstanding,		-	1,294,000	340,000
Common stock, 0.001 par value, 300,000,000 shares authorized, issued and outstanding 146,024,945 and 232,295,262 respectively		20,922,574	19,403,349	15,985,256
Warrants		1,500	689,726	692,226
Shares committed to be issued		-	30,924	143,350
Accumulated deficit		(31,961,813)	(21,704,005)	(16,382,382)
Additional Paid-in Capital		12,212,795	-	-
Total stockholders' equity		2,283,055	(261,006)	803,450

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 27,357,496	$ 1,620,114	$ 2,615,451

The accompanying notes are an integral part of these financial statements.

FORCE PROTECTION INC. AND SUBSIDIARY
CONSOLIDATED INCOME STATEMENT
For the Period ending DECEMBER 31 2004, 2003 and 2002
(in dollars)

	2004	2003	2002
NET SALES	$ 10,272,757	$ 6,247,285	$ 2,606,634
COST OF SALES	11,266,998	4,442,418	1,877,495
GROSS PROFIT	(944,241)		

Operating Information	**Year Ended December 31,**		
	2013	**2012**	**2011**
	(dollars in thousands, except per share data)		
Revenues			
Rental income	$ 136,513	$ 121,210	$ 91,091
Interest on secured loans and financing lease	4,400	4,633	5,193
Interest and other income	154	1,129	844
Total revenues	141,067	126,972	97,128
Expenses			
Interest expense incurred	40,785	47,440	36,010
Amortization of deferred financing costs	3,459	3,543	2,657
Depreciation and amortization	33,226	26,892	20,272
General and administrative	26,886	15,955	11,422
Transaction costs	3,114	7,259	5,493
Loss on impairment	500	11,117	5,233
Reserve for uncollectible secured loan and other receivables	68	10,331	1,591
Gain on sale of assets, net	(1,016)		(1,171)
Loss on extinguishment of debt	10,974	28	3,807
Other expense		400	267
Total expenses	117,996	122,965	85,581
Income from continuing operations	23,071	4,007	11,547
Discontinued operations		4,586	(234)
Net income	23,071	8,593	11,313
Net income allocable to noncontrolling interests/limited partnership units of the operating partnership	(6,010)	(3,455)	(5,107)
Net income allocable to stockholders	$ 17,061	$ 5,138	$ 6,206
Weighted average shares outstanding			
Basic	33,700,834	20,006,538	14,487,565
Diluted	44,324,214	20,135,689	14,633,354

Income from continuing operations allocable to stockholders			
Basic	$ 0.51	$ 0.12	$ 0.44
Diluted	$ 0.49	$ 0.12	$ 0.43

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Balance Sheet Information	As of December 31, 2013[1] Actual	As Adjusted
	(dollars in thousands)	
Gross real estate investments	$ 1,310,790	$ 1,310,790
Cash and cash equivalents	50,764	221,634
Secured loan receivables, net	41,686	41,686
Total assets	1,330,433	1,501,303
Total debt	686,406	666,406
Total liabilities	761,988	741,988
Stockholders equity	434,292	605,174
Noncontrolling interests	134,153	154,141
Total equity	568,445	759,315
Total liabilities and equity	1,330,433	1,501,303

(1) The summary balance sheet data as of December 31, 2013 is presented (a) on an actual basis and (b) on an as adjusted basis to give effect to the sale by us pursuant to this offering of 8,000,000 shares of our common stock at an assumed public offering price of $24.97 per share, the last reported sale price of our common stock on the NYSE on April 7, 2014, and the application of the net proceeds from this offering as described in Use of Proceeds.

Other Information	Year Ended December 31, 2013	2012	2011
	(dollars in thousands)		
Cash flows provided by operating activities	$ 67,353	$ 44,475	$ 52,088
Cash flows used in investing activities	(218,901)	(184,690)	(207,056)
Cash flows provided by financing activities	184,436	117,229	182,801
FFO[2]	55,781	42,177	35,647
Normalized FFO[2]	70,156	55,995	46,459
AFFO[2]	79,520	52,085	50,197
EBITDA[3]	100,540	86,464	70,241
Adjusted EBITDA[3]	128,762	110,215	94,180

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

	Year Ended December 31, 2013	2012	2011
	(dollars in thousands)		
Net Income	$ 23,071	$ 8,593	$ 11,313
Depreciation and amortization	33,226	26,892	20,272
Loss on impairment	500	11,117	5,233
Gain on sale of assets, net	(1,016)	(4,425)	(1,171)

Funds from Operations	55,781	42,177	35,647
Loss on extinguishment of debt	10,974	28	3,807
Reserve for uncollectible loan receivables	11	6,531	1,512
Transaction costs	3,114	7,259	5,493
Severance costs	276		
Normalized Funds from Operations	70,156	55,995	46,459
Amortization of deferred financing costs	3,459	3,543	2,665
Non-cash stock (unit)-based compensation	11,752	1,689	1,972
Straight-line rental income, net	(4,478)	(7,656)	467
Rental income from intangible amortization, net	(1,369)	(1,486)	(1,366)
AFFO	$ 79,520	$ 52,085	$ 50,197

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

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Cash flows provided by operating activities	$ 67,353	$ 44,475	$ 52,088
Depreciation from discontinued operations		(43)	(575)
Reserve for uncollectible loan and other receivables	(68)	(10,331)	(1,512)
Non-cash stock (unit)-based compensation	(11,752)	(1,689)	(1,972)
Amortization of deferred financing costs	(3,459)	(3,543)	(2,665)
Straight-line rental income (expense), net	4,478	7,656	(467)
Rental income from intangible amortization, net	1,369	1,486	1,366
Changes in operating assets and liabilities	2,514	4,194	(5,967)
Discontinued operations			(773)
Non-cash loss on extinguishment of debt	(5,161)	(42)	(3,807)
Other	507	14	(69)
Funds from Operations	55,781	42,177	35,647
Loss on extinguishment of debt	10,974	28	3,807
Reserve for uncollectible loan and other receivables	11	6,531	1,512
Transaction costs	3,114	7,259	5,493
Severance costs	276		
Normalized Funds from Operations	70,156	55,995	46,459
Amortization of deferred financing costs	3,459	3,543	2,665
Non-cash stock (unit)-based compensation	11,752	1,689	1,972
Straight-line rental income, net	(4,478)	(7,656)	467
Rental income from intangible amortization, net	(1,369)	(1,486)	(1,366)
AFFO	$ 79,520	$ 52,085	$ 50,197

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

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Net income	$ 23,071	$ 8,593	$ 11,313
Interest expense, net	40,784	47,436	35,991
Amortization of deferred financing costs	3,459	3,543	2,665
Depreciation and amortization	33,226	26,892	20,272

EBITDA	100,540	86,464	70,241
Loss on impairment	500	11,117	5,233
Gain on sale of assets, net	(1,016)	(4,425)	(1,171)
Transaction costs	3,114	7,259	5,493
Write off of straight-line rents	2,887	1,552	7,093
Non-cash stock (unit)-based compensation	11,752	1,689	1,972
Loss on extinguishment of debt	10,974	28	3,807
Reserve for uncollectible loan receivables	11	6,531	1,512
Adjusted EBITDA	$ 128,762	$ 110,215	$ 94,180

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

	Year Ended December 31,		
	2013	2012	2011
	(dollars in thousands)		
Cash flows provided by operating activities	$ 67,353	$ 44,475	$ 52,088
Interest expense, net	40,784	47,436	35,991
Depreciation from discontinued operations		(43)	(575)
Straight-line rental income (expense), net	4,478	7,656	(467)
Rental income from intangible amortization, net	1,369	1,486	1,366
Non-cash stock (unit)-based compensation	(11,752)	(1,689)	(1,972)
Gain on sale of assets, net	1,016	4,425	1,171
Loss on impairment	(500)	(11,117)	(6,092)
Reserve for uncollectible loan and other receivables	(68)	(6,531)	(1,426)
Changes in operating assets and liabilities	2,514	396	(5,967)
Non-cash loss on extinguishment of debt	(5,161)	(42)	(3,807)
Other	507	12	(69)
EBITDA	100,540	86,464	70,241
Loss on impairment	500	11,117	5,233
Gain on sale of assets, net	(1,016)	(4,425)	(1,171)
Transaction costs	3,114	7,259	5,493
Write-off of straight-line rents	2,887	1,552	7,093
Non-cash stock (unit)-based compensation	11,752	1,689	1,972
Loss on extinguishment of debt	10,974	28	3,807
Reserve for uncollectible loan receivables	11	6,531	1,512
Adjusted EBITDA	$ 128,762	$ 110,215	$ 94,180
Cash flow used in investing activities	$ (218,901)	$ (184,690)	$ (207,056)
Cash flow provided by financing activities	$ 184,436	$ 117,229	$ 182,801

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RISK FACTORS

An investment in our common stock involves significant risks. Before making your investment decision, you should consider the following risks relating to this offering and our common stock, as well as the information contained herein or incorporated by reference, including those additional risks set forth under the caption Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013. There may be other risks of which we are presently unaware or that we currently deem immaterial. These risks may materially and adversely affect our business, financial condition, liquidity and results of operations. As a result, the trading price of our common stock could decline significantly and you could lose all or a part of your investment.

Risks Relating to this Offering and Ownership of Our Common Stock

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

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

actual or anticipated variations in our quarterly operating results;

changes in our funds from operations or earnings estimates;

increases in market interest rates that may lead purchasers of our shares to demand a higher yield;

changes in market valuations of similar companies;

adverse market reaction to any increased indebtedness we incur in the future;

additions or departures of key personnel;

actions by stockholders;

speculation in the press or investment community;

general market, economic and political conditions;

our operating performance and the performance of other similar companies;

changes in accounting principles;

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

the potential impact of governmental budgets and healthcare reimbursement expenditures.

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

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

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

We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Any sales by us or by our existing stockholders of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, may cause the market price of our shares to decline. The exercise of any options or the vesting of any restricted stock granted to our directors, executive officers and other employees under our 2010 Management Incentive Plan and 2013 Long-Term Incentive Plan, the issuance of our common stock in exchange for OP units not held directly or indirectly by us, at our option and subject to certain limits, the issuance of our common stock in connection with facility, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the market price of the shares of our common stock. In addition, future sales of shares of our common stock by us may be dilutive to existing stockholders.

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

We may be unable to pay our annual distributions to stockholders out of cash available for distributions. If sufficient cash is not available for distributions from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions or reduce the amount of such distributions. To the extent that we fund distributions from working capital, our cash available for investing purposes will decrease. Pending the ultimate use of the proceeds from this offering, we intend to invest the proceeds in a variety of liquid investments, including short-term, interest-bearing instruments such as U.S. government securities and municipal bonds. The rate of return on these investments, which affects the amount of cash available to make distributions to stockholders, has fluctuated in recent years and most likely will be less than the return obtainable from the type of real estate investments we seek to make. Therefore, delays we encounter in identifying suitable uses for the proceeds of this offering may adversely affect our ability to pay distributions to stockholders.

Certain provisions of Maryland Law may limit the ability of a third party to acquire control of our company; to the extent we have opted out of certain of these provisions and cannot opt in without a stockholder vote, we may have limited protection from coercive takeover attempts.

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

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

These provisions of the MGCL relating to business combinations do not apply, however, to business combinations that are approved or exempted by our board of directors prior to the time that the interested stockholder becomes an interested stockholder. As permitted by the statute, our board of directors has by resolution exempted any business combination between us and any other person or entity from the business combination provisions of the MGCL and,

consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person or entity. As a result, these persons may be able to enter into business combinations with us that may not be in the best interests of our

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stockholders without compliance by our company with the supermajority vote requirements and the other provisions of the statute. Our bylaws provide that this resolution may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with such resolution, or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

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

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

Legislative or other actions affecting REITs could have a negative impact on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the Internal Revenue Service and the U.S. Treasury Department. No assurance can be given as to whether, or in what form, any proposals affecting REITs or their stockholders will be enacted. Changes to the federal tax laws (including, if enacted, proposals in draft legislation recently released by the Chairman of the Ways and Means Committee of the U.S. House of Representatives) and interpretations thereof could materially adversely affect an investment in our common stock.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the common stock will be approximately $190.9 million, or $219.6 million if the underwriters exercise their option in full, based upon an assumed public offering price of $24.97 per share, the last reported sale price of our common stock on the NYSE on April 7, 2014, and after deducting underwriting commissions and estimated offering expenses of approximately $400,000 that are payable by us. Each $1.00 increase or decrease in the assumed public offering price of $24.97 per share would increase or decrease, respectively, the estimated net proceeds from this offering by approximately $7.7 million (or approximately $8.8 million if the underwriters exercise their option in full).

We intend to contribute the net proceeds to us from this offering to our operating partnership in exchange for OP units of our operating partnership. Our operating partnership intends to use those net proceeds to repay approximately $98.0 million outstanding under our revolving credit facility and the remainder for general corporate purposes, including the potential acquisition of additional properties in the ordinary course of business. As of December 31, 2013, the outstanding balance under our revolving credit facility was $20.0 million, which accrues interest at a rate equal to 2.52% and matures on March 26, 2016.

Pending any ultimate use of any portion of the proceeds from this offering, our operating partnership intends to invest the proceeds in a variety of liquid investments, including short-term, interest-bearing instruments such as U.S. government securities and municipal bonds. We cannot predict whether the proceeds invested will yield a favorable return.

COMMON STOCK PRICE RANGE AND DIVIDENDS

Our common stock is traded under the symbol AVIV on the New York Stock Exchange, or NYSE. The following table sets forth, for the quarters indicated, the range of high and low sales prices for our common stock as reported by the NYSE and the dividends declared per common share.

	Price Range[1]		Cash Distributions
	High	Low	Declared Per Share[2]
2014			
Second Quarter (through April 7, 2014)	$ 25.30	$ 24.14	$
First Quarter	$ 26.22	$ 22.74	$ 0.360
2013			
Fourth Quarter	$ 26.02	$ 22.64	$ 0.360
Third Quarter	$ 26.38	$ 21.31	$ 0.360
Second Quarter	$ 31.10	$ 23.38	$ 0.384
First Quarter	$ 24.17	$ 22.10	$ 0.300
2012			
Fourth Quarter			$ 0.320
Third Quarter			$ 0.330
Second Quarter			$ 0.340
First Quarter			$ 0.360

(1)

During the first quarter of 2013, we completed an initial public offering pursuant to a registration statement which became effective on March 20, 2013. As such, no price ranges are available for 2012 and the price range for the first quarter of 2013 represents trading prices after March 20, 2013.

(2) Cash dividends prior to our initial public offering have been retrospectively restated to reflect the 60.37-for-one split effective on March 8, 2013.

The last reported sale price of our common stock on the NYSE on April 7, 2014 was $24.97 per share. As of April 7, 2014, there were 27 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of December 31, 2013:

- on an actual basis; and
- on an as-adjusted basis to give effect to the sale by us pursuant to this offering of 8,000,000 shares of our common stock at an assumed public offering price of $24.97 per share, the last reported sale price of our common stock on the NYSE on April 7, 2014, and the application of the net proceeds from this offering as described in Use of Proceeds.

You should read this table in conjunction with our audited consolidated financial statements and the related notes thereto appearing in our Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference herein.

	As of December 31, 2013	
	Actual	As Adjusted[1]
	(dollars in thousands, except per share data)	
Cash and cash equivalents	$ 50,764	$ 221,634
Total debt:		
Revolving Credit Facility[2]	$ 20,000	$
Other debt	666,406	666,406
Total debt	686,406	666,406
Stockholders equity:		
Common stock ($0.01 par value per share; 300,000,000 shares authorized; 37,593,910 and 45,593,910 shares issued and outstanding, respectively)	376	456
Additional paid-in-capital	523,658	694,460
Accumulated deficit	(89,742)	(89,742)
Total stockholders equity	434,292	605,174
Noncontrolling interests operating partnership	134,153	154,141
Total equity	568,445	759,315
Total capitalization	$ 1,254,851	$ 1,425,721

(1) If the underwriters option to purchase up to an additional 1,200,000 shares of our common stock is exercised in full, (i) an additional 1,200,000 shares of common stock would be issued and we would receive approximately

$28.7 million in additional net proceeds; and (ii) cash and cash equivalents, total shareholders equity and total capitalization would also increase by approximately $28.7 million.

(2) As of April 7, 2014, we had $98.0 million outstanding under our revolving credit facility. We intend to apply a portion of the net proceeds of this offering to repay the entire amount outstanding under our revolving credit facility. We expect to have $400 million available undrawn under our revolving credit facility after giving effect to the anticipated application of proceeds of this offering, subject to borrowing base limitations.

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UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for whom Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares indicated below:

Name	Number of Shares
Morgan Stanley & Co. LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Citigroup Global Markets Inc.	
RBC Capital Markets, LLC	
SunTrust Robinson Humphrey, Inc.	
Credit Agricole Securities (USA) Inc.	
RBS Securities Inc.	
Total:	8,000,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus supplement if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters option to purchase additional shares described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the offering price listed on the cover page of this prospectus supplement and part to certain dealers. After the initial offering of the shares of common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,200,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts and commissions. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the number listed next to the underwriter s name in the preceding table bears to the total number of shares of common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase up to an additional 1,200,000 shares of common stock.

	Per Share	Total No Exercise	Total Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us:			
Proceeds, before expenses, to us	$	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $400,000. We have agreed to pay the reasonable fees and disbursements of counsel to the underwriters in connection with the clearance of this offering with the Financial Industry Regulatory Authority.

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Our common stock is listed on the New York Stock Exchange under the trading symbol AVIV .

We, each of our directors and executive officers and our private equity investor have agreed that we and they will not, during the period ending 90 days after the date of this prospectus supplement (the restricted period):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for shares of common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any such transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, we have agreed not to file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock during the restricted period. Our directors and executive officers and our private equity investor have agreed that they will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph do not apply to:

- the sale of shares to the underwriters;

- the issuance by us of shares of common stock upon the exercise of an option or a warrant, the settlement of restricted stock units, the accrual of dividend equivalents or the conversion of a security outstanding on the date of this prospectus supplement of which the underwriters have been advised in writing or as described in this prospectus supplement (including the documents incorporated by reference herein);

- the filing of one or more registration statements with the SEC on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan, employment agreement or other similar arrangements;

- the grant of restricted stock, options or other securities pursuant to an equity incentive plan as described in this prospectus supplement (including the documents incorporated by reference herein);

- the issuance by us of securities in an amount up to 5% of our outstanding shares of common stock or OP units in connection with an acquisition or strategic transaction; *provided* that the recipient of such securities enters into a lock-up agreement with respect to such securities for the remaining restricted period;

sales pursuant to a trading plan pursuant to Rule 10b5-1 under the Exchange Act in existence on the date of this prospectus supplement for the transfer of shares of common stock beneficially owned on such date; *provided* that, to the extent any filing under the Exchange Act is required of or voluntarily made by the seller in connection with any such sale, such filing shall include a statement to the effect that such sale was effected pursuant to a Rule 10b5-1 trading plan;

any distribution, exchange or transfer of shares of common stock beneficially owned by any of our directors or officers or our private equity investor to any direct or indirect general or limited partner of the foregoing; *provided* that (i) the transferee of such shares of common stock will be required to execute a lock-up agreement and (ii) no public announcement or filing under the Exchange Act is required or voluntarily made in connection with such distribution, exchange or transfer;

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(i) following the termination of any of our directors or executive officers employment with us, the exercise, in accordance with their terms, of stock options outstanding on the date of the lock-up agreement that would otherwise expire during the restricted period and (ii) the transfer to us, in a transaction exempt from Section 16(b) of the Exchange Act, of any such stock options on a cashless or net exercise basis or of any such stock options to cover any tax withholding obligations in connection with the exercise of such stock options following such termination of employment; *provided* that (a) the securities received upon such exercise will also be subject to the foregoing restrictions and (b) no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such exercise (other than any filing on Form 4 under Section 16(a) of the Exchange Act under transaction code F and/or M so long as such filing includes a footnote or other disclosure that expressly states that such disposition (x) in the case of clause (i) above, relates to the exercise of stock options pursuant to our 2010 Management Incentive Plan, that no common stock received in connection therewith was sold by the reporting person in any open market transaction and that the net amount of any common stock received is subject to a lock-up agreement and/or (y) in the case of clause (ii) above, is a transfer to us in order to satisfy cashless exercise and/or tax withholding obligations in connection with the exercise of previously-awarded stock options);

shares of common stock or any other securities convertible into or exercisable or exchangeable for shares of common stock transferred by will or intestacy, transferred as a bona fide gift or charitable contribution, or transferred to the affiliates of our directors or executive officers or our private equity investor; *provided* that (i) any such transfer shall not involve a disposition for value, (ii) no filing under Section 16 of the Exchange Act will be required in connection with such transfer during the restricted period and the transferor does not otherwise voluntarily effect any public filing or report regarding such transfer during the restricted period and (iii) the transferee of such shares of common stock will be required to execute a lock-up agreement; or

with respect to Steven Insoft, our President and Chief Operating Officer, transfers of up to an aggregate of 87,491 OP units pledged as collateral to secure a loan in favor of Mr. Insoft.

The representatives, on behalf of the underwriters, may release the common stock and other securities subject to the lock-up agreements described above in whole or in part at any time with or without notice.

Certain holders of OP units, representing 69.2% of the OP units outstanding immediately prior to this offering (other than OP units held by us), will not be required to enter into the lock-up agreements described above. The underwriting agreement prohibits us from exchanging shares of common stock for the OP units of any such holder during the 90-day lock-up period unless the applicable holder enters into a lock-up agreement. Because such holders have not signed lock-up agreements in advance, however, subject to the terms of the partnership agreement governing our operating partnership, such holders of OP units may, prior to any such exchange, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any OP units or any securities convertible into or exercisable or exchangeable for OP units or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the OP units.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the option. The underwriters can close out a covered short sale by exercising the option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other

things, the open market price of shares compared to the price available under the option. The underwriters may also sell shares in excess of the option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short

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position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus supplement in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment and commercial banking services for us and our affiliates in the ordinary course of business, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments. In addition, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and RBC Capital Markets, LLC served as initial purchasers in offerings of our $7^{3}/_{4}$% Senior Notes due 2019 and as underwriters in our initial public offering. Goldman, Sachs & Co., SunTrust Robinson Humphrey, Inc. and RBS Securities Inc. also served as underwriters in our initial public offering. Each of the underwriters served as initial purchasers in connection with the offering of our 6% Senior Notes due 2021. Each of the underwriters or certain of their affiliates also serve as lenders under our revolving credit facility and will receive a portion of the net proceeds of this offering in connection with the repayment of all outstanding indebtedness under our revolving credit facility.

Selling Restrictions

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission (ASIC), in relation to the offering. This prospectus supplement does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the Corporations Act), and does not purport to include the information required for a prospectus, product

disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares of common stock may only be made to persons (the Exempt Investors) who are sophisticated investors (within the meaning of section 708(8) of the Corporations Act),

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professional investors (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares of common stock without disclosure to investors under Chapter 6D of the Corporations Act.

The shares of common stock applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares of common stock must observe such Australian on-sale restrictions.

This prospectus supplement contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus supplement is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Dubai International Financial Centre

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The shares of common stock to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares of common stock offered should conduct their own due diligence on the shares of common stock. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) an offer to the public of any shares of our common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer to the public in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our common stock to be offered so as to enable an investor to decide to purchase any shares of our common stock, as the same may be varied in that Member

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State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Hong Kong

The shares of common stock have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the shares of common stock has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares of common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority (FINMA) as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended (CISA), and accordingly the securities being offered pursuant to this prospectus supplement have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to qualified investors, as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended (CISO), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus supplement and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus supplement may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus supplement does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

United Kingdom

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA) received by it in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our common stock in, from or otherwise involving the United Kingdom.

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LEGAL MATTERS

We have been represented by Sidley Austin LLP, Chicago, Illinois. The validity of the common stock and certain other matters of Maryland law will be passed upon for us by Venable LLP. The underwriters have been represented by Cravath, Swaine & Moore LLP, New York, New York.

EXPERTS

The consolidated financial statements and schedules of Aviv REIT, Inc. and its subsidiaries and of Aviv Healthcare Properties Limited Partnership and its subsidiaries as of December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 that are incorporated by reference herein have been audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their report thereon, and are incorporated by reference herein in reliance on such report given on the authority of such firm as experts in accounting and auditing.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference certain information into this prospectus supplement from certain documents that we file with the SEC. By incorporating by reference, we are disclosing important information to you by referring you to documents we file separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except for information incorporated by reference that is modified or superseded by information contained in this prospectus supplement or accompanying prospectus or in any other subsequently filed document that also is incorporated by reference herein. These documents contain important information about us, our business and our finances. The following documents previously filed with the SEC are incorporated by reference into this prospectus supplement except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

- our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on February 20, 2014;
- our Current Report on Form 8-K filed with the SEC on January 30, 2014; and
- the description of our common stock in our Registration Statement on Form 8-A filed with the SEC on March 18, 2013, including any amendments and reports filed for the purpose of updating such description.

We also incorporate by reference all documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the initial filing of the registration statement relating to this prospectus supplement and prior to the termination of the offering of any securities covered by this prospectus supplement and the accompanying prospectus, except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules. The information contained in this prospectus supplement does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference herein.

If you request, either orally or in writing, we will provide you with a copy of any or all documents that are incorporated by reference herein. Such documents will be provided to you free of charge, but will not contain any exhibits, unless those exhibits are incorporated by reference into the document. Requests can be made by writing to

Aviv REIT, Inc., 303 W. Madison St., Suite 2400, Chicago, Illinois 60606, Attn: Investor Relations, by telephone request to (312) 855-0930 or by email request to info@avivreit.com. The documents may also be accessed on our website at www.avivreit.com. The information contained on, or accessible through, our website is not a part of and shall not be deemed incorporated by reference into this prospectus supplement.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any document that we file with the SEC, including the registration statement and the exhibits to the registration statement, at the SEC s Public Reference Room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330. Our SEC filings are also available to the public at the SEC s website at www.sec.gov. These documents may also be accessed on our website at www.avivreit.com. The information contained on, or accessible through, our website is not a part of and shall not be deemed incorporated by reference into this prospectus supplement.

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PROSPECTUS

$1,000,000,000

Aviv REIT, Inc.

COMMON STOCK, PREFERRED STOCK, WARRANTS, RIGHTS AND UNITS

Aviv Healthcare Properties Limited Partnership and

Aviv Healthcare Capital Corporation

DEBT SECURITIES

Guarantees of Debt Securities by Aviv REIT, Inc. and the Subsidiary Guarantors

5,450,576 Shares

Aviv REIT, Inc.

COMMON STOCK

We may offer from time to time, in one or more series:

shares of our common stock;

shares of our preferred stock;

senior and/or subordinated debt securities;

guarantees related to the debt securities;

warrants to purchase common stock and/or preferred stock;

rights to purchase common stock and/or preferred stock; and

units consisting of two or more of these classes or series of securities.

The selling stockholders named herein may offer from time to time up to 5,450,576 shares of our common stock issuable in exchange for units of limited partnership (OP Units) in Aviv Healthcare Properties Limited Partnership, our operating partnership, tendered for redemption by one or more of such selling stockholders pursuant to their contractual rights.

We, or the selling stockholders, may offer these securities in amounts, at prices and on terms determined at the time of offering. The specific plan of distribution for any securities to be offered will be provided in a prospectus supplement. If we use agents, underwriters or dealers to sell these securities, a prospectus supplement will name them and describe their compensation.

The specific terms of any securities to be offered will be described in a supplement to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement, together with additional information described under the heading Where You Can Find More Information, before you make an investment decision.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol AVIV. On December 5, 2013, the closing sale price of our common stock, as reported on the NYSE, was $24.86 per share.

Investing in our securities involves a high degree of risk. See Risk Factors on page 2 and the Risk Factors section contained in the applicable prospectus supplement and in the documents we incorporate by reference in this prospectus to read about factors you should consider before investing in our securities.

Neither the Securities and Exchange Commission nor any state or other domestic or foreign securities commission or regulatory authority 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 date of this prospectus is January 28, 2014.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC, using a shelf registration process. By using a shelf registration statement, we may sell any combination of our common stock, preferred stock, debt securities, warrants, rights and units from time to time and in one or more offerings and our selling stockholders may offer and sell shares of our common stock in one or more offerings. Each time we sell securities, we will provide a supplement to this prospectus that contains specific information about the securities being offered (if other than common stock) and the specific terms of that offering. The supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the prospectus supplement. Before purchasing any securities, you should carefully read both this prospectus and any prospectus supplement, together with the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Information by Reference.

You should rely only on the information contained or incorporated by reference in this prospectus and in any prospectus supplement. Neither we nor the selling stockholders have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any prospectus supplement is accurate as of the date on its respective cover, and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes and incorporates by reference 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, anticipate, expect, believe, estimate, intend, plan, should, seek or comp 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 and in filings made by us with the Securities and Exchange Commission (the SEC). These factors include, among others:

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

the amount and yield of any additional investments;

changes in tax laws and regulations affecting real estate investment trusts (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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SUMMARY

This summary highlights selected information appearing or incorporated in this prospectus and may not contain all of the information that is important to you. This prospectus includes information about our securities 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 incorporated by reference herein, before deciding to invest in our securities. Unless the context requires otherwise or except as otherwise noted, as used in this prospectus the words Aviv REIT, we, company, us and our refer to Aviv REIT, Inc. and its subsidiaries.

Our Company

We are a self-administered real estate investment trust, or 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. As of September 30, 2013, our portfolio consisted of 263 properties in 29 states leased to 36 operators who represent many of the largest and most experienced operators in the industry. We have a geographically diversified portfolio, with no state representing more than 18.3% of our contractual rent as of September 30, 2013. Our properties are leased to a diversified group of operators, with no single operator representing more than 15.7% of our contractual rent as of September 30, 2013.

We operate our business through our operating partnership, Aviv Healthcare Properties Limited Partnership. We are the general partner of our operating partnership and, as of September 30, 2013, we owned 75.7% of the OP Units of our operating partnership.

Corporate Information

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

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

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RISK FACTORS

An investment in our securities involves significant risks. Before making an investment decision you should consider any risk factors set forth in the applicable prospectus supplement and the documents incorporated by reference in this prospectus, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q, as well as other information we include or incorporate by reference in this prospectus and in the applicable prospectus supplement. See Where You Can Find More Information.

RATIO OF EARNINGS TO FIXED CHARGES

The table below presents our consolidated ratio of earnings to fixed charges for each of the periods indicated. We computed these ratios by dividing earnings by fixed charges. For this purpose, earnings consists of net income before fixed charges. Fixed charges consist of interest expensed and capitalized, amortized premiums, preferred dividends, discounts and capitalized expenses related to indebtedness. The ratios are based solely on historical financial information and no pro forma adjustments have been made.

Year Ended December 31,					Nine Months Ended September 30,
2008	2009	2010	2011	2012	2013
1.63x	2.23x	2.60x	1.29x	1.17x	1.37x

USE OF PROCEEDS

Unless we indicate otherwise in the applicable prospectus supplement, we intend to contribute all of the net proceeds from the sale of securities by Aviv REIT, Inc. to our operating partnership, Aviv Healthcare Properties Limited Partnership, in exchange for additional OP Units of our operating partnership. Unless otherwise indicated in the applicable prospectus supplement, our operating partnership intends to use any net proceeds from the sale of offered securities for general corporate purposes, including the potential acquisition of additional properties. We may invest funds not required immediately for such purposes in short-term investment grade securities.

We will not receive any of the proceeds from the issuance of shares of common stock to the selling stockholders pursuant to the contractual rights of such holders, or the resale of shares of our common stock from time to time by the selling stockholders, but we will acquire additional OP Units in our operating partnership in exchange for any such issuances. Consequently, with each redemption of OP Units, our percentage ownership interest of our operating partnership will increase.

The selling stockholders will pay any underwriting discounts and commissions and expenses they incur for brokerage, accounting, tax or legal services or any other expenses they incur in disposing of the shares. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus. These may include, without limitation, all registration and filing fees, NYSE listing fees, fees and expenses of our counsel and accountants, and blue sky fees and expenses.

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DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of our stock. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and our charter and bylaws as in effect at the time of any offering. Copies of our charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part. See Where You Can Find More Information. References in this section to we, company, us and our refer only to Aviv REIT, Inc.

General

Our charter provides that we may issue up to 300,000,000 shares of common stock, $0.01 par value per share, and up to 25,000,000 shares of preferred stock, $0.01 par value per share. Our charter authorizes our board of directors to approve amendments to our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without common stockholder approval. As of December 2, 2013, 37,602,768 shares of our common stock were issued and outstanding, and no shares of preferred stock were issued and outstanding. Under Maryland law, stockholders generally are not liable for a corporation s debts or obligations.

Common Stock

Subject to the preferential rights, if any, of holders of any other class or series of our stock and to the provisions of our charter regarding restrictions on ownership and transfer of our stock, holders of shares of our common stock are entitled to receive dividends if, when and as authorized by our board of directors and declared by us out of assets legally available for distribution and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all known debts and liabilities of our company.

We intend to declare regular quarterly dividends on our common stock in an amount equal to at least 90% of our REIT taxable income. Since Aviv REIT made the election to be taxed as a REIT effective as of its taxable year ending December 31, 2010, it has declared quarterly dividends in the aggregate amount of $23.2 million and $27.9 million for the years ended December 31, 2011 and 2012, respectively, and $48.9 million for the nine months ended September 30, 2013. We are subject to certain restrictions regarding the payment of cash dividends under the indentures governing our senior debt securities and the credit agreement relating to our revolving credit facility.

Subject to the provisions of our charter regarding restrictions on ownership and transfer of our stock and except as otherwise may be specified in the terms of any class or series of common stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors and, except as may be provided with respect to any other class or series of stock, the holders of such shares will possess the exclusive voting power. Holders of shares of our common stock will have no right to cumulative voting in the election of directors and directors will be elected by a plurality of the votes cast in the election of directors. Consequently, at each annual meeting of stockholders, the holders of a majority of the shares of our common stock generally will be able to elect all of the directors then standing for election and the holders of the remaining shares will not be able to elect any directors.

Pursuant to the Investment Agreement (the Investment Agreement) between the Company and Lindsay Goldberg LLC (Lindsay Goldberg), so long as Lindsay Goldberg hold at least 27.5% of our common stock (assuming all partnership units of our operating partnership are exchanged for shares of our common stock), Lindsay Goldberg will have the right to nominate three directors to our board of directors, subject to stockholder vote. The right to nominate directors

decreases as follows (in each case assuming all partnership units of our operating partnership are exchanged for shares of our common stock):

if Lindsay Goldberg owns less than 27.5%, but at least 18.0%, then it will be entitled to nominate two directors;

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if Lindsay Goldberg owns less than 18.0%, but at least 10%, then it will be entitled to nominate one director; and

if Lindsay Goldberg owns less than 10%, then it will no longer be able to nominate any directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any securities of our company. Subject to the provisions of our charter regarding restrictions on ownership and transfer of our stock, shares of our common stock will have equal dividend, liquidation and other rights.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of stock and to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption for each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any class or series of our stock from time to time into shares of one or more classes or series of stock. Prior to issuance of shares of each class or series, our board of directors is required by the Maryland General Corporation Law (MGCL) and our charter to set the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption for each such class or series, including, but not limited to, the following:

the title and stated value of the preferred stock;

the number of shares constituting each class or series;

rights and terms of redemption (including sinking fund provisions);

dividend rights and rates;

dissolution;

terms concerning the distribution of assets;

conversion or exchange terms;

redemption prices; and

liquidation preferences.

All shares of preferred stock offered hereby will, when issued, be fully paid and nonassessable and, unless otherwise stated in a prospectus supplement relating to the series of preferred stock being offered, will not have any preemptive or similar rights. Our board of directors could authorize the issuance of shares of preferred stock that have priority over our common stock with respect to dividends or rights upon liquidation or with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests.

We will set forth in a prospectus supplement relating to the class or series of preferred stock being offered the specific terms of each series of our preferred stock, including the price at which the preferred stock may be purchased, the number of shares of preferred stock offered, and the terms, if any, on which the preferred stock may be convertible into common stock or exchangeable for other securities.

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Power to Increase or Decrease Authorized Stock and Issue Additional Shares of Our Common Stock and Preferred Stock

Our charter authorizes our board of directors to approve amendments to our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without common stockholder approval. We believe that the power of our board of directors to increase or decrease the number of authorized shares of stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to cause us to issue such classified or reclassified shares of stock provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the additional shares of stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded or the terms of any other class or series of our stock. Although our board of directors does not intend to do so, it could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our stockholders or otherwise be in their best interests.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the U.S. Internal Revenue Code of 1986, as amended, or the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of our stock (after taking into account options to acquire shares of stock) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made). To qualify as a REIT, we must satisfy other requirements as well. See Material U.S. Federal Income Tax Considerations Taxation of Aviv REIT Requirements for REIT Qualification General.

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with these requirements and in continuing to qualify as a REIT. We designed these restrictions solely to protect our status as a REIT and not for the purpose of serving as an anti-takeover defense. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 8.6% (in value) of our outstanding common stock or 8.6% (in value) of all classes and series of our outstanding stock. We refer to these restrictions, collectively, as the ownership limits. A person or entity that would have acquired actual, beneficial or constructive ownership of our stock but for the application of the ownership limits or any of the other restrictions on ownership and transfer of our stock discussed below is referred to as a prohibited owner. In addition, different ownership limits apply to Lindsay Goldberg LLC and its affiliates, or Lindsay Goldberg, to Mr. Bernfield, our Chairman and Chief Executive Officer, together with certain of his affiliates, family members and estates and trusts, and to a trust formed for the benefit of the estate of Zev Karkomi, one of our co-founders, together with certain affiliates, family members and estates and trusts, which we refer to collectively as the Karkomi Estate.

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 8.6% (in value) of our outstanding common stock or 8.6% (in value) of all classes and series of our outstanding stock (or the acquisition by an individual or entity of an interest in an entity that owns, actually or constructively, our stock) could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 8.6% (in value) of our outstanding common stock or 8.6% (in value) of all classes and series of our outstanding stock and thereby violate the applicable ownership limit.

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Our charter provides that our board of directors, subject to certain limits including the directors duties under applicable law, upon receipt of certain representations and agreements, shall exempt, prospectively or retroactively, a person from either or both of the ownership limits and, if necessary, establish a different limit on ownership for such person if, among other conditions:

- our board of directors obtains such representations and undertakings as it determines, in its sole and absolute discretion, are reasonably necessary to determine that no individual will now or in the future own, beneficially or constructively, shares in excess of either of the ownership limits; and

- such person does not and represents that it will not own, actually or constructively, more than a 9.9% interest (by vote or number of shares, or by interest in assets or net profits, as applicable) in a tenant of ours (or a subtenant of any such tenant, or a tenant of any entity owned in whole or in part by us).

Our charter further provides that our board of directors, subject to certain limits including the directors duties under applicable law, upon receipt of certain representations and agreements, may exempt, prospectively or retroactively, a person from either or both of the ownership limits if, among other conditions:

- our board of directors obtains such representations and undertakings as it determines, in its sole and absolute discretion, are reasonably necessary to determine that no individual s beneficial or constructive ownership of such shares of our stock will result in us being closely held under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or to otherwise fail to qualify as a REIT; and

- such person does not and represents that it will not own, actually or constructively, more than a 9.9% interest (by vote or number of shares, or by interest in assets or net profits, as applicable) in a tenant of ours (or a subtenant of any such tenant, or a tenant of any entity owned in whole or in part by us), unless the revenue derived (and expected to continue to be derived) from such tenant is sufficiently small such that, in the judgment of our board of directors, rent from such tenant would not adversely affect our ability to qualify as a REIT.

As a condition of either of these exemptions, our board of directors may require an opinion of counsel or Internal Revenue Service, or IRS, ruling, in either case in form and substance satisfactory to our board of directors, in its sole and absolute discretion, in order to determine or ensure our status as a REIT and any other agreements, representations and undertakings as our board of directors determines are necessary or advisable to make the determinations above. Notwithstanding the receipt of any such ruling or opinion, our board of directors may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

In connection with granting a waiver or establishing an excepted holder limit or at any other time, our board of directors may increase one or both of the ownership limits for one or more persons and decrease one or both of the ownership limits for all other persons, except that a decreased ownership limit will not be effective for any person whose percentage ownership of our stock exceeds the decreased ownership limit until the person s percentage ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49.9% in

value of our outstanding stock or could cause us to be closely held under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT.

Our charter also prohibits:

any person from actually, beneficially or constructively owning shares of our stock that could result in us being closely held under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT (including, but not limited to, actual, beneficial or constructive ownership of shares of our stock that

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could result in us owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income we derive from such tenant would cause us to fail to satisfy any the gross income requirements imposed on REITs under the Code); and

any transfer of shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of our stock described above must give written notice immediately to us or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

Pursuant to our charter, if any purported transfer of our stock or any other event would otherwise result in any person violating the ownership limits or such other limit established by our board of directors, or would result in us being closely held within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then the number of shares causing the violation (rounded to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable beneficiaries selected by us. The prohibited owner will have no rights in shares of our stock held by the trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the trust. Any dividend or other distribution paid to the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid by such prohibited owner to the trustee upon demand. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent a violation of the applicable restriction on ownership and transfer of our stock, then the transfer of the number of shares that otherwise would cause any person to violate the above restrictions will be void and of no force or effect, and the intended transferee will acquire no rights in the shares. If any transfer of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the shares.

Except as otherwise provided by the Investment Agreement, pursuant to which Lindsay Goldberg may be entitled to repurchase the shares causing the violation, shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in the transfer of the shares to the trust (or, in the event of a devise or gift, the last sale price reported on the NYSE on the day of the devise or gift) and (2) the last sale price reported on the NYSE on the date we accept, or our designee accepts, such offer. We may reduce the amount payable by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee and pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

Except as otherwise provided by the Investment Agreement, if we do not buy the shares, the trustee must sell the shares to a person or persons designated by the trustee who could own the shares without violating the ownership limits or other restrictions on ownership and transfer of our stock. The trustee is required to sell such shares pursuant to an orderly liquidation of the shares in a manner determined by the trustee to result in an orderly liquidation of the shares and to maximize the net proceeds from such orderly liquidation. Upon such sale, the trustee must distribute to

the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the trust (e.g., a gift, devise or other such transaction), the last sale price

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reported on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee may reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to the trustee, such shares of stock are sold by a prohibited owner, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the trustee upon demand.

The trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to such shares, and may exercise all voting rights with respect to such shares for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee s sole and absolute discretion:

- to rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast such vote.

If our board of directors determines that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors may take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder) of our stock, within 30 days after the end of each taxable year, must give us written notice, stating such person s name and address, the number of shares of each class and series of our stock that the person beneficially owns and a description of the manner in which the shares are held. Each such owner also must provide us with any additional information that we may request in order to determine the effect, if any, of the person s beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, any person or entity that is a beneficial owner or constructive owner of shares of our stock and any person or entity (including the stockholder of record) who is holding shares of our stock for a beneficial owner or constructive owner must, on request, disclose to us in writing such information as we may request in order to determine the effect, if any, of such stockholder s actual and constructive ownership of our stock on our status as a REIT and to comply, or determine our compliance with, the requirements of any governmental or taxing authority.

Any certificates representing shares of our stock will bear a legend referring to the restrictions described above.

These restrictions on ownership and transfer will not apply if our board of directors determines that it is no longer in our best interests to attempt to, or to continue to, qualify as a REIT or that compliance is no longer required for REIT qualification.

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These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock that our stockholders believe to be in their best interests.

Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our Board of Directors

Our charter and bylaws provide that the number of directors of our company may be increased or decreased by a majority of our entire board of directors and will not be less than the minimum number required under the MGCL, which is one, and, unless our bylaws are amended, not more than fifteen. Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock, any vacancy may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the full term of the directorship in which such vacancy occurred and until a successor is elected and qualifies. Pursuant to the Investment Agreement, so long as Lindsay Goldberg holds at least 10% of our common stock (assuming all partnership units of our operating partnership are exchanged for shares of our common stock), Lindsay Goldberg will have the right to nominate one to three directors to our board of directors, subject to stockholder vote. See Common Stock.

Each of our directors will be elected by our common stockholders to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies under the MGCL. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Directors generally will be elected by a plurality of all the votes cast at a duly called meeting at which a quorum is present.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes of series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person, other than the corporation or any subsidiary, who beneficially owns 10% or more of the voting power of the corporation s outstanding voting stock or an affiliate or associate of the corporation who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation) or an affiliate of an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the

corporation s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. A Maryland corporation s board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.

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Pursuant to the statute, our board of directors has by resolution exempted any business combination between us and any other person or entity from these provisions of the MGCL and, consequently, the five-year prohibition and the supermajority vote requirements will not apply to business combinations between us and any such person or entity. Our bylaws provide that this resolution may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with such resolution, or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

Control Share Acquisitions

The MGCL provides that holders of control shares of a Maryland corporation acquired in a control share acquisition have no voting rights with respect to the control shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast on the matter, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval or shares acquired directly from the corporation. A control share acquisition means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply (1) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any acquisition by any person of shares of our stock, and this provision of our bylaws may not be repealed, in whole or in part, without the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

Maryland Unsolicited Takeovers Act

Title 3, Subtitle 8 of the MGCL permits Maryland corporations that are subject to the Securities Exchange Act of 1934, as amended (the Exchange Act) and have at least three independent directors to elect by

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resolution of the board of directors or by provision in its charter or bylaws to be subject, even if such provisions may be inconsistent with the corporation s charter and bylaws, to any or all of five provisions:

- a classified board of directors;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board may be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of stockholders.

Pursuant to our charter, we have elected to be subject to the provision of Subtitle 8 that requires that vacancies on our board may be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require the affirmative vote of the stockholders entitled to be cast generally in the election of directors to remove any director from the board, which removal will be allowed only for cause, (2) vest in the board the exclusive power to fix the number of directorships and (3) require, unless called by our chairman, chief executive officer, president or the board of directors, the request of stockholders entitled to cast not less than a majority of the votes entitled to be cast at such meeting on such matter to call a special meeting of stockholders to consider and vote on any matter that may properly be considered by our stockholders.

Charter Amendments and Extraordinary Transactions

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, convert into another entity, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless such action is declared advisable by its board of directors and is approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter, unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation s charter. As permitted by the MGCL, our charter generally provides that any of these actions may be approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter, except that our charter s provisions regarding removal of directors and restrictions on ownership and transfer of our stock, and the vote required to amend these provisions, may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter. However, many of our operating assets will be held by our subsidiaries, and these subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of our stockholders.

Bylaw Amendments

Except for the provisions of our bylaws relating to the exemptions from the business combination act and the control share act, and the vote required to amend such provisions (which may be amended only by the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock), our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

Advance Notice of Director Nominations and New Business

Our bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to our board of directors and the proposal of business to be considered by our stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of our board of directors or (3) by a stockholder who was a stockholder of record both at the time of provision of notice and at the time of the

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meeting, is entitled to vote at the meeting on the election of each individual so nominated or such other business and has complied with the advance notice procedures set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee or business proposal, as applicable.

With respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting. Nominations of individuals for election to our board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of our board of directors or (2) provided that the special meeting has been properly called for the purpose of electing directors, by a stockholder who was a stockholder of record both at the time of provision of notice and at the time of the meeting, is entitled to vote at the meeting on the election of each individual so nominated and has complied with the advance notice provisions set forth in our bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control or other transaction that might involve a premium price for our common stock or otherwise be in the best interests of our stockholders, including a provision in our bylaws opting out of the control share acquisition provisions of the MGCL. See Business Combinations, Control Share Acquisitions and Maryland Unsolicited Takeovers Act.

Indemnification and Limitation of Directors and Officers Liability

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

The MGCL permits a Maryland corporation to include in its charter a provision eliminating the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

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 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:

the act or omission of the director or officer was material to the matter giving rise to the proceeding; and

was committed in bad faith; or

was the result of active and deliberate dishonesty;

the director or officer actually received an improper personal benefit in money, property or services; or

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

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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 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
- 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 such a proceeding to:

- any present or former director or officer of our company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; or
- 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.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served our predecessor in any of the capacities described above and to any employee or agent of our company or our predecessor.

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

We have entered into indemnification agreements with each of our directors and executive officers that provide for indemnification of and advancement of expenses to our directors and officers to the maximum extent permitted under Maryland law and procedures for determining entitlement to such indemnification or advances.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

Listing

Shares of our common stock are listed on the New York Stock Exchange, or NYSE, under the symbol AVIV.

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DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

The following description, together with the additional information we include in any applicable prospectus supplement, summarizes the material terms and provisions of the debt securities that the issuers may offer under this prospectus. While the terms we have summarized below will generally apply to any future debt securities the issuers may offer under this prospectus, we will describe the particular terms of any debt securities that the issuers may offer in more detail in the applicable prospectus supplement. The terms of any debt securities the issuers offer under a prospectus supplement may differ from the terms we describe below. References to the issuers in this section refer to Aviv Healthcare Properties Limited Partnership and Aviv Healthcare Capital Corporation, majority owned subsidiaries of Aviv REIT, Inc.

The issuers will issue any senior notes under the senior indenture which they will enter into with the trustee named in the senior indenture. The issuers will issue any subordinated notes under the subordinated indenture which they will enter into with the trustee named in the subordinated indenture. We have filed forms of these documents as exhibits to the registration statement of which this prospectus is a part. We use the term indentures to refer to both the senior indenture and the subordinated indenture.

The indentures will be qualified under the Trust Indenture Act of 1939. We use the term trustee to refer to either the senior trustee or the subordinated trustee, as applicable.

The following summary of material provisions of the senior notes, the subordinated notes and the indentures is subject to, and qualified in its entirety by reference to, all the provisions of the indenture applicable to a particular series of debt securities. We urge you to read the applicable prospectus supplements related to the debt securities that the issuers sell under this prospectus, as well as the complete indentures that contain the terms of the debt securities. Except as we may otherwise indicate, the terms of the senior indenture and the subordinated indenture are identical.

General

The indentures do not limit the aggregate principal amount of debt securities that may be issued thereunder. The debt securities may be issued from time to time in one or more series. We will describe in the applicable prospectus supplement the terms relating to a series of debt securities, including:

- the title;
- the principal amount being offered, and, if a series, the total amount authorized and the total amount outstanding;
- any limit on the amount that may be issued;
- whether or not the series of debt securities will be issued in global form and, if so, the terms and who the depositary will be;

the maturity date(s);

the principal amount due at maturity, and whether the debt securities will be issued with any original issue discount;

whether and under what circumstances, if any, the issuers will pay additional amounts on any debt securities held by a person who is not a U.S. person for tax purposes, and whether the issuers can redeem the debt securities if the issuers have to pay such additional amounts;

the interest rate(s), which may be fixed or variable, or the method for determining the rate, the date interest will begin to accrue, the dates interest will be payable and the regular record dates for interest payment dates or the method for determining such dates;

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whether or not the debt securities will be secured or unsecured, and the terms of any secured debt;

the terms of the subordination of any series of subordinated debt;

the place where payments will be payable;

restrictions on transfer, sale or other assignment, if any;

our right, if any, to defer payment of interest and the maximum length of any such deferral period;

the date, if any, after which, the conditions upon which, and the price at which the issuers may, at their option, redeem the series of debt securities pursuant to any optional or provisional redemption provisions, and any other applicable terms of those redemption provisions;

provisions for a sinking fund, purchase or other analogous fund, if any;

the date, if any, on which, and the price at which the issuers are obligated, pursuant to any mandatory sinking fund or analogous fund provisions or otherwise, to redeem, or at the holder s option to purchase, the series of debt securities;

the events of default and covenants relevant to the debt securities, including, the inapplicability of any event of default or covenant set forth in the indenture relating to the debt securities, or the applicability of any other events of defaults or covenants in addition to the events of default or covenants set forth in the indenture relating to the debt securities;

information describing any book-entry features;

the procedures for any auction and remarketing, if any;

the denominations in which the series of debt securities will be issued, if other than denominations of $1,000 and any integral multiple thereof;

if other than U.S. dollars, the currency in which the series of debt securities will be denominated; and

any other specific terms, preferences, rights or limitations of, or restrictions on, the debt securities, and any terms which may be required by the issuers or advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

One or more series of the debt securities may be issued as discounted debt securities (bearing no interest or interest at a rate which at the time of issuance is below market rates) to be sold at a substantial discount below their stated principal amount. Material U.S. federal income tax consequences and other special considerations applicable to any such discounted debt securities will be described in the prospectus supplement relating thereto.

Information Concerning the Trustee

The trustee, other than during the occurrence and continuance of an event of default under an indenture, undertakes to perform only those duties as are specifically set forth in the applicable indenture. Upon an event of default under an indenture, the trustee must use the same degree of care as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the trustee is under no obligation to exercise any of the powers given it by the indentures at the request of any holder of debt securities unless it is offered reasonable security and indemnity against the costs, expenses and liabilities that it might incur.

Payment and Paying Agents

Unless we otherwise indicate in the applicable prospectus supplement, the issuers will make payment of the interest on any debt securities on any interest payment date to the person in whose name the debt securities, or one or more predecessor securities, are registered at the close of business on the regular record date for the interest.

The issuers will pay principal of, and any premium and interest on, the debt securities of a particular series at the office of the paying agents designated by the issuers, except that, unless we otherwise indicate in the

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applicable prospectus supplement, the issuers may make payments of principal or interest by check which they will mail to the holder or by wire transfer to certain holders. Unless we otherwise indicate in a prospectus supplement, the issuers will designate an office or agency of the trustee in the City of New York as our paying agent for payments with respect to debt securities of each series. We will name in the applicable prospectus supplement any other paying agents that the issuers initially designate for the debt securities of a particular series. The issuers will maintain a paying agent in each place of payment for the debt securities of a particular series.

Governing Law

The indentures, the debt securities and any guarantees will be governed by and construed in accordance with the laws of the State of New York.

Subordination of Subordinated Debt Securities

The subordinated debt securities will be subordinate and junior in priority of payment to certain of our other indebtedness to the extent described in a prospectus supplement.

Guarantees

Unless otherwise specified in the applicable supplement to this prospectus, the debt securities may be unconditionally and irrevocably guaranteed on an unsecured and unsubordinated basis by us and by certain of our existing and future subsidiaries that are listed as guarantors in the applicable supplement to this prospectus. Any guarantee would cover the timely payment of the principal of, and any premium, interest or sinking fund payments on, the debt securities, whether we make the payment at a maturity date, as a result of acceleration or redemption, or otherwise. We will more fully describe the existence and terms of any guarantee of any of debt securities in the prospectus supplement relating to those debt securities.

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DESCRIPTION OF WARRANTS

The following description, together with the additional information we include in any applicable prospectus supplement, summarizes the material terms and provisions of warrants that we may offer under this prospectus. While the terms we have summarized below will generally apply to any warrants we may offer under this prospectus, we will describe the particular terms of any warrants that we may offer in more detail in the applicable prospectus supplement. The terms of any warrants we offer under a prospectus supplement may differ from the terms we describe below. References in this section to we, company, us and our refer only to Aviv REIT, Inc.

We may issue warrants for the purchase of shares of our common stock or shares of our preferred stock. We may issue warrants independently of or together with shares of our common stock or shares of our preferred stock offered by any prospectus supplement, and we may attach the warrants to, or issue them separately from, shares of common stock or shares of preferred stock. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent, all as set forth in the prospectus supplement relating to the particular issue of offered warrants. The warrant agent will act solely as our agent in connection with the warrant certificates relating to the warrants and will not assume any obligation or relationship of agency or trust with any holders of warrant certificates or beneficial owners of warrants.

The following summary of material provisions of the warrant agreements and warrants does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the warrant agreement and the warrant certificates applicable to the particular series of warrants. We urge you to read the applicable prospectus supplements related to the warrants that we sell under this prospectus, as well as the complete warrant agreement and warrant certificates that contain the terms of the warrants.

General

The applicable prospectus supplement will describe the terms of the warrants, including as applicable:

- the offering price;
- the aggregate number or amount of underlying securities purchasable upon exercise of the warrants and the exercise price;
- the number of warrants being offered;
- the date, if any, after which the warrants and the underlying securities will be transferable separately;
- the date on which the right to exercise the warrants will commence, and the date on which the right will expire (the Expiration Date);
- the number of warrants outstanding, if any;

a discussion of any material or special U.S. federal income tax considerations applicable to the warrants;

the terms, if any, on which we may accelerate the date by which the warrants must be exercised; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants.

Warrants will be offered and exercisable for U.S. dollars only and will be in registered form only.

Holders of warrants will be able to exchange warrant certificates for new warrant certificates of different denominations, present warrants for registration of transfer, and exercise warrants at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement. Prior to the exercise of

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any warrants, holders of the warrants to purchase shares of common stock or preferred stock will not have any rights of holders of shares of common stock or preferred stock, including the right to receive payments of dividends, if any, or to exercise any applicable right to vote.

Exercise of Warrants

Each holder of a warrant will be entitled to purchase that number or amount of underlying securities, at the exercise price, as will in each case be described in the prospectus supplement relating to the offered warrants. After the close of business on the Expiration Date (which may be extended by us), unexercised warrants will become void.

Holders may exercise warrants by delivering to the warrant agent payment as provided in the applicable prospectus supplement of the amount required to purchase the underlying securities purchasable upon exercise, together with the information set forth on the reverse side of the warrant certificate. Warrants will be deemed to have been exercised upon receipt of payment of the exercise price, subject to the receipt within five business days of the warrant certificate evidencing the exercised warrants. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, issue and deliver the underlying securities purchasable upon such exercise. If fewer than all of the warrants represented by a warrant certificate are exercised, we will issue a new warrant certificate for the remaining amount of warrants.

Amendments and Supplements to Warrant Agreements

We may amend or supplement the warrant agreement without the consent of the holders of the warrants issued under the agreement to effect changes that are not inconsistent with the provisions of the warrants and that do not adversely affect the interests of the holders.

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DESCRIPTION OF RIGHTS

We may issue rights for the purchase of shares of our common stock or shares of our preferred stock. Each series of rights will be issued under a separate rights agreement which we will enter into with a bank or trust company, as rights agent, all as set forth in the applicable prospectus supplement. The rights agent will act solely as our agent in connection with the certificates relating to the rights and will not assume any obligation or relationship of agency or trust with any holders of rights certificates or beneficial owners of rights. We will file the rights agreement and the rights certificates relating to each series of rights with the SEC, and incorporate them by reference as an exhibit to the registration statement of which this prospectus is a part on or before the time we issue a series of rights. References in this section to we refer only to Aviv REIT, Inc.

The applicable prospectus supplement will describe the terms of any rights we issue, including as applicable:

- the date for determining the persons entitled to participate in the rights distribution;
- the aggregate number or amount of underlying securities purchasable upon exercise of the rights and the exercise price;
- the aggregate number of rights being issued;
- the date, if any, on and after which the rights may be transferable separately;
- the date on which the right to exercise the rights commences and the date on which the right expires;
- the number of rights outstanding, if any;
- a discussion of any material or special U.S. federal income tax considerations applicable to the rights; and
- any other terms of the rights, including the terms, procedures and limitations relating to the distribution, exchange and exercise of the rights.

Rights will be exercisable for U.S. dollars only and will be in registered form only.

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DESCRIPTION OF UNITS

References in this section to we refer only to Aviv REIT, Inc. We may issue securities in units, each consisting of two or more types of securities. For example, we might issue units consisting of a combination of debt securities and warrants to purchase common stock. If we issue units, the prospectus supplement relating to the units will contain the information described above with regard to each of the securities that is a component of the units. In addition, the prospectus supplement relating to the units will describe the terms of any units we issue, including as applicable:

the date, if any, on and after which the units may be transferable separately;

whether we will apply to have the units traded on a securities exchange or securities quotation system;

a discussion of any material or special U.S. federal income tax considerations applicable to the units; and

how, for U.S. federal income tax purposes, the purchase price paid for the units is to be allocated among the component securities.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences relating to the acquisition, holding, and disposition of our stock. For purposes of this section, references to Aviv REIT, we, our, and us mean only Aviv REIT, Inc., and not its subsidiaries, except as otherwise indicated. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department, rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. No advance ruling has been or will be sought from the IRS regarding any matter discussed herein. This summary also assumes that we and our subsidiaries and affiliated entities will operate in accordance with our and their applicable organizational documents or partnership agreements. This discussion is for your general information only and is not tax advice. It does not discuss any state, local or non-U.S. tax consequences relevant to us or to you, nor does it purport to address all aspects of U.S. federal income taxation that may be relevant to you in light of your particular investment circumstances, or if you are a type of investor subject to special tax rules, such as:

an insurance company;

a financial institution or broker dealer;

a regulated investment company or a REIT;

a holder who received our stock through the exercise of employee stock options or otherwise as compensation;

a person holding our stock as part of a straddle, hedge, conversion transaction, synthetic security, or other integrated investment;

a person who, as a nominee, holds our stock on behalf of another person;

a partnership or other entity classified as a partnership (or disregarded entity) for U.S. federal income tax purposes;

a person holding our stock indirectly through other vehicles, such as partnerships, trusts, or other entities; and

except to the extent discussed below:

a tax-exempt organization; and

a non-U.S. investor.

This summary assumes that you will hold our stock as a capital asset, which generally means as property held for investment.

The U.S. federal income tax treatment of holders of our stock depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences of holding our stock to any particular stockholder will depend on the stockholder s particular tax circumstances. You are urged to consult your tax advisor regarding the specific tax consequences (including the federal, state, local, and non-U.S. tax consequences) to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our stock.

Taxation of Aviv REIT

We made the election to be taxed as a REIT effective as of our taxable year ending December 31, 2010. We believe that we have been organized and have operated in a manner that has allowed us to qualify for taxation as

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a REIT under the Code commencing with such taxable year, and we intend to continue to be organized and operate in this manner.

The law firm of Sidley Austin LLP has acted as our tax counsel in connection with our election to be taxed as a REIT. We expect to receive an opinion of Sidley Austin LLP to the effect that, commencing with our taxable year ending December 31, 2010, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our current and proposed methods of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that the opinion of Sidley Austin LLP will be based on various factual assumptions relating to our organization and operation, and will be conditioned upon factual representations and covenants made by our management regarding our organization, assets, income, and the past, present, and future conduct of our business operations as well as factual representations and covenants from current owners of Aviv REIT. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Sidley Austin LLP or us that we will so qualify for any particular year. The opinion of Sidley Austin LLP, a copy of which will be filed as an exhibit to the registration statement of which this prospectus is a part, will be expressed as of the date issued, and will not cover subsequent periods. Opinions of counsel impose no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions.

Qualification and taxation as a REIT depend on our ability to meet, on a continuing basis, through actual operating results, asset ownership, distribution levels, and diversity of stock ownership, various qualification requirements imposed on REITs by the Code, compliance with which has not been and will not be reviewed by our tax counsel. In addition, our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis, which may not be reviewed by our tax counsel. Our ability to qualify as a REIT also requires that we satisfy certain asset tests, some of which depend upon the fair market values of assets directly or indirectly owned by us. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, qualification and taxation as a REIT depends upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Code. The material qualification requirements are summarized below under Requirements for REIT Qualification General. While we intend to operate so that we continue to qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future. See Failure to Qualify.

Provided that we qualify as a REIT, we will generally be entitled to a deduction for dividends that we pay and therefore will not be subject to U.S. federal corporate income tax on our net taxable income that is currently distributed to our stockholders. This deduction for dividends paid substantially eliminates the double taxation of corporate income (i.e., taxation at both the corporate and stockholder levels) that generally results from an investment in a corporation. Thus, income generated by a REIT and distributed to its stockholders generally is taxed only at the stockholder level upon the distribution of that income.

The maximum rate at which most taxable non-corporate U.S. stockholders are taxed on qualifying corporate dividends is 20% (the same as the current rate for long-term capital gains). With limited exceptions, however, dividends

received by stockholders from us, or from other entities that are taxed as REITs, are generally not

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eligible for such 20% rate, and instead are taxed at rates applicable to ordinary income. See Taxation of Stockholders Taxation of Taxable U.S. Stockholders Distributions.

Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the stockholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs. See Taxation of Stockholders.

If we qualify as a REIT, we will nonetheless be subject to federal tax in the following circumstances:

We will generally be taxed at regular corporate rates on any income, including net capital gains, that we do not distribute during or within a specified time period after the calendar year in which such income is earned.

We may be subject to the alternative minimum tax.

If we earn net income from prohibited transactions, which generally are sales or other dispositions of property, other than foreclosure property, that is included in our inventory or held by us primarily for sale to customers in the ordinary course of business, we will be subject to a tax at the rate of 100% of such net income. See Prohibited Transactions and Foreclosure Property below.

If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as foreclosure property, we may avoid the 100% tax on net income from prohibited transactions, but such net income from the sale or other disposition of such foreclosure property may be subject to corporate income tax at the highest applicable rate, which is currently 35%. We may receive, but do not anticipate receiving, any income from foreclosure property. See Foreclosure Property below.

We may elect to retain and pay income tax on our net long-term capital gain. In that case, a U.S. stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the stockholder) and would receive a credit or refund for its proportionate share of the tax we paid.

If we should fail to satisfy either the 75% gross income test or the 95% gross income test, as discussed below, but nonetheless maintain our qualification as a REIT because we satisfy the reporting requirements described in Section 856(c)(6) of the Code and our failure of such test or tests is due to reasonable cause and not due to willful neglect, we will be subject to a tax equal to 100% of the greater of the amount of gross income by which we fail either the 75% gross income test or the 95% gross income test, multiplied by a fraction which is our taxable income over our gross income determined with certain modifications.

Similarly, if we should fail to satisfy any of the asset tests described below (other than a de minimis failure of the 5% and 10% asset tests described below), but nonetheless maintain our qualification as a REIT because we satisfy our reporting and disposition requirements in Section 856(c)(7) of the Code and our

failure to satisfy a test or tests is due to reasonable cause and not due to willful neglect, we will be subject to an excise tax equal to the greater of (i) $50,000 for each taxable year in which we fail to satisfy any of the asset tests or (ii) the amount of net income generated by the assets that caused the failure (for the period from the start of such failure until the failure is resolved or the assets that caused the failure are disposed of), multiplied by the highest corporate tax rate.

If we should fail to meet certain minimum distribution requirements during any calendar year, which is an amount equal to or greater than the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any such taxable income from prior periods that is undistributed, we would be subject to an excise tax at the rate of 4% on the excess of the required distribution over the sum of (a) the amounts actually distributed, plus (b) retained amounts on which income tax is paid at the corporate level.

If we fail to satisfy certain requirements for REIT qualification, other than the gross income tests and asset tests, we will generally be required to pay a penalty of $50,000 for each such failure.

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We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT s stockholders, as described below in Requirements for REIT Qualification General.

A 100% tax may be imposed with respect to certain items of income and expense that are directly or constructively paid between a REIT and a taxable REIT subsidiary, or TRS, if and to the extent that the IRS establishes that such items were not based on market rates.

If we acquire appreciated assets from a corporation taxable under subchapter C of the Code, in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize gain on a disposition of any such assets during the ten-year period following their acquisition from the subchapter C corporation.

Certain of our subsidiaries may be subchapter C corporations, the earnings of which will be subject to federal corporate income tax.

In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and non-U.S. income, property, and other taxes on our and our subsidiaries assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for REIT Qualification General

The Code defines a REIT as a corporation, trust or association that has filed (and not revoked) an election to be treated as a REIT, and:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation but for the special Code provisions applicable to REITs;

(4) that is neither a financial institution nor an insurance company subject to specific provisions of the Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) in which, during the last half of each taxable year, not more than 50% in value of the outstanding stock is owned, directly or indirectly, by five or fewer individuals (as such term is defined in the Code to include specified tax-exempt entities); and

(7) that meets other tests described below, including with respect to the nature of its income and assets.

The Code provides that conditions (1) through (4) must be met during the entire taxable year, and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter

taxable year. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxable as a REIT.

We believe that we have been organized, have operated, and have issued sufficient shares of stock with sufficient diversity of ownership to allow us to satisfy conditions (1) through (7), inclusive, during the relevant time periods. Our charter provides restrictions on ownership and transfer of our shares, which are intended to assist us in satisfying the share ownership requirements, as described in conditions (5) and (6) above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements,

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except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in the applicable U.S. Treasury Department regulations, or Treasury regulations, that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement.

To monitor continuing compliance with the share ownership requirements described in (5) and (6) above, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our stock in which the record holders are to disclose the actual owners of the shares, i.e., the persons required to include in gross income the dividends paid by us. A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Failure to comply with these record keeping requirements could subject us to monetary penalties. A stockholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

In addition, a corporation generally may not elect to become a REIT unless its taxable year is the calendar year. We satisfy this requirement.

The Code provides relief from violations of certain of the REIT requirements, if a violation is due to reasonable cause and not willful neglect, and other requirements are met, including the payment of a penalty tax that is based upon the magnitude of the violation (see Income Tests and Asset Tests below). If we fail to satisfy any of the various REIT requirements, there can be no assurance that these relief provisions would be available to enable us to maintain our qualification as a REIT, and, if available, the amount of any resultant penalty tax could be substantial.

Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a direct or indirect partner in a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, such as our operating partnership, Treasury regulations provide that the REIT is deemed to own its proportionate share of the partnership s assets (subject to special rules relating to the 10% asset test described below), and to earn its proportionate share of the partnership s income for purposes of the asset and gross income tests applicable to REITs as described below. Similarly, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets, liabilities, and items of income in the operating partnership will be treated as our assets, liabilities, and items of income for purposes of applying the REIT requirements described below. A summary of certain rules governing the U.S. federal income taxation of partnerships and their partners is provided below in Tax Aspects of Investments in Our Operating Partnership.

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, that subsidiary is generally disregarded for U.S. federal income tax purposes, and all assets, liabilities, and items of income, deduction, and credit of the subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the REIT itself, including for purposes of the gross income and asset tests applicable to REITs as summarized below. A qualified REIT subsidiary is any corporation, other than a TRS that is wholly owned by a REIT, or by one or more disregarded subsidiaries of the REIT, or by a combination of the two. Other entities that are wholly owned by a REIT, including single member limited liability companies that have not elected to be taxed as corporations for U.S. federal income tax purposes, are also generally disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with entities treated as partnerships for U.S. federal income tax purposes in which we hold an equity interest, are sometimes referred to herein as pass-through subsidiaries.

In the event that a disregarded subsidiary of ours ceases to be wholly owned for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours the

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subsidiary s separate existence would no longer be disregarded for U.S. federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation. See Income Tests and Asset Tests.

Taxable Subsidiaries. REITs, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a TRS, of the REIT. Once made, such an election would also automatically apply to any of the TRS s subsidiaries of which the TRS owns more than 35% of the voting power or value. A REIT generally may not own more than 10% of the securities of a taxable corporation, as measured by voting power or value, unless the REIT and such corporation elect to treat such corporation as a TRS. The separate existence of a TRS or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, such an entity would generally be subject to corporate income tax on its earnings, which may reduce the cash flow generated by us and our subsidiaries in the aggregate, and may reduce our ability to make distributions to our stockholders.

We currently own an interest in one TRS. On January 3, 2011, we formed Aviv Healthcare Capital Corporation, a Delaware corporation that is wholly-owned by us. We have elected to treat Aviv Healthcare Capital Corporation as a TRS for U.S. federal income tax purposes.

A REIT is not treated as holding the assets of a TRS or other taxable subsidiary corporation or as receiving any income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the REIT, and the REIT recognizes as income, the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT, as described below. Because a REIT does not include the assets and income of its TRSs or other taxable subsidiary corporations in determining its compliance with the REIT requirements, a TRS may be used by the parent REIT to indirectly undertake activities that the REIT rules might otherwise preclude the parent REIT from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income such as management fees).

However, a TRS may not directly or indirectly operate or manage a health care facility. The Code defines a health care facility generally to mean a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility or other licensed facility that extends medical or nursing or ancillary services to patients and that is operated by a provider that is eligible for participation in the Medicare program with respect to such facility. If the IRS were to treat a REIT s subsidiary corporation as directly or indirectly operating or managing a health care facility, such subsidiary would not qualify as a TRS, which could jeopardize the REIT s qualification. We may engage in activities indirectly through a TRS as necessary or convenient to avoid recognizing income from services that would jeopardize our REIT status if we engaged in the activities directly. It is not currently contemplated, however, that we will engage in material activities through a TRS.

A TRS will pay income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS and its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, as discussed below under Penalty Tax, the rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT or the REIT s operators that are not conducted on an arm s length basis.

Income Tests

In order to qualify and maintain our qualification as a REIT, we must satisfy annually two gross income requirements. First, at least 95% of our gross income for each taxable year, but excluding gross income from prohibited transactions and certain hedging transactions, must be derived from: (1) dividends; (2) interest; (3) rents from real property; (4) gain from the sale or other disposition of stock, securities, and real property

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(including interests in real property and interests in mortgages on real property) which is not described in Section 1221(a)(1) of the Code; (5) abatements and refunds of taxes on real property; (6) income and gain derived from foreclosure property; (7) non-contingent amounts received or accrued as consideration for entering into agreements (i) to make loans secured by mortgages on real property or on interests in real property or (ii) to purchase or lease real property (including interests in real property and interests in mortgages on real property); (8) gain from the sale or other disposition of a real estate asset which is not a prohibited transaction solely by reason of Section 857(b)(6) of the Code; and (9) certain mineral royalty income.

Second, at least 75% of our gross income for each taxable year, but excluding gross income from certain hedging transactions and prohibited transactions, must be derived from: (1) rents from real property; (2) interest on obligations secured by mortgages on real property or on interests in real property; (3) gain from the sale or other disposition of real property (including interests in real property and interests in mortgages on real property) which is not property described in Section 1221(a)(1) of the Code; (4) dividends or other distributions on, and gain from the sale or other disposition of, transferable shares (or transferable certificates of beneficial interest) in other REITs; (5) abatements and refunds of taxes on real property; (6) income and gain derived from foreclosure property; (7) non-contingent amounts received or accrued as consideration for entering into agreements (i) to make loans secured by mortgages on real property or on interests in real property or (ii) to purchase or lease real property (including interests in real property and interests in mortgages on real property); (8) gain from the sale or disposition of a real estate asset which is not a prohibited transaction solely by reason of Section 857(b)(6) of the Code; and (9) qualified temporary investment income.

Rents from Real Property. Rents received by us will qualify as rents from real property in satisfying the gross income requirements described above, only if several conditions, including the following, are met. If rent is partly attributable to personal property leased in connection with a lease of real property, the portion of the total rent that is attributable to the personal property will not qualify as rents from real property if it constitutes more than 15% of the total rent received under the lease. We have reviewed our properties and have determined that rents attributable to personal property do not exceed 15% of the total rent with respect to any particular lease. There can be no assurance, however, that the IRS will not assert that rent attributable to personal property with respect to a particular lease is greater than 15% of the total rent with respect to such lease. If the amount of any such non-qualifying income, together with other non-qualifying income, exceeds 5% of our gross income, we may fail to qualify as a REIT.

Moreover, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property or furnish or render services to the operators of such property, other than through an independent contractor from which the REIT derives no revenues and that satisfies certain other requirements. We and our affiliates are permitted, however, to perform only services that are usually or customarily rendered in connection with the rental of space for occupancy and are not otherwise considered rendered to the occupant of the property. In addition, we and our affiliates may directly or indirectly provide non-customary services to operators of our properties without disqualifying all of the rent from the property if the payment for such services does not exceed 1% of the total gross income from the property. For purposes of this test, the income received from such non-customary services is deemed to be at least 150% of the direct cost of providing the services. Furthermore, except in certain instances, such as in connection with the operation or management of a health care facility, we are generally permitted to provide services to operators or others through a TRS without disqualifying the rental income received from operators for purposes of the REIT income requirements. In addition, we generally may not, and will not, charge rent that is based in whole or in part on the income or profits of any person, except for rents that are based on a percentage of the operator s gross receipts or sales. Rental income will qualify as rents from real property only to the extent that we do not directly or constructively hold a 10% or greater interest, as measured (i) if an operator is a corporation, by vote or value, in the operator s equity, or (ii) if an operator is not a corporation, by our interest in such entity s assets or net profits. Rental income derived from certain health care facilities leased to a TRS and operated by an eligible independent contractor

(as such term is defined in Section 856(d)(9) of the Code) will also qualify as rents from real property. Operators may be required to pay, besides base rent, reimbursements for certain amounts we are obligated to pay to third

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parties (such as an operator s proportionate share of a property s operational or capital expenses), penalties for nonpayment or late payment of rent or additions to rent. These and other similar payments should qualify as rents from real property. We believe that substantially all of our gross income has and will qualify as rents from real property.

Interest Income. It is possible that we will be paid interest on loans secured by real property. Interest income generally qualifies under the 95% gross income test (described above), and interest on loans secured by real property generally qualifies under the 75% gross income test (described above), provided that, in both cases, the interest does not depend, in whole or in part, on the income or profits of any person (excluding amounts based on a fixed percentage of receipts or sales). If a loan is secured by both real property and other property, the interest on the loan may nevertheless qualify under the 75% gross income test, subject to limitations in the event that the principal amount of the loan outstanding during a given taxable year exceeds the fair market value of the real property at the time of the loan commitment. All of our loans secured by real property will be structured in a manner such that the income generated through such loans should be treated as qualifying income under the 75% gross income test.

Dividend Income. We may, but do not expect to, directly or indirectly receive distributions from TRSs or other corporations that are not REITs or qualified REIT subsidiaries, other than to the extent our one TRS may make distributions. These distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not under the 75% gross income test. Any dividends received by us from a REIT, however, will be qualifying income for purposes of both the 95% and 75% income tests.

Hedging Transactions. Any income or gain we or our pass-through subsidiaries derive from instruments that hedge certain risks, such as the risk of changes in interest rates, will not be treated as gross income for purposes of the 75% gross income or the 95% gross income test, and therefore will be disregarded for purposes of such tests, provided that specified requirements are met, including that the instrument hedges risks associated with indebtedness issued or to be issued by us or our pass-through subsidiaries incurred to acquire or carry real estate assets (as described below under Asset Tests), and that the instrument is properly identified as a hedge, along with the risk that it hedges, within prescribed time periods. If the specified requirements are not met, the income and gain from hedging transactions will generally constitute non-qualifying income both for purposes of the 75% gross income test and the 95% gross income test.

We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT. We may conduct some or all of our hedging activities through a TRS or other corporate entity, the income from which may be subject to federal corporate income tax, rather than participating in the arrangements directly or through pass-through subsidiaries. No assurance can be given, however, that our hedging activities will not give rise to income that would adversely affect our ability to satisfy the REIT qualification requirements.

Failure to Satisfy the Gross Income Test. If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may still qualify as a REIT for such year if we are entitled to relief under applicable provisions of the Code. These relief provisions will be generally available if: (i) our failure to meet these tests was due to reasonable cause and not due to willful neglect, and (ii) following our identification of the failure to meet the 75% or 95% gross income test for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income test for such taxable year in accordance with Treasury regulations to be issued. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances involving us, we will not qualify as a REIT. As discussed above under Taxation of REITs in General, even where these relief provisions apply and we retain our REIT status, a tax would be imposed based upon the amount by which we fail to satisfy the

particular gross income test.

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Asset Tests

At the close of each calendar quarter, we must also satisfy four tests relating to the nature of our assets.

1) First, at least 75% of the value of our total assets must be represented by some combination of real estate assets, cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, the term real estate assets includes interests in real property, such as land, buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and some kinds of mortgage-backed securities and mortgage loans. Securities that do not qualify for purposes of this 75% test are subject to the additional asset tests described below, while securities that do qualify for purposes of the 75% asset test are generally not subject to the additional asset tests.

2) Second, of our investments that are not included in the 75% asset class or securities of TRSs, the value of any one issuer s securities owned by us may not exceed 5% of the value of our total assets.

3) Third, of our investments that are not included in the 75% asset class or securities of TRSs, we may not own more than 10% of any one issuer s outstanding securities, as measured by either voting power or value. This 10% asset test does not apply to straight debt having specified characteristics and to certain other securities described below. Solely for the purposes of the 10% asset test, the determination of our interest in the assets of an entity treated as a partnership for U.S. federal income tax purposes in which we own an interest will be based on our proportionate interest in any securities issued by the partnership, excluding for this purpose certain securities described in the Code.

4) Fourth, the aggregate value of all securities of TRSs held by a REIT may not exceed 25% of the value of the REIT s total assets.

Notwithstanding the general rule, as noted above, that for purposes of the REIT income and asset tests, a REIT is treated as owning its proportionate share of the underlying assets of a subsidiary partnership, if a REIT holds indebtedness issued by a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualifying mortgage asset, satisfies the rules for straight debt, satisfies other conditions described below, or is sufficiently small so as not to otherwise cause an asset test violation. Similarly, although stock of another REIT is a qualifying asset for purposes of the REIT asset tests, non-mortgage debt held by us that is issued by another REIT is not a qualifying asset, except for the 10% asset test.

Certain relief provisions are available to REITs that fail to satisfy the asset requirements. One such provision allows a REIT which fails one or more of the asset requirements (other than de minimis violations of the 5% and 10% asset tests as described below) to nevertheless maintain its REIT qualification if (a) it provides the IRS with a description of each asset causing the failure, (b) the failure is due to reasonable cause and not willful neglect, (c) the REIT pays a tax equal to the greater of (i) $50,000 per failure, and (ii) the product of the net income generated by the assets that caused the failure multiplied by the highest applicable corporate tax rate (currently 35%), and (d) the REIT either disposes of the assets causing the failure within 6 months after the last day of the quarter in which it identifies the failure, or otherwise satisfies the relevant asset tests within that time frame.

Violations of the 10% and 5% asset tests will be considered to be de minimis, and a REIT may maintain its qualification if (a) the value of the assets causing the violation does not exceed the lesser of 1% of the REIT s total assets as of the end of the quarter in which such measurement is made, and $10 million and (b) the REIT either disposes of the assets causing the failure within 6 months after the last day of the quarter in which it identifies the failure, or the relevant tests are otherwise satisfied within that time frame.

Certain securities will not cause a violation of the 10% asset test described above. Such securities include instruments that constitute straight debt. Generally, straight debt includes any written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the interest rate and payment dates are not

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subject to certain prohibited contingencies and (ii) the debt is not convertible into equity. However, straight debt excludes securities owned by a REIT (or one of its TRSs) that also owns other securities of the same issuer and that do not qualify as straight debt (unless the value of those other securities equals, in the aggregate, 1% or less of the total value of that issuer s outstanding securities). Other securities that will not violate the 10% asset test include (a) any loan made to an individual or an estate, (b) certain rental agreements in which one or more payments are to be made in subsequent years (other than agreements between a REIT and certain persons related to the REIT), (c) any obligation to pay rents from real property, (d) securities issued by governmental entities that are not dependent in whole or in part on the profits of (or payments on any obligation made by) a non-governmental entity, (e) any security issued by another REIT, and (f) any debt instrument issued by a partnership if the partnership s income is of a nature that it would satisfy the 75% gross income test described above under Income Tests. In applying the 10% asset test, a debt security issued by a partnership to a REIT is not taken into account to the extent, if any, of the REIT s proportionate equity interest in that partnership.

We believe that our holdings of assets have complied, and will continue to comply, with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support our conclusions as to the value of our total assets, or the value of any particular security or securities. Moreover, the values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Furthermore, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. We do not intend to seek an IRS ruling as to the classification of our properties for purposes of the REIT asset tests. Accordingly, there can be no assurance that the IRS will not contend that any of our assets or our interests in other securities violate the REIT asset requirements.

However, certain relief provisions are available to allow REITs to satisfy the asset requirements or to maintain REIT qualification notwithstanding certain violations of the asset and other requirements. For example, if we should fail to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause us to lose our REIT status if we (1) satisfied the asset tests at the close of the preceding calendar quarter and (2) the discrepancy between the value of our assets and the asset test requirements was not wholly or partly caused by an acquisition of non-qualifying assets, but instead arose from changes in the market value of our assets. If the condition described in (2) were not satisfied, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose or by making use of relief provisions described above.

Annual Distribution Requirements

In order to maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to:

the sum of:

90% of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains); and

90% of the (after tax) net income, if any, from foreclosure property (as described below);

minus:

the excess of the sum of specified items of non-cash income over 5% of our REIT taxable income, computed without regard to our net capital gains and the deduction for dividends paid.

Distributions must be paid in the taxable year to which they relate, or in the following taxable year if they are declared in October, November, or December of the taxable year, are payable to stockholders of record on a specified date in any such month, and are actually paid before the end of January of the following year. Such

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distributions are treated as both paid by us and received by each stockholder on December 31 of the year in which they are declared. In addition, a distribution for a taxable year may be declared before we timely file our tax return for the year and if paid with or before the first regular dividend payment after such declaration, provided such payment is made during the twelve-month period following the close of such taxable year. In order for distributions to be counted for this purpose, and to give rise to a tax deduction by us, they must not be preferential dividends. A dividend is not a preferential dividend if it is made pro rata among all outstanding shares of stock within a particular class, and is in accordance with the preferences among different classes of stock as set forth in our organizational documents.

To the extent that we distribute at least 90%, but less than 100%, of our REIT taxable income (computed without regard to our deduction for dividends paid and excluding any net capital gains), we will be subject to tax at ordinary corporate tax rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our stockholders include their proportionate share of such undistributed long- term capital gains in income, and to receive a corresponding credit for their share of the tax paid by us. Stockholders would then increase their adjusted basis in our stock by the difference between (i) the designated amounts included in their taxable income as long-term capital gains and (ii) the tax deemed paid with respect to their shares. To the extent that a REIT has available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that it must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of stockholders, of any distributions that are actually made by the REIT, which are generally taxable to stockholders to the extent that the REIT has current or accumulated earnings and profits. See Taxation of Stockholders Taxation of Taxable U.S. Stockholders Distributions.

If we should fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such required distribution over the sum of (a) the amounts actually distributed and (b) the amounts of retained income on which we have paid corporate income tax. We intend to make adequate and timely distributions so that we are not subject to the 4% excise tax.

It is possible that we, from time to time, may not have sufficient cash to meet the distribution requirements due to timing differences between (1) the actual receipt of cash, including receipt of distributions from our subsidiaries, and (2) our inclusion of items in income for U.S. federal income tax purposes. In the event that such timing differences occur, in order to meet the distribution requirements, it might be necessary to arrange for short-term, or possibly long-term, borrowings, or to pay dividends in the form of taxable in-kind distributions of property.

If our taxable income for a particular year is subsequently determined to have been understated, or if our deduction for dividends paid is subsequently determined to have been overstated, we may be able to rectify any resultant failure to meet the distribution requirements for a year by paying deficiency dividends to stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. In this case, we may be able to avoid losing our REIT status or being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest and a penalty based on the amount of any deduction taken for deficiency dividends.

Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% tax. The term prohibited transaction generally includes a sale or other disposition of property (other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business . We intend to conduct our operations so that no asset owned by us or our pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of our business. Whether

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property is held primarily for sale to customers in the ordinary course of a trade or business depends, however, on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent the imposition of the 100% excise tax. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of that corporation at regular corporate tax rates.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay U.S. federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Foreclosure Property

We will be subject to tax at the maximum corporate rate (currently 35%) on any income from foreclosure property, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify for purposes of the 75% and 95% gross income tests and will not be subject to the 100% tax on income derived from prohibited transactions. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that we acquire as the result of having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default, or default was imminent, on a lease of such property or on indebtedness that such property secured; and

- for which we acquired the related lease or indebtedness at a time when default was not imminent or anticipated; and

- for which we make a proper election to treat the property as a foreclosure property.

Foreclosure property also includes certain qualified health care property acquired by a REIT as the result of the termination or expiration of a lease of such property (other than by reason of a default, or the imminence of a default, on the lease). For purposes of this rule, a qualified healthcare property means any real property (or any personal property incident thereto) that is, or that is necessary or incidental to the use of, a health care facility (as defined above). Qualified healthcare property generally ceases to be foreclosure property at the end of the second taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the U.S. Treasury Department. Other foreclosure property generally ceases to be foreclosure property at the end of the third taxable year following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the U.S. Treasury Department.

Notwithstanding the timing rules set forth above, a grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test (as applied without the explicit qualification of income from foreclosure property), or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or

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which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business that we conduct, other than through certain independent contractors from whom the REIT itself does not derive or receive any income (disregarding any income derived with respect to a qualified health care facility, provided that such income is derived (i) pursuant to a lease in effect at the time we acquire the facility, (ii) through renewal of such a lease according to its terms or (iii) through a lease entered into on substantially similar terms).

We do not believe that our leasing of nursing homes increases the risk that we will fail to qualify as a REIT. There can be no assurance, however, that our income from foreclosure property will not be significant or that we will not be required to pay a significant amount of tax on that income.

Penalty Tax

Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our operators by a TRS, and redetermined deductions and excess interest represent any amounts that are deducted by a TRS for amounts paid to us that are in excess of the amounts that would have been deducted based on arm s length negotiations. Rents that we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

Failure to Qualify

Specified cure provisions are available to us in the event we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT. Except with respect to violations of the REIT income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions of the Code do not apply, we would be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we are not a REIT would not be deductible by us, nor would such distributions be required to be made. In this situation, any distributions to non-corporate stockholders will, to the extent of our current and accumulated earnings and profits, generally be taxable at capital gains rates and, subject to limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless we are entitled to relief under specific statutory provisions, we would also be disqualified from re-electing to be taxed as a REIT for the four taxable years following the taxable year during which qualification was lost. It is not possible to state whether, in all circumstances, we would be entitled to this statutory relief.

Tax Aspects of Investments in Our Operating Partnership

General

We hold and will continue to hold substantially all of our real estate assets through a single operating partnership that holds pass-through subsidiaries. In general, an entity classified as a partnership (or a disregarded entity) for U.S. federal income tax purposes is a pass-through entity that is not subject to U.S. federal income tax. Rather, partners or members are allocated their proportionate shares of the items of income, gain, loss, deduction, and credit of the entity, and are potentially subject to tax on these items, without regard to whether the partners or members receive a distribution from the entity. Thus, we would include in our income our proportionate share of these income items for purposes of the various REIT income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we would include our proportionate share of the assets held by our operating partnership. Consequently, to the extent that we hold an equity interest in our operating partnership, the partnership s

assets and operations may affect our ability to qualify as a REIT.

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Entity Classification

Our investment in our operating partnership involves special tax considerations, including the possibility of a challenge by the IRS of the tax status of such partnership. If the IRS were to successfully treat our operating partnership as an association or publicly traded partnership taxable as a corporation, as opposed to a partnership, for U.S. federal income tax purposes, the operating partnership would be subject to an entity-level tax on its income. In such a situation, the character of our assets and items of our gross income would change and could preclude us from satisfying the REIT asset tests or the gross income tests as discussed in Taxation of Aviv REIT Income Tests and Taxation of REITs in General Asset Tests, which in turn could prevent us from qualifying as a REIT unless we are eligible for relief from the violation pursuant to relief provisions described above. See Taxation of Aviv REIT Income Tests, Taxation of REITs in General Asset Tests and Taxation of REITs in General Failure to Qualify, above, for a discussion of the effect of our failure to meet these tests for a taxable year, and of the relief provisions. Furthermore, partners in the operating partnership would be treated as stockholders, rather than as partners, and any distributions to such persons would consequently be treated as ordinary dividends. Finally, any change in the status of our operating partnership for U.S. federal income tax purposes could be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

Tax Allocations with Respect to Partnership Properties

Under the Code and the Treasury regulations, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for U.S. federal income tax purposes in a manner such that the contributing partner is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution, and the adjusted tax basis of such property at the time of contribution. Such allocations are solely for U.S. federal income tax purposes and do not affect other economic or legal arrangements among the partners. These rules may apply to a contribution of property by us to our operating partnership. To the extent that the operating partnership acquires appreciated (or depreciated) properties by way of capital contributions from its partners, allocations would need to be made in a manner consistent with these requirements. Where a partner contributes cash to a partnership at a time at which the partnership holds appreciated (or depreciated) property, the Treasury regulations provide for a similar allocation of these items to the other (i.e., non-contributing) partners. These rules will apply to the contribution by us to our operating partnership of the cash proceeds received in offerings of our stock. As a result, partners, including us, could be allocated greater or lesser amounts of depreciation and taxable income in respect of the partnership s properties than would be the case if all of the partnership s assets (including any contributed assets) had a tax basis equal to their fair market values at the time of any contributions to that partnership. This could cause us to recognize taxable income in excess of cash flow from the partnership, which might adversely affect our ability to comply with the REIT distribution requirements discussed above.

Sale of Properties

Our share of any gain realized by our operating partnership or any other pass-through subsidiary on the sale of any property held as inventory or primarily for sale to customers in the ordinary course of business will be treated as income from a prohibited transaction that is subject to a 100% excise tax. See Taxation of Aviv REIT Asset Tests, Taxation of Aviv REIT Taxation of REITs in General and Taxation of Aviv REIT Prohibited Transactions. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business depends upon all of the facts and circumstances of the particular transaction. Our operating partnership and our other pass-through subsidiaries generally intend to hold their interests in properties for investment with a view

to long-term appreciation, to engage in the business of acquiring, developing, owning, financing and leasing the properties, and to make occasional sales of the properties, including peripheral land, as are consistent with our investment objectives.

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Taxation of Stockholders

Taxation of Taxable U.S. Stockholders

General. The following is a summary of certain U.S. federal income tax consequences of the ownership and disposition of our stock applicable to taxable U.S. stockholders. A U.S. stockholder is any holder of our common stock that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or an entity treated as a corporation) for U.S. federal income tax purposes created or organized in the United States or under the laws of the United States, or of any state thereof, or the District of Columbia;
- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity that is treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. An investor that is a partnership and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of the acquisition, ownership and disposition of our common stock.

Distributions. Provided that we qualify as a REIT, distributions made to our U.S. stockholders out of current or accumulated earnings and profits, and not designated as capital gain dividends, will generally be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. Any distribution of deficiency dividends will be treated as having been made out of our current accumulated earnings and profits, whether or not it would otherwise so qualify. With limited exceptions, ordinary dividends received from REITs are not eligible for taxation at the preferential income tax rates (20% maximum U.S. federal income tax rate) applicable to qualified dividend income. Non-corporate stockholders, however, are taxed at the preferential rates on dividends designated by and received from REITs to the extent that the dividends are attributable to (1) income retained by the REIT in a prior taxable year in which the REIT was subject to corporate level income tax (less the amount of tax), (2) dividends received by the REIT from TRSs or other taxable C corporations, or (3) income in the prior taxable year from the sales of built-in gain property acquired by the REIT from C corporations in carryover basis transactions (less the amount of corporate tax on such income).

Distributions from us that are designated as capital gain dividends will generally be taxed to stockholders as long-term capital gains, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which the stockholder has held its stock. A similar treatment will apply to long-term capital gains retained by us, to the extent that we elect the application of provisions of the Code that treat stockholders of a REIT as having received, for U.S. federal income tax purposes, undistributed capital gains of the REIT as well as a corresponding

credit and basis adjustment for taxes paid by the REIT on such retained capital gains. Corporate stockholders may be required to treat up to 20% of some capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 20% in the case of non-corporate U.S. stockholders, and 35% in the case of corporate U.S. stockholders. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum U.S. federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions.

In determining the extent to which a distribution constitutes a dividend for U.S. federal income tax purposes, our earnings and profits generally will be allocated first to distributions with respect to preferred stock

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and then to common stock. If we have net capital gains and designate some or all of our distributions as capital gain dividends, such capital gain dividends will be allocated among different classes of stock in proportion to the allocation of earnings and profits in the manner described above.

Distributions in excess of current and accumulated earnings and profits will generally represent a return of capital and will not be taxable to a stockholder to the extent that they do not exceed the adjusted basis of the stockholder s shares in respect of which the distributions were made, but rather, will reduce the adjusted basis of these shares. Therefore, any gain (or loss) recognized by such stockholder on the subsequent disposition of such shares will be increased (or decreased) accordingly. To the extent that such distributions exceed the adjusted basis of a stockholder s shares, they will generally be included in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend we declare in October, November, or December of any year and payable to a stockholder of record on a specified date in any such month will be treated as both paid by us and received by the stockholder on December 31 of such year, provided that the dividend is actually paid by us before the end of January of the following calendar year.

Dispositions of Our Stock. In general, a U.S. stockholder will realize gain or loss upon the sale, redemption, or other taxable disposition of our stock in an amount equal to the difference between (i) the sum of the fair market value of any property received and the amount of cash received in such disposition, and (ii) the stockholder s adjusted tax basis in the stock at the time of the disposition. In general, a stockholder s tax basis will equal the stockholder s transaction cost, increased by the excess of any retained net capital gains deemed distributed to the stockholder (as discussed above), reduced by the amount of any returns of capital and taxes paid on any such retained net capital gains. In general, capital gains recognized by individual stockholders upon the sale or disposition of our stock will be subject to a maximum U.S. federal income tax rate of 20% if the stock is held for more than 12 months, and will be taxed at ordinary income rates if the stock is held for 12 months or less. Gains recognized by stockholders that are corporations are subject to U.S. federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a stockholder upon the disposition of our stock held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the stockholder (but not ordinary income, except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of our stock by a stockholder who has held the stock for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions received from us that are required to be treated by the stockholder as long-term capital gain.

If an investor recognizes a loss upon a subsequent sale or other disposition of our stock in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving reportable transactions could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards tax shelters, they are written broadly and apply to transactions that would not typically be considered tax shelters. In addition, significant penalties are imposed by the Code for failure to comply with these requirements.

You should consult your tax advisor concerning any possible disclosure obligation with respect to the receipt or disposition of our stock, or transactions that might be undertaken directly or indirectly by us. Moreover, you should be aware that we and other participants in the transactions involving us (including their advisors) might be subject to disclosure or other requirements pursuant to these regulations.

Passive Activity Losses and Investment Interest Limitations. Distributions made by us and gain arising from the sale or exchange by a U.S. stockholder of our stock will not be treated as passive activity income. As a result, stockholders will not be able to apply any passive losses against income or gain relating to our stock. Distributions made by us, to the extent they do not constitute return of capital, generally will be treated as investment income for purposes of

computing the investment interest limitation.

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Tax on Net Investment Income. A U.S. person that is an individual or estate, or a trust that does not fall into a special class of trusts exempt from such tax, will generally be subject to a 3.8% tax on the lesser of (i) the U.S. person s net investment income for a taxable year or (ii) the excess of the U.S. person s modified adjusted gross income for such taxable year over $200,000 ($250,000 in the case of joint filers). For these purposes, net investment income will generally include interest, dividends, annuities, royalties, rents, net gain attributable to the disposition of property not held in a trade or business, and certain other income, but will be reduced by any deductions properly allocable to such income or net gain.

Taxation of Taxable Non-U.S. Stockholders

The following is a summary of certain U.S. federal income and estate tax consequences of the ownership and disposition of our stock applicable to taxable non-U.S. stockholders. A non-U.S. stockholder is any holder of our common stock other than a U.S. stockholder.

The following discussion is based on current law and is for general information only. It addresses only selected, and not all, aspects of U.S. federal income and estate taxation. This discussion does not address non-U.S. stockholders who hold our stock through a partnership or other pass-through entity. Non-U.S. stockholders are urged to consult their tax advisors regarding the federal, state, local and non-U.S. tax consequences of owning our stock.

Ordinary Dividends. The portion of dividends received by non-U.S. stockholders payable out of our earnings and profits that are not attributable to our capital gains and which are not effectively connected with a U.S. trade or business of the non-U.S. stockholder will generally be subject to U.S. withholding tax at the rate of 30%, subject to reduction or elimination by an applicable income tax treaty.

In general, non-U.S. stockholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our stock. In cases where the dividend income from a non-U.S. stockholder s investment in our stock is, or is treated as, effectively connected with the non-U.S. stockholder s conduct of a U.S. trade or business, (1) the non-U.S. stockholder generally will be subject to U.S. tax with respect to such dividends at graduated rates in the same manner as U.S. stockholders, (2) such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. stockholder, and (3) the income may also be subject to a branch profits tax at 30% (or a lower treaty rate) in the case of a non-U.S. stockholder that is a corporation.

If our stock does not constitute a U.S. real property interest, or USRPI, as described below under Dispositions of Our Stock, the portion of dividends received by non-U.S. stockholders in excess of our earnings and profits will generally not be subject to U.S. income tax. However, if it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to U.S. withholding tax at the rate of 30%, subject to reduction or elimination by an applicable income tax treaty. In such event, the non-U.S. stockholder may seek a refund from the IRS of any amounts withheld on any portion of a distribution that was subsequently determined to be, in fact, in excess of our earnings and profits.

If our stock constitutes a USRPI, distributions by us to a non-U.S. stockholder in excess of the sum of the stockholder s (i) share of our earnings and profits and (ii) basis in our stock will be treated as gain from the sale or exchange of such stock and will be taxed at the rate, including any applicable capital gains rates, that would apply to a U.S. stockholder of the same type (for example, an individual or a corporation, as the case may be). The collection of this tax will be enforced by a creditable withholding tax imposed at a rate of 10% of the amount by which the distribution exceeds the non-U.S. stockholder s share of our earnings and profits.

Capital Gain Dividends. Under the Foreign Investment in Real Property Tax Act of 1980, as amended, or FIRPTA, a distribution made by us to a non-U.S. stockholder, to the extent that it is attributable to gains from dispositions of USRPIs held by us directly, by lower-tier REITs, or through pass-through subsidiaries (USRPI

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capital gains), will, except as discussed below, be considered effectively connected with a U.S. trade or business of the non-U.S. stockholder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations, without regard to whether the distribution is designated as a capital gain dividend. In addition, we will be required to withhold tax on the amount of a distribution at a rate currently equal to 35% to the extent the distribution is attributable to USRPI capital gains. Distributions subject to FIRPTA may also be subject to a branch profits tax at 30% (or a lower treaty rate) in the hands of a non-U.S. stockholder that is a corporation. A distribution is not a USRPI capital gain if we held the underlying USRPI asset solely as a creditor. Capital gain dividends received by a non-U.S. stockholder from a REIT attributable to dispositions by that REIT of assets other than USRPIs are generally not subject to U.S. income or withholding tax.

A capital gain dividend by us that would otherwise have been treated as a USRPI capital gain will not be so treated or be subject to FIRPTA, will generally not be treated as income that is effectively connected with a U.S. trade or business, and will instead be treated the same as an ordinary dividend from us (see Taxation of Taxable Non-U.S. Stockholders Ordinary Dividends), provided that (1) the capital gain dividend is received with respect to a class of stock that is regularly traded on an established securities market located in the United States, and (2) the recipient non-U.S. stockholder does not own more than 5% of that class of stock at any time during the one-year period ending on the date on which the capital gain dividend is received. Our stock is currently regularly traded on an established securities market.

Dispositions of Our Stock. Unless our stock constitutes a USRPI, a sale of our stock by a non-U.S. stockholder generally will not be subject to U.S. taxation under FIRPTA. In general, stock of a domestic corporation that constitutes a U.S. real property holding corporation, or USRPHC, will constitute a USRPI. We expect that we will be a USRPHC. Our stock nonetheless will not constitute a USRPI if we are a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. persons. We believe that we are currently a domestically controlled qualified investment entity and, therefore, the sale of our stock by a non-U.S. stockholder should not be subject to taxation under FIRPTA. Because our stock is currently publicly-traded, however, no assurance can be given that we will continue to be a domestically controlled qualified investment entity.

In the event that we do not constitute a domestically controlled qualified investment entity, a non-U.S. stockholder s sale or other disposition of our stock nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (1) the stock owned is of a class that is regularly traded, as defined by applicable Treasury regulations, on an established securities market, and (2) the selling non-U.S. stockholder held 5% or less of our outstanding stock of that class at all times during a specified testing period. As noted above, we believe that our stock will be treated as regularly traded on an established securities market.

If gain on the sale of our stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to the same treatment as a U.S. stockholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the IRS. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our stock (subject to the 5% exception applicable to regularly traded stock described above), a non-U.S. stockholder may be treated as having gain from the sale or exchange of a USRPI if the non-U.S. stockholder (1) disposes of our common stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, other shares of our common stock within 30 days after such ex-dividend date.

Gain from the sale of our stock that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. stockholder in two cases: (1) if the non-U.S. stockholder s investment in our stock is effectively connected with a U.S. trade or business conducted by such non-U.S. stockholder, the non-U.S. stockholder will be subject to the same treatment as a U.S. stockholder with respect to such gain, or (2) if

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the non-U.S. stockholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, the nonresident alien individual will be subject to a 30% tax on the individual s capital gain, subject to reduction or elimination by an applicable income tax treaty.

HIRE Act. Legislation enacted in 2010 will generally impose a 30% withholding tax on U.S. source payments, such as dividends on our shares, and the gross proceeds from the disposition of such shares paid to (1) a foreign financial institution (as such term is defined in Section 1471(d)(4) of the Code) unless that foreign financial institution enters into an agreement with the U.S. Treasury Department to collect and disclose information regarding U.S. account holders of that foreign financial institution (including certain account holders that are non-U.S. entities that have U.S. owners) and satisfies other requirements, and (2) specified other non-financial foreign entities unless such an entity either provides the payor with a certification identifying the direct and indirect U.S. owners of the entity and complies with other requirements (although, under regulations described below, the non-financial foreign entity may be exempt from such withholding even if it does not provide such certification or comply with such other requirements). An intergovernmental agreement between the United States and an applicable non-U.S. country may modify such requirements. The IRS and the U.S. Treasury Department have released regulations and other guidance that provide for the phased implementation of the tax, pursuant to which the tax will apply to dividends paid with respect to our stock after June 30, 2014, and proceeds from the sale, exchange or other taxable disposition of shares of our stock occurring after December 31, 2016. You are encouraged to consult with your own tax advisor regarding the possible implications of this legislation on your investment in our shares.

Estate Tax. Aviv REIT stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of death will be includable in the individual s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and may therefore be subject to U.S. federal estate tax.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, are generally exempt from U.S. federal income taxation. However, they are subject to taxation on their unrealized business taxable income (as such term is defined in the Code), or UBTI. Distributions from us and income from the sale of our stock should not give rise to UBTI to a tax-exempt stockholder, provided that (1) a tax-exempt stockholder has not held our stock as debt financed property within the meaning of the Code (i.e., where the acquisition or holding of the property is financed through a borrowing by the tax-exempt stockholder), and (2) our stock is not otherwise used in an unrelated trade or business.

Tax-exempt stockholders that are social clubs, voluntary employees beneficiary associations, supplemental unemployment compensation benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust that owns more than 10% of our stock could be required to treat a percentage of the dividends from us as UBTI, if we are a pension-held REIT. We will not be a pension-held REIT unless either (1) one pension trust owns more than 25% of the value of our stock, or (2) a group of pension trusts, each individually holding more than 10% of the value of our stock, collectively owns more than 50% of such stock. Certain restrictions on ownership and transfer of our stock should generally prevent a tax-exempt entity from owning more than 10% of the value of our stock, or our becoming a pension-held REIT.

Tax-exempt stockholders are urged to consult their tax advisors regarding the federal, state, local and non-U.S. tax consequences of owning our stock.

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Other Tax Considerations

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, or in what form, any proposals affecting REITs or their stockholders will be enacted. Changes to the federal tax laws and interpretations thereof could materially adversely affect an investment in our stock.

State, Local and Non-U.S. Taxes

We and our subsidiaries and stockholders may be subject to state, local or non U.S. taxation in various jurisdictions, including those in which we or they transact business, own property or reside. We own properties located in a number of jurisdictions, and may be required to file tax returns in some or all of those jurisdictions. The state, local or non-U.S. tax treatment of us and our stockholders may not conform to the U.S. federal income tax treatment discussed above. Prospective investors should consult their tax advisors regarding the application and effect of state, local and non-U.S. income and other tax laws on an investment in our stock.

Backup Withholding Tax and Information Reporting

U.S. Stockholders. We report to our U.S. stockholders and the IRS the amount of distributions paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to distributions paid unless the holder is a corporation or comes within other exempt categories and, when required, demonstrates this fact or provides a taxpayer identification number or social security number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with the correct taxpayer identification number or social security number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stock holder s U.S. federal income tax liability, provided that the required information is timely filed with the IRS.

We will be required to furnish annually to the IRS and to holders of our common shares information relating to the amount of dividends paid on our common shares, and that information reporting may also apply to payments of proceeds from the sale of our common shares. Some holders, including corporations, financial institutions and certain tax-exempt organizations, are generally not subject to information reporting.

Non-U.S. Stockholders. The proceeds of a disposition of our stock by a non-U.S. stockholder to or through a non-U.S. office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, a non-U.S. person 50% or more of whose gross income from all sources for specified periods is from activities that are effectively connected with a U.S. trade or business, a non-U.S. partnership if partners who hold more than 50% of the interest in the partnership are U.S. persons, or a non-U.S. partnership that is engaged in the conduct of a U.S. trade or business, then information reporting generally will apply as though the payment was made through a U.S. office of a U.S. or non-U.S. broker. Generally, backup withholding does not apply in such a case.

Generally, non-U.S. stockholders will satisfy the information reporting requirement by providing a proper IRS withholding certificate (such as IRS Form W-8BEN). In the absence of a proper withholding certificate, applicable Treasury regulations provide presumptions regarding the status of holders of our common shares when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. Because the

application of these Treasury regulations varies depending on the holder s particular circumstances, you are advised to consult your tax advisor regarding the information reporting requirements applicable to you.

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SELLING STOCKHOLDERS

The selling stockholders are the people or entities who may sell shares of our common stock registered pursuant to the registration statement of which this prospectus forms a part. Such selling stockholders may receive shares of our common stock upon exchange of OP Units. The following table provides the names of the selling stockholders, the number of shares of our common stock currently held by such selling stockholders prior to any exchange by them of OP Units, the maximum number of shares of our common stock currently issuable to such selling stockholders in such exchange and the aggregate number of shares of our common stock that will be owned by such selling stockholders after the exchange assuming all of the offered shares are sold. The selling stockholders are not required to tender their OP Units for redemption, nor are we required to issue shares of common stock (in lieu of our operating partnership redeeming the OP Units for cash) to any selling stockholder who elects to tender OP Units for redemption. To the extent we do issue shares of common stock upon redemption, since the selling stockholders may sell all, some or none of their shares, we cannot estimate the aggregate number of shares that the selling stockholders will offer pursuant to this prospectus or that the selling stockholders will own upon completion of the offering to which this prospectus relates. The following table does not take into effect any restrictions on ownership or transfer as described in Description of Capital Stock Restrictions on Ownership and Transfer of Stock.

Each of the selling stockholders listed below is an affiliate of Zev Karkomi, one of our co-founders. Information about additional selling stockholders may be set forth in a prospectus supplement, in a post-effective amendment or in filings that we make with the SEC under the Exchange Act, which are incorporated by reference in this prospectus.

The selling stockholders named below and their permitted transferees, pledgees, orderees or other successors may from time to time offer the shares of our common stock offered by this prospectus:

Name of Selling Stockholder (1)	Shares Owned Prior to the Exchange	OP Units Owned Prior to the Exchange	Maximum Number of Shares Issuable in the Exchange	Shares Owned Following Exchange (2)(4)		Maximum Number of Shares Offered for Resale	Shares Owned After Resale (3)(4)	
				Number	%		Number	%
ZK Gift Trust for Susan U/A/D 12/9/91 (5)		1,151,792	1,151,792	1,151,792	3.0%	1,151,792		%
ZK Gift Trust for Vicki U/A/D 12/9/91 (5)		1,096,515	1,096,515	1,096,515	2.8%	1,096,515		%
SK 2011-C Annuity Trust U/A/D 4/1/2011 (5)(6)		847,866	847,866	847,866	2.2%	847,866		%
ZK Gift Trust for Ari U/A/D 8/31/06 (5)(6)		647,038	647,038	647,038	1.7%	647,038		%
Progressive Health Care Group Inc.		559,280	559,280	559,280	1.5%	559,280		%
SK 2011-A Annuity Trust U/A/D 4/1/2011 (5)(6)		523,499	523,499	523,499	1.4%	523,499		%
Zevco Enterprises Inc. (5)		149,963	149,963	149,963	*	149,963		%
Ari Ryan Trust U/A/D 8/1/87 (5)		117,121	117,121	117,121	*	117,121		%
Susan L. Karkomi Revocable Trust U/A/D		69,335	69,335	69,335	*	69,335		%

8/13/98						
Yuba Nursing Homes Inc. (5)(6)	62,487	62,487	62,487	*	62,487	%
Columbus Leasehold, Inc. (5)	44,014	44,014	44,014	*	44,014	%
Manh Inc. (5)	42,369	42,369	42,369	*	42,369	%
Highland Leasehold Inc. (5)(6)	35,431	35,431	35,431	*	35,431	%
Estate of Vicki Karkomi (5)	32,505	32,505	32,505	*	32,505	%
Shifra Karkomi	23,379	23,379	23,379	*	23,379	%
Ari Ryan (5)	20,236	20,236	20,236	*	20,236	%
Susan Karkomi	14,406	14,406	14,406	*	14,406	%
Oakland Nursing Homes Inc. (5)	7,360	7,360	7,360	*	7,360	%
Vicki Karkomi Revocable Living Trust U/A/D 11/1/95 (5)	4,265	4,265	4,265	*	4,265	%
Giltex Corporation (5)	1,004	1,004	1,004	*	1,004	%
Bellingham II Corporation (5)	657	657	657	*	657	%
Clarkston Care Corp. (5)	54	54	54	*	54	%
		5,450,576			**5,450,576**	

* Represents less than 1.0%.

(1) We conduct our business through a traditional umbrella partnership REIT in which our properties are owned by our operating partnership, Aviv Healthcare Properties Limited Partnership, or direct and indirect subsidiaries of our operating partnership. We are the sole general partner of our operating partnership and we and the limited partners of our operating partnership own all of the limited partnership units of our operating partnership, which we refer to as OP Units. The selling stockholders listed above hold OP Units in

our operating partnership received in exchange for limited partnership units of our predecessor partnership that were initially issued in private placements in connection with our formation transactions. Selling stockholders that are entities may distribute shares of common stock prior to sale under this prospectus. The selling stockholders may also include persons who are donees, pledgees, successors-in-interest or permitted transferees of the listed selling stockholders.

(2) Assumes that we exchange the OP Units of the selling stockholders for shares of our common stock. In computing the percentage ownership of a selling stockholder, we have assumed that the OP Units held by that selling stockholder have been exchanged for shares of common stock and that those shares are outstanding but that no OP Units held by other persons are exchanged for shares of common stock.

(3) Assumes that the selling stockholders sell all of their shares of our common stock offered pursuant to this prospectus. In computing the percentage ownership of a selling stockholder, we have assumed that the OP Units held by that selling stockholder have been exchanged for shares of common stock and that those shares are outstanding but no OP Units held by other persons are exchanged for shares of common stock. This percentage is calculated assuming that each selling stockholder sells all of the shares offered by this prospectus. It is difficult to estimate with any degree of certainty the amount and percentage of shares of common stock that would be held by each selling stockholder after completion of the offering. First, we have the option to satisfy OP Unit redemption requests by paying the cash value of the units rather than issuing shares of our common stock. The number of shares offered hereby assumes we elect to satisfy all redemption requests by issuing shares. Second, assuming a selling stockholder receives shares of common stock upon redemption of such holder s OP Units, such holder may offer all, some or none of such shares.

(4) Based on a total of 37,602,768 shares of our common stock outstanding as of December 2, 2013.

(5) Ari Ryan is the selling stockholder, or a trustee, co-trustee, beneficiary, president, business advisor, stockholder or executor of the selling stockholder, as applicable. Mr. Ryan served as a member of the board of directors of Aviv REIT from September 2010 through March 2013. Mr. Ryan disclaims beneficial ownership of the securities held by each such selling stockholder that is a trust, corporation or estate, except to the extent of his pecuniary interest therein.

(6) Leticia Chavez is a co-trustee or stockholder of the selling stockholder, as applicable. Ms. Chavez serves as our Executive Vice President, Administration. Ms. Chavez disclaims beneficial ownership of the securities held by each such selling stockholder, except to the extent of her pecuniary interest therein.

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PLAN OF DISTRIBUTION

We or the selling stockholders may sell the securities under this prospectus in one or more of the following ways (or in any combination) from time to time:

- to or through one or more underwriters or dealers;
- in short or long transactions;
- directly to investors;
- in block trades;
- through agents;
- through a combination of these methods; or
- any other method permitted by applicable law.

If underwriters or dealers are used in the sale, the securities may be acquired by the underwriters or dealers for their own account and may be resold from time to time in one or more transactions.

The securities may be sold by us or the selling stockholders or the underwriters or dealers:

- in privately negotiated transactions;
- in one or more transactions at a fixed price or prices, which may be changed from time to time;
- in at-the-market offerings, within the meaning of Rule 415(a)(4) of the Securities Act, to or through a market maker or into an existing trading market, on an exchange or otherwise;
- at prices related to those prevailing market prices; or
- at negotiated prices.

As applicable, we, the selling stockholders and the underwriters, dealers or agents, reserve the right to accept or reject all or part of any proposed purchase of the securities. To the extent required, we will set forth in a prospectus supplement the terms and offering of securities by us or the selling stockholders, including:

- the names of any underwriters, dealers or agents;
- any agency fees or underwriting discounts or commissions and other items constituting agents or underwriters compensation;
- any discounts or concessions allowed or reallowed or paid to dealers;
- details regarding over-allotment options under which underwriters may purchase additional securities, if any;
- the purchase price of the securities being offered and the proceeds we or any selling stockholders will receive from the sale;
- the public offering price; and
- the securities exchanges on which such securities may be listed, if any.

We or the selling stockholders may enter into derivative transactions with third parties or sell securities not covered by this prospectus to third parties in privately negotiated transactions from time to time. In connection with those derivative transactions, such third parties (or affiliates of such third parties) may sell securities covered by this prospectus (and, to the extent required, the applicable prospectus supplement), including in short sale transactions. If so, such third parties (or affiliates of such third parties) may use securities pledged by us or the selling stockholders or borrowed from us, the selling stockholders or others to settle those sales or to close

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out any related open borrowings of securities, and may use securities received from us or the selling stockholders in settlement of those derivative transactions to close out any related open borrowings of securities. The third parties (or affiliates of such third parties) in such sale transactions by us or the selling stockholders may be underwriters and, to the extent required, will be identified in an applicable prospectus supplement (or a post-effective amendment). We may also sell securities under this prospectus upon the exercise of rights that may be issued to our securityholders.

In connection with sales of the shares of common stock or otherwise, the selling stockholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the shares of common stock in the course of hedging in positions they assume. The selling stockholders may also sell shares of common stock short and deliver shares of common stock covered by this prospectus to close out short positions, and to return borrowed shares in connection with such short sales, provided, that the short sales are made after the registration statement is declared effective. The selling stockholders may also loan or pledge shares of common stock to broker-dealers in connection with bona fide margin accounts secured by the shares of common stock, which shares broker-dealers could in turn sell if the selling stockholders default in the performance of their respective secured obligations.

The selling stockholders may pledge or grant a security interest in some or all of the shares of common stock owned by them and, if any of them defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act, amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholders also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

We or the selling stockholders may loan or pledge securities to a financial institution or other third party that in turn may sell the securities using this prospectus and, to the extent required, an applicable prospectus supplement. Such financial institution or third party may transfer its economic short position to investors in our securities or in connection with a simultaneous offering of other securities offered by this prospectus.

Any shares covered by this prospectus that qualify for sale pursuant to Rule 144 of the Securities Act may be sold under Rule 144, rather than pursuant to this prospectus.

Underwriters, Agents and Dealers. If underwriters are used in the sale of our securities, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions described above. The securities may be offered to the public either through underwriting syndicates represented by managing underwriters or directly by underwriters. Generally, the underwriters obligations to purchase the securities will be subject to conditions precedent and the underwriters will be obligated to purchase all of the securities if they purchase any of the securities. We may use underwriters with which we have a material relationship and will describe in the prospectus supplement, naming the underwriter, the nature of any such relationship.

We or the selling stockholders may sell the securities through agents from time to time. When we or the selling stockholders sell securities through agents, the prospectus supplement will, to the extent required, name any agent involved in the offer or sale of securities and any commissions paid to them. Generally, any agent will be acting on a best efforts basis for the period of its appointment.

We or the selling stockholders may authorize underwriters, dealers or agents to solicit offers by certain purchasers to purchase our securities from us or the selling stockholders at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the

future. The contracts will be subject to those conditions set forth in the prospectus

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supplement, and the prospectus supplement will set forth any commissions paid for solicitation of these contracts.

Underwriters, dealers and agents may contract for or otherwise be entitled to indemnification by us or the selling stockholders against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments made by the underwriters, dealers or agents, under agreements between us or the selling stockholders, on one hand, and the underwriters, dealers and agents, on the other hand.

We or the selling stockholders may grant underwriters who participate in the distribution of our securities an option to purchase additional securities to cover over-allotments, if any, in connection with the distribution.

Underwriters, dealers or agents may receive compensation in the form of discounts, concessions or commissions from us, the selling stockholders or our purchasers, as their agents in connection with the sale of our securities. These underwriters, dealers or agents may be considered to be underwriters under the Securities Act. As a result, discounts, commissions or profits on resale received by the underwriters, dealers or agents may be treated as underwriting discounts and commissions. To the extent required, the prospectus supplement for any securities offered by us or the selling stockholders will identify any such underwriter, dealer or agent and describe any compensation received by them from us or the selling stockholders. Any public offering price and any discounts or concessions allowed or re-allowed or paid to dealers may be changed from time to time.

Underwriters, broker-dealers or agents who may become involved in the sale of our securities may engage in transactions with and perform other services for us for which they receive compensation. In compliance with the guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum commission or discount to be received by any FINRA member or independent broker-dealer will not exceed 8% of the proceeds from any offering of the shares of our common stock pursuant to this prospectus and any applicable prospectus supplement.

Stabilization Activities. In connection with an offering through underwriters, an underwriter may, to the extent permitted by applicable rules and regulations, purchase and sell securities in the open market. These transactions, to the extent permitted by applicable rules and regulations, may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of securities than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional securities from us in the offering, if any. If the underwriters have an over-allotment option to purchase additional securities from us or the selling stockholders, the underwriters may consider, among other things, the price of securities available for purchase in the open market as compared to the price at which they may purchase securities through the over-allotment option. Naked short sales, which may be prohibited or restricted by applicable rules and regulations, are any sales in excess of such option or where the underwriters do not have an over-allotment option. The underwriters must close out any naked short position by purchasing securities in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the securities in the open market after pricing that could adversely affect investors who purchase in the offering.

Accordingly, to cover these short sales positions or to otherwise stabilize or maintain the price of the securities, the underwriters may bid for or purchase securities in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if securities previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the securities at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the securities to the extent that it discourages resale of the securities. The magnitude or effect of any stabilization or other transactions is uncertain.

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Direct Sales. We or the selling stockholders may also sell securities directly to one or more purchasers without using underwriters or agents. In this case, no agents, underwriters or dealers would be involved. We may sell securities upon the exercise of rights that we may issue to our securityholders. We or the selling stockholders may also sell securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act with respect to any sale of those securities.

At-the-Market Offerings. To the extent that we or the selling stockholders make sales through one or more underwriters or agents in at-the-market offerings, we or the selling stockholders may do so pursuant to the terms of a sales agency financing agreement or other at-the-market offering arrangement between us or the selling stockholders, on the one hand, and the underwriters or agents, on the other. If we or the selling stockholders engage in at-the-market sales pursuant to any such agreement, we or the selling stockholders will issue and sell, or re-sell, as the case may be, our securities through one or more underwriters or agents, which may act on an agency basis or on a principal basis. During the term of any such agreement, we or the selling stockholders may sell securities on a daily basis in exchange transactions or otherwise as we or they agree with the underwriters or agents. The agreement will provide that any securities sold will be sold at prices related to the then prevailing market prices for our securities. Therefore, exact figures regarding proceeds that will be raised or commissions to be paid cannot be determined at this time. Pursuant to the terms of the agreement, we or the selling stockholders may agree to sell, and the relevant underwriters or agents may agree to solicit offers to purchase, blocks of our common stock or other securities. The terms of each such agreement will be set forth in more detail in a prospectus supplement to this prospectus.

Trading Market and Listing of Securities. Any common stock sold or resold pursuant to a prospectus supplement will be listed on the NYSE. The securities other than common stock may or may not be listed on a national securities exchange. It is possible that one or more underwriters may make a market in a class or series of securities, but the underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We cannot give any assurance as to the liquidity of the trading market for any of the securities.

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LEGAL MATTERS

Certain legal matters relating to the validity of the securities offered hereby and certain U.S. federal income tax matters will be passed upon by Sidley Austin LLP, Chicago, Illinois. Certain legal matters relating to Maryland law will be passed upon by Venable LLP. Certain legal matters relating to New Mexico law will be passed upon by Jones & Smith Law Firm, LLC.

EXPERTS

The consolidated financial statements and schedules of Aviv REIT, Inc. and Subsidiaries and Aviv Healthcare Properties Limited Partnership and Subsidiaries as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 incorporated by reference in this prospectus have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon appearing in our Current Report on Form 8-K dated October 31, 2013.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference certain information into this prospectus from certain documents that we file with the SEC. By incorporating by reference, we are disclosing important information to you by referring you to documents we file separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is modified or superseded by information contained in this prospectus or in any other subsequently filed document that also is incorporated by reference herein. These documents contain important information about us, our business and our finances. The following documents previously filed with the SEC are incorporated by reference into this prospectus except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

- our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 26, 2013;

- our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2013, filed with the SEC on May 8, 2013, for the quarter ended June 30, 2013, filed with the SEC on August 8, 2013 and for the quarter ended September 30, 2013, filed with the SEC on November 7, 2013;

- our Current Reports on Form 8-K filed with the SEC on March 29, 2013, April 22, 2013, July 15, 2013, October 10, 2013 (Item 8.01 only), October 16, 2013, October 31, 2013 and November 12, 2013; and our Current Report on Form 8-K/A filed with the SEC on December 12, 2013 and

- the description of our common stock in our registration statement on Form 8-A filed with the SEC on March 18, 2013, including any amendments and reports filed for the purpose of updating such description.

We also incorporate by reference all documents we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the initial filing of the registration statement relating to this prospectus and prior to the termination of the offering of any securities covered by this prospectus and the accompanying prospectus supplement, except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC

rules.

The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference into this prospectus.

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If you request, either orally or in writing, we will provide you with a copy of any or all documents that are incorporated by reference herein. Such documents will be provided to you free of charge, but will not contain any exhibits, unless those exhibits are incorporated by reference into the document. Requests can be made by writing to Aviv REIT, Inc., 303 W. Madison St., Suite 2400, Chicago, Illinois 60606, Attn: Investor Relations, by telephone request to (312) 855-0930 or by email request to info@avivreit.com. The documents may also be accessed on our website at www.avivreit.com. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any document that we file with the SEC, including the registration statement and the exhibits to the registration statement, at the SEC s Public Reference Room located at 100 F Street, N.E., Room 1580, Washington D.C. 20549. You may obtain further information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public at the SEC s website at www.sec.gov. These documents may also be accessed on our website at www.avivreit.com. We are not incorporating by reference into this prospectus the information on our website, and you should not consider it to be a part of this prospectus. Information may also be obtained from us at Aviv REIT, Inc., 303 West Madison Street, Chicago, Illinois, 60606, Attention: Investor Relations, telephone (312) 855-0930.

We have filed with the SEC a registration statement on Form S-3, including exhibits and schedules filed with the registration statement, under the Securities Act with respect to the securities being registered hereby. This prospectus, which forms a part of the registration statement, does not contain all of the information set forth in the registration statement. For further information with respect to us and the securities, reference is made to the registration statement, including the exhibits thereto and the documents incorporated by reference therein. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or other document is an exhibit to the registration statement, we refer you to the full text of the contract or other document filed as an exhibit to the registration statement.

We have not authorized anyone to give you any information or to make any representations about us or the transactions we discuss in this prospectus other than those contained in this prospectus. If you are given any information or representations about these matters that is not discussed in this prospectus, you must not rely on that information.

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8,000,000 Shares

Aviv REIT, Inc.

COMMON STOCK

P R O S P E C T U S S U P P L E M E N T

MORGAN STANLEY

BofA MERRILL LYNCH

GOLDMAN, SACHS & CO.

CITIGROUP

RBC CAPITAL MARKETS

SUNTRUST ROBINSON HUMPHREY

CREDIT AGRICOLE CIB

RBS

April , 2014