

NATIONAL HEALTH INVESTORS INC
Form 10-Q
May 05, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

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

For the transition period from _____ to _____

Commission File Number 001-10822

National Health Investors, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

62-1470956
(I.R.S. Employer Identification No.)

222 Robert Rose Drive,
Murfreesboro, Tennessee
(Address of principal executive
offices)

37129
(Zip Code)

(615) 890-9100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

There were 27,709,611 shares of common stock outstanding of the registrant as of May 4, 2011.

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands except share and per share amounts)

	March 31, 2011 <i>(unaudited)</i>	December 31, 2010
Assets:		
Real estate properties:		
Land	\$ 42,493	\$ 42,493
Buildings and improvements	421,030	420,704
	463,523	463,197
Less accumulated depreciation	(138,427)	(135,543)
Real estate properties, net	325,096	327,654
Mortgage notes receivable, net	77,283	75,465
Investment in preferred stock, at cost	38,132	38,132
Cash and cash equivalents	21,097	2,664
Marketable securities	21,378	22,476
Accounts receivable, net	1,243	471
Straight-line rent receivable	5,837	4,928
Assets held for sale, net	29,381	36,853
Deferred costs and other assets	2,692	698
Total Assets	522,139	509,341
Liabilities and Stockholders' Equity:		
Debt	49,375	37,765
Real estate purchase liability	4,000	4,000
Accounts payable and accrued expenses	2,782	3,388
Dividends payable	17,041	16,752
Deferred income	1,423	1,461
Earnest money deposit	-	3,475
Total Liabilities	74,621	66,841
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$.01 par value; 40,000,000 shares authorized; 27,709,611 and 27,689,392 shares issued and outstanding, respectively	277	277
Capital in excess of par value	464,963	462,392
Cumulative dividends in excess of net income	(33,447)	(35,499)
Unrealized gains on marketable securities	15,725	15,330

Total Stockholders' Equity		447,518		442,500
Total Liabilities and Stockholders' Equity	\$	522,139	\$	509,341

The accompanying notes to condensed consolidated financial statements are an integral part of these condensed consolidated financial statements. The Condensed Consolidated Balance Sheet at December 31, 2010 was derived from the audited consolidated financial statements at that date.

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands except share and per share amounts)

	2011	Three Months Ended March 31,	2010
		<i>(unaudited)</i>	
Revenues:			
Rental income	\$	19,020	\$ 18,187
Mortgage interest income		1,596	1,996
		20,616	20,183
Expenses:			
Depreciation		2,884	2,523
Legal expense		188	282
Franchise, excise and other taxes		358	278
General and administrative		3,774	3,806
		7,204	6,889
Income before non-operating income		13,412	13,294
Investment income and other		1,412	1,433
Interest expense and amortization of loan costs, net of			
change in fair value of interest rate swap agreement			
(Note 7)		741	(228)
Income from continuing operations		15,565	14,499
Discontinued operations			
Income from operations - discontinued		1,229	1,444
Net gain on sale of real estate		2,299	-
Income from discontinued operations		3,528	1,444
Net income	\$	19,093	\$ 15,943
Weighted average common shares outstanding:			
Basic		27,696,727	27,632,376
Diluted		27,796,109	27,681,479
Earnings per common share:			
Basic:			
Income from continuing operations	\$.56	\$.53
Discontinued operations		.13	.05
Net income per common share	\$.69	\$.58
Diluted:			
Income from continuing operations	\$.56	\$.53
Discontinued operations		.13	.05
Net income per common share	\$.69	\$.58

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

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2011	Three Months Ended March 31,		2010
		<i>(unaudited)</i>		
Cash flows from operating activities:				
Net income	\$	19,093	\$	15,943
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation		2,884		2,594
Straight-line rent adjustment		(910)		(662)
Non-cash interest income on construction loan		(221)		-
Net gain on sale of real estate		(2,299)		-
Net realized gains and recoveries on sales of marketable securities		(154)		-
Share-based compensation		2,371		1,821
Increase in fair value of interest rate swap agreement		(1,254)		-
Change in operating assets and liabilities:				
Accounts receivable		(771)		(850)
Deferred costs and other assets		(740)		(288)
Accounts payable and other accrued expenses		(606)		(66)
Deferred income		(38)		401
Net cash provided by operating activities		17,355		18,893
Cash flows from investing activities:				
Investment in mortgage notes receivable		(2,496)		(3,200)
Collection of mortgage notes receivable		899		843
Acquisition of real estate properties		(326)		(76,968)
Receipt of earnest money deposits		525		3,100
Proceeds from disposition of real estate properties		5,771		-
Proceeds from sales of marketable securities		1,647		1
Net cash provided by (used in) investing activities		6,020		(76,224)
Cash flows from financing activities:				
Net change in borrowings under a revolving credit facility		(37,765)		33,935
Borrowings on term loan		50,000		-
Principal payments on term loan		(625)		-
Stock options exercised		200		-
Dividends paid to stockholders		(16,752)		(17,959)
Net cash (used in) provided by financing activities		(4,942)		15,976
Increase (decrease) in cash and cash equivalents		18,433		(41,355)

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Cash and cash equivalents, beginning of period		2,664		45,718
Cash and cash equivalents, end of period	\$	21,097	\$	4,363

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

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	2011	Three Months Ended March 31,	2010
		<i>(unaudited)</i>	
Supplemental disclosure of cash flow information:			
Interest paid	\$	660	\$ 88
Supplemental schedule of non-cash activities:			
Settlement of mortgage note by real estate acquisition	\$	-	\$ 22,936
Cash withheld at closing of real estate acquisition	\$	-	\$ 1,000
Earnest money deposit applied to sale of real estate	\$	3,475	\$ -

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

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NATIONAL HEALTH INVESTORS, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Common Stock		Capital in	Cumulative	Unrealized	Total
	Shares	Amount	Excess of	Dividends	Gains	Stockholders'
			Par Value	in Excess of	on	Equity
				Net Income	Marketable	
					Securities	
Balances at December 31, 2010	27,689,392	\$ 277	\$ 462,392	\$ (35,499)	\$ 15,330	\$ 442,500
Comprehensive income						
Net income	-	-	-	19,093	-	19,093
Comprehensive income						
Unrealized holding gain arising during the period	-	-	-	-	549	549
Less: reclassification adjustment for gains included in net income					(154)	(154)
Net gain recognized in other comprehensive income					395	395
Total comprehensive income						19,488
Shares issued on stock options exercised	20,219	-	200	-	-	200
Share-based compensation	-	-	2,371	-	-	2,371
Cash Dividends:						
Cash dividends to common stockholders, \$.615 per share	-	-	-	(17,041)	-	(17,041)
Balances at March 31, 2011 <i>(unaudited)</i>	27,709,611	\$ 277	\$ 464,963	\$ (33,447)	\$ 15,725	\$ 447,518

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

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NATIONAL HEALTH INVESTORS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011

(unaudited)

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

We, the management of National Health Investors, Inc., ("NHI" or the "Company") believe that the unaudited condensed consolidated financial statements to which these notes are attached include all normal, recurring adjustments which are necessary to fairly present the condensed consolidated financial position, results of operations and cash flows of NHI in all material respects. The Condensed Consolidated Balance Sheet at December 31, 2010 has been derived from the audited consolidated financial statements at that date. We assume that users of these financial statements have read or have access to the audited December 31, 2010 consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and that the adequacy of additional disclosure needed for a fair presentation, except in regard to material contingencies, may be determined in that context. Accordingly, footnotes and other disclosures which would substantially duplicate those contained in our most recent Annual Report on Form 10-K for the year ended December 31, 2010 have been omitted. This condensed consolidated financial information is not necessarily indicative of the results that may be expected for a full year for a variety of reasons including, but not limited to, acquisitions and dispositions, changes in interest rates, rents and the timing of debt and equity financings. For a better understanding of NHI and its condensed consolidated financial statements, we recommend reading these condensed consolidated financial statements in conjunction with the audited consolidated financial statements for the year ended December 31, 2010, which are included in our 2010 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission, a copy of which is available at our web site: www.nhireit.com.

Fair Value Measurements Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy is required to prioritize the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Federal Income Taxes We intend at all times to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended. Therefore, we will not be subject to federal income tax provided we distribute at least 90% of our REIT taxable income to our stockholders and meet other requirements to continue to qualify as a REIT. Accordingly, no provision for federal income taxes has been made in the consolidated financial statements. Our failure to continue to qualify under the applicable REIT qualification rules and regulations would have a material adverse impact on our financial position, results of operations and cash flows.

Earnings and profits, which determine the taxability of dividends to stockholders, differ from net income reported for financial reporting purposes due primarily to differences in the basis of assets, recognition of commitment fees, estimated useful lives used to compute depreciation expense and in the treatment of accrued interest expense that existed at the time debentures were converted to common stock.

Our tax returns filed for years beginning in 2007 are subject to examination by taxing authorities. We classify interest and penalties related to uncertain tax positions, if any, in our consolidated financial statements as a component of income tax expense.

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Discontinued Operations and Assets Held for Sale - We have reclassified for all periods presented the operations of the facilities meeting the accounting criteria as either being sold or held for sale as discontinued operations in the Condensed Consolidated Statements of Income. Long-lived assets classified as held for sale are reported separately in the Condensed Consolidated Balance Sheet.

Reclassifications Certain reclassifications have been made to the prior period financial statements to conform to the current year presentation.

NOTE 2. REAL ESTATE

At March 31, 2011, exclusive of assets held for sale, we had investments in 88 health care real estate properties leased to operators, of which 41 properties were leased to National HealthCare Corporation (NHC), a publicly-held company and our largest customer. The 41 properties leased to NHC include four facilities subleased to and operated by other companies, the lease payments of which are guaranteed by NHC. Our current lease with NHC expires December 31, 2021 (excluding 3 additional 5-year renewal options). For the three months ended March 31, 2011, rental income from continuing operations was \$19,020,000, of which \$9,477,000 (50%) was recognized from NHC consisting of base rent of \$8,425,000 and percentage rent of \$1,052,000, \$635,000 of which related to final determination of NHC's 2010 revenues. For the three months ended March 31, 2010, our rental income from continuing operations was \$18,187,000, of which \$9,240,000 (51%) was recognized from NHC consisting of base rent of \$8,425,000 and percentage rent of \$815,000, \$543,000 of which related to the final determination of 2009 revenues. For purposes of the percentage rent calculation described in the master lease agreement, NHC's revenue by facility is certified to the Company by March 31st of the following year.

Planned or Completed Dispositions of Certain Real Estate

In December 2009, we accepted an earnest money deposit of \$150,000 from our current lessee, affiliates of Fundamental Long Term Care Holdings, LLC (Fundamental), to sell six skilled nursing facilities in Texas. The planned sale of these facilities meets the accounting criteria as being held for sale and is expected to close when HUD financing is arranged by Fundamental. In January 2011, the first of these six facilities having a carrying value of \$4,039,000 was sold for total cash proceeds of \$4,500,000. As of March 31, 2011, the carrying value of \$29,381,000 represented the lesser of the remaining five facilities' net book value or estimated fair value less cost to sell. We have

reclassified the results of operations of these facilities as discontinued operations for all periods presented in our Condensed Consolidated Statements of Income. NHI plans to defer recognition of the tax gain on the sale of these facilities.

In December 2010, we agreed to the terms of sale with the current tenant of two medical office buildings. The sale of these facilities met the accounting criteria as being held for sale. At December 31, 2010, the carrying value of \$3,433,000 represented the lesser of the properties' net book value or estimated fair value less cost to sell. We have reclassified the results of operations of these facilities as discontinued operations for all periods presented in our Condensed Consolidated Statements of Income. The sale transaction was completed in February 2011 with receipt of cash proceeds of \$5,271,000. NHI has deferred recognition of the tax gain on the sale of these facilities.

The summary of operating results of all facilities classified as discontinued operations is shown in Note 11.

NOTE 3. MORTGAGE NOTES RECEIVABLE

At March 31, 2011, we had investments in mortgage notes receivable secured by real estate and UCC liens on the personal property of 30 health care properties. Certain of the notes receivable are also secured by guarantees of significant parties to the notes and by cross-collateralization of properties with the same owner.

We have a construction loan commitment to provide up to \$13,870,000 to Santé Mesa, LLC (Santé) for the development and construction of a 70-bed transitional rehabilitation center with a skilled nursing license in Mesa, Arizona. Construction on the facility began in June 2010 and was completed in March 2011. NHI has the option to purchase and lease back the facility when it reaches a predetermined level of stabilized net operating income. The \$13,870,000 commitment includes an \$11,870,000 construction loan and an additional \$2,000,000 supplemental draw available to the borrower when the facility achieves certain operating metrics. The loan is for a period of five years and requires payments of interest only at a rate of 10%. Until operations commence, interest payments will be accrued as part of the construction loan balance. Santé meets the accounting criteria to be considered a variable interest entity. However, we do not have any role in the day-to-day management of the entity; we do not have an obligation to absorb the entity's losses; and we do not have a right to receive benefits from the entity; therefore, we are not the primary beneficiary of the entity and have not consolidated the Santé assets, liabilities, non-

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controlling interests, and results of activities with our condensed consolidated financial statements. During the three months ended March 31, 2011, we funded \$2,496,000 of our loan commitment. At March 31, 2011, the carrying amount of our loan of \$10,238,000 is our maximum exposure to loss. We have not provided any financial or other support other than amounts drawn on the construction loan in accordance with the terms of the loan agreement.

NOTE 4. INVESTMENT IN PREFERRED STOCK, AT COST

In September 1998, we purchased 2,000,000 shares of the cumulative preferred stock of LTC Properties, Inc. (LTC), a publicly-held REIT. The nonvoting preferred stock is convertible into 2,000,000 shares of LTC common stock. The closing price of LTC 's common stock at March 31, 2011 was \$28.34 per share. The preferred stock has an annual cumulative coupon rate of 8.5% payable quarterly and a liquidation preference of \$19.25 per share. The preferred stock is not redeemable by us or LTC. The preferred stock, which is not listed on a stock exchange, is considered a non-marketable security and is recorded at cost in our Condensed Consolidated Balance Sheets. Dividends to be received from the 8.5% coupon rate are recorded as investment income when the dividend is declared. The carrying value of the preferred stock equals its original cost of \$38,132,000 at March 31, 2011 and December 31, 2010.

NOTE 5. INVESTMENTS IN MARKETABLE SECURITIES

Our investments in marketable securities include available-for-sale securities and are reported at fair value. Unrealized gains and losses on available-for-sale securities are recorded in stockholders' equity. Realized gains and losses from securities sales are determined based upon specific identification of the securities.

During the three months ended March 31, 2011 and 2010, we recognized \$317,000 and \$313,000, respectively, of dividend and interest income from our marketable securities and have included these amounts in non-operating income in the Condensed Consolidated Statements of Income.

During the three months ended March 31, 2011, we sold our 96,330 shares of National HealthCare Corporation 's convertible preferred stock along with sales of other marketable securities and recognized gains of \$154,000.

Marketable securities consist of the following (*in thousands*):

	March 31, 2011		December 31, 2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Common and preferred stock of other REITs	\$ 5,653	\$ 21,378	\$ 5,831	\$ 21,156
NHC convertible preferred stock	-	-	1,316	1,320
	\$ 5,653	\$ 21,378	\$ 7,147	\$ 22,476

Gross unrealized gains related to available-for-sale securities were \$15,725,000 at March 31, 2011 and \$15,330,000 at December 31, 2010.

NOTE 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. We estimate the fair values of other financial instruments using quoted market prices and discounted cash flow techniques. At March 31, 2011 and December 31, 2010, there were no material differences between the carrying amounts and fair values of our financial instruments, which also included our mortgage notes receivable and borrowings under our credit facility.

The Company has segregated all assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Entities have the option to measure many financial instruments and certain other items at fair value. Entities that choose the fair value option will recognize unrealized gains and losses on items for which the fair value option was elected in earnings at each subsequent reporting date. We have currently chosen not to elect the fair value option for any items that are not already required to be measured at fair value.

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Assets measured at fair value on a recurring basis are summarized below (*in thousands*):

<u>Description</u>	Total	Fair Value Measurements at March 31, 2011 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common and preferred stocks of other REITs	\$ 21,378	\$ 21,378	\$ -	\$ -
Interest rate swap agreement	1,254	-	1,254	-
	\$ 22,632	\$ 21,378	\$ 1,254	\$ -

Common and preferred stocks The fair value of our common and preferred stock investments classified as marketable securities are derived using quoted market prices of identical securities or other observable inputs such as trading prices of identical securities in active markets.

Interest rate swap agreement The fair value of our interest rate swap agreement is classified as deferred costs and other assets and is estimated using observable forward rate yield curves; unobservable assumptions about counterparty liquidity, credit and other non-performance risk considerations; and standard discounted cash flow techniques.

NOTE 7. DEBT

On November 3, 2010, we entered into a \$100,000,000 unsecured credit facility with Regions Bank as agent and Pinnacle National Bank as a participating bank. A total of \$50,000,000 can be drawn on a revolving basis with a maturity of three years (November 3, 2013) with interest at a margin of 250 basis points over LIBOR (2.81% at March 31, 2011). There is an accordion feature in the credit facility that could increase the total credit facility to \$200,000,000. The credit facility contains financial covenants related to our leverage ratio, fixed charge ratio, unencumbered asset ratio and tangible net worth ratio, all of which we were in compliance with at March 31, 2011. On January 31, 2011, \$50,000,000 was drawn on a term loan, whose proceeds were used to repay the revolving line, to mature in five years with interest at a fixed rate of 3.98% based on an interest rate swap agreement. The term loan provides for quarterly principal payments of \$625,000. The interest rate swap agreement was entered into to limit the Company's interest rate risk exposure related to the term loan. At March 31, 2011, the term loan had an outstanding

balance of \$49,375,000 and the credit facility had an unused balance of \$50,000,000. For the three months ended March 31, 2011, we recognized \$477,000 in interest expense and \$36,000 in amortization of loan costs related to this credit facility. The fair value of the interest rate swap agreement at March 31, 2011 was \$1,254,000 and was recognized as an offset to interest expense in our Condensed Consolidated Statements of Income.

NOTE 8. COMMITMENTS AND CONTINGENCIES

We believe that we have operated our business so as to qualify as a REIT under Section 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code) and we intend to continue to operate in such a manner, but no assurance can be given that we will be able to qualify at all times. If we qualify as a REIT, we will generally not be subject to federal corporate income taxes on our net income that is currently distributed to our stockholders. This treatment substantially eliminates the double taxation (at the corporate and stockholder levels) that typically applies to corporate dividends. Our failure to continue to qualify under the applicable REIT qualification rules and regulations would cause us to owe state and federal income taxes and would have a material adverse impact on our financial position, results of operations and cash flows.

In October 2009, we completed a purchase/leaseback transaction with Bickford Senior Living and its affiliates (Bickford) for \$28,250,000. The purchase price was funded from our accumulated cash liquidity and includes \$3,000,000 in conditional payments to be made over the next three years based on Bickford's expected achievement of certain operating financial thresholds. No conditional amounts have been paid as of March 31, 2011.

In March 2010, we completed a purchase/leaseback transaction with Helix Healthcare (Helix) for \$12,500,000. The purchase price was funded with borrowings from our revolving credit facility and includes \$1,000,000 as a conditional payment which is expected to be made in 2011.

As described in Note 2, we have agreed to sell six skilled nursing facilities to our current lessee, affiliates of Fundamental. We are committed to finance a portion of the purchase price, not to exceed \$8,000,000, with individual loans for each facility to be repaid over a term of five years with interest of 11.5% per annum plus annual increases.

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As of March 31, 2011, we had pending commitments related to three health care real estate projects: (1) as described in Note 3, in June 2010, we entered into a construction loan commitment to provide up to \$13,870,000 for the development and construction of a 70-bed transitional rehabilitation center in Mesa, Arizona; and as of March 31, 2011 we had funded a total of \$10,238,000 toward this commitment, (2) one of our leases contains a provision whereby we will fund up to \$750,000 of certain capital improvements and operating equipment purchases with the total being added to the base amount from which the lease payment is calculated; during the three months ended March 31, 2011, we funded \$326,000 of this commitment, and (3) we were committed to fund an additional \$50,000 on a mortgage note receivable. We believe we have sufficient liquidity to fund these commitments and to finance new investments.

The health care facilities in which we have investments of leases or loans are subject to claims and suits in the ordinary course of business. Our lessees and mortgagors have indemnified and will continue to indemnify us against all liabilities arising from the operation of the health care facilities, and will indemnify us against environmental or title problems affecting the real estate underlying such facilities. While there are lawsuits pending against certain of the owners and/or lessees of the health care facilities, management believes that the ultimate resolution of all pending proceedings will have no material adverse effect on our financial position, results of operations and cash flows.

On January 2, 2009, Care Foundation of America, Inc., a Tennessee nonprofit corporation (CFA) filed an adversary proceeding complaint against NHI in CFA 's bankruptcy case (the CFA Adversary Proceeding). CFA 's complaint alleged in part that NHI exercised dominion and control over CFA 's board of directors from 1999 until sometime in 2008 and that NHI had used that control to cause CFA to buy and finance six Florida nursing homes on terms that were not fair to CFA. CFA also alleged that these transactions constituted excess benefit transactions as defined in Section 4958 of the Internal Revenue Code. NHI denied CFA 's claims and filed a counterclaim seeking a declaratory judgment as to the validity and enforceability of CFA 's outstanding secured debt to NHI. In June 2009, the bankruptcy court granted a motion to intervene filed by the Tennessee Attorney General 's Office. In December 2009, NHI agreed to purchase the six Florida properties (which are leased to a third-party for \$6.2 million annually, plus escalators over the initial lease term expiring in 2014) from CFA for a total of \$67 million; CFA agreed to pay the full amount of its outstanding balance due to NHI as a credit against the purchase price; and the parties agreed to dismiss with prejudice their respective claims in the CFA Adversary Proceeding. The transaction and the resolution of the claims were approved by both the bankruptcy court and the Tennessee Attorney General 's Office. The transaction was completed on February 1, 2010, and the CFA Adversary Proceeding has been dismissed with prejudice.

In November 2008, the Company was served with a Civil Investigative Demand by the Office of the Tennessee Attorney General (OTAG), which indicated that the OTAG was investigating transactions between the Company and three Tennessee nonprofit corporations, including CFA. NHI has provided OTAG with requested information and documents. OTAG agreed as part of the settlement of the CFA litigation that it will take no further action based on the Company 's relationship with CFA. At this time, however, NHI does not know whether OTAG will commence any

legal proceedings with respect to any transaction with any other nonprofit corporation or, if so, what relief will be sought.

On October 20, 2009, Burt Shearer Trustee, as trustee of the Shearer Family Living Trust, filed a shareholder derivative complaint (M.D. Tenn. Case No. 3:09-991), naming as defendants NHI directors W. Andrew Adams, Robert A. McCabe, Jr., Robert T. Webb, and Ted H. Welch and as a nominal defendant NHI. On January 19, 2010, the plaintiff filed an amended complaint. The amended complaint asserted that the allegations made in the CFA Adversary Proceeding are true and that the individual defendants are responsible for the wrongdoing alleged by CFA in that proceeding and have thus breached their fiduciary duties to NHI. The derivative amended complaint alleged that, as a result of that breach of duty, NHI has sustained damages in an amount not specified. The amended complaint sought no relief from NHI itself. The defendants filed a motion to dismiss the amended complaint for failure to make an adequate pre-filing demand. On September 21, 2010, the Court granted that motion, entered a judgment, and dismissed the action with prejudice. Despite that ruling, the Company's Board received a new demand letter from Mr. Shearer dated October 11, 2010 that again asserted that certain NHI directors and officers breached their fiduciary duties to NHI in connection with its transaction with CFA. In response to the October 11, 2010 demand, the Company's Board appointed a special committee that on December 6, 2010 made its report and recommendation to the Board. The Board considered the demand and unanimously accepted the special committee's recommendation to reject the demand on the basis that pursuing the proposed claims, in whole or in part, would not be in the best interests of the Company. Mr. Shearer was notified of the Board's determination by letter dated December 13, 2010. On February 3, 2011, Mr. Shearer filed a new derivative shareholder lawsuit (M.D. Tenn. Case No. 3:11-99), making the same claim and allegations as in the action that was dismissed with prejudice. The Company has responded to the new lawsuit by filing a motion to dismiss, in which the Company contends that Mr. Shearer lacks standing to bring the action given the Board's acceptance of the special committee's recommendation. The individual defendants have filed a separate motion to dismiss, in which they contend that the judgment in the first action precludes a subsequent action. The Company anticipates that both motions will be fully briefed and ready for the Court's ruling as of May 6, 2011.

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NOTE 9. SHARE-BASED COMPENSATION

We recognize share-based compensation for all stock options granted over the requisite service period using the fair value for these grants as estimated at the date of grant using the Black-Scholes pricing model.

The 1997 and 2005 Share-Based Compensation Plans

The Compensation Committee of the Board of Directors (the Committee) has the authority to select the participants to be granted options; to designate whether the option granted is an incentive stock option (ISO), a non-qualified option, or a stock appreciation right; to establish the number of shares of common stock that may be issued upon exercise of the option; to establish the vesting provision for any award; and to establish the term any award may be outstanding. The exercise price of any ISO s granted will not be less than 100% of the fair market value of the shares of common stock on the date granted and the term of an ISO may not be more than ten years. The exercise price of any non-qualified options granted will not be less than 100% of the fair market value of the shares of common stock on the date granted unless so determined by the Committee.

In May 2005, our stockholders approved the 2005 Plan pursuant to which 1,500,000 shares of our common stock were available to grant as share-based payments to employees, officers, directors or consultants. As of March 31, 2011, 347,301 shares were available for future grants under the 2005 plan. The individual restricted stock and option grant awards vest over periods up to ten years. The term of the options outstanding under the 2005 Plan is up to ten years from the date of grant.

The NHI 1997 Stock Option Plan (the 1997 Plan) provides for the granting of options to key employees and directors of NHI to purchase shares of common stock at a price no less than the market value of the stock on the date the option is granted. As of March 31, 2011, no shares were available for future grants under this plan. The term of the options outstanding under the 1997 Plan is five years from the date of the grant.

Compensation expense is recognized only for the awards that ultimately vest. Accordingly, forfeitures that were not expected may result in the reversal of previously recorded compensation expense. The compensation expense reported for share-based compensation related to the 2005 Plan and the 1997 Plan totaled \$2,371,000 for the three months ended March 31, 2011, consisting of \$2,368,000 for stock options and \$3,000 for restricted stock, as compared

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to \$1,821,000 for the three months ended March 31, 2010, consisting of \$1,813,000 for stock options and \$8,000 for restricted stock. At March 31, 2011, we had \$1,280,000 of unrecognized compensation cost related to unvested restricted shares issued and unvested stock options, net of expected forfeitures, which is expected to be recognized over the following periods: 2011 - \$801,000; 2012 - \$429,000, and 2013 - \$50,000. Stock-based compensation is included in general and administrative expense in the Condensed Consolidated Statements of Income.

The following table summarizes our outstanding stock options for the three months ended March 31, 2011 and 2010:

	2011	2010
Options outstanding, January 1,	384,507	253,836
Options granted under 2005 Plan	340,000	375,000
Options forfeited under 2005 Plan	(3,334)	-
Options exercised under 1997 Plan	(15,000)	(4,817)
Options exercised under 2005 Plan	(28,584)	(58,515)
Options outstanding, March 31,	677,589	565,504
Exercisable March 31,	503,996	391,663

The following table summarizes our restricted stock activity for the three months ended March 31, 2011 and 2010:

	2011	2010
Non-vested at January 1,	3,175	5,100
Vested during the period	(1,250)	(1,250)
Non-vested at March 31,	1,925	3,850

Table of Contents**NOTE 10. NON-OPERATING INCOME**

Non-operating income is summarized below (*in thousands*):

	Three Months Ended March 31,	
	2011	2010
Dividend income	\$ 1,135	\$ 1,131
Interest income	24	59
Realized gains on sale of marketable securities	154	-
Other revenue	99	243
	\$ 1,412	\$ 1,433

NOTE 11. DISCONTINUED OPERATIONS

As described in Note 2, the planned sale of the Fundamental facilities meets the accounting criteria as being held for sale and we have reclassified the results of operations of these facilities as discontinued operations for all periods presented in our Condensed Consolidated Statements of Income. Our lease revenue from the facilities was \$1,188,000 and \$1,250,000 for the three months ended March 31, 2011 and 2010, respectively.

In June 2010 we sold two skilled nursing facilities in Texas to the current lessee Legend Healthcare and affiliates (Legend). We have reclassified the results of operations of these facilities as discontinued operations for all periods presented in our Condensed Consolidated Statements of Income. Our lease revenue from the facilities was \$0 and \$120,000 for the three months ended March 31, 2011 and 2010, respectively.

As described in Note 2, in December 2010, we agreed to the terms of sale with the current tenant of two medical office buildings. The sale of these facilities met the accounting criteria as being held for sale. We have reclassified the results of operations of these facilities as discontinued operations for all periods presented in our Condensed Consolidated Statements of Income. Our lease revenue from the facilities was \$41,000 and \$146,000 for the three months ended March 31, 2011 and 2010, respectively.

Income from discontinued operations, excluding gains on sale of real estate, is summarized below: *(in thousands)*:

	Three Months Ended March 31,	
	2011	2010
Revenues	\$ 1,229	\$ 1,516
Expenses:		
Depreciation	-	72
Income from operations - discontinued	\$ 1,229	\$ 1,444

Table of Contents**NOTE 12. EARNINGS PER SHARE**

Basic earnings per common share are based on the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share assume the exercise of stock options and vesting of restricted shares using the treasury stock method, to the extent dilutive.

The following table summarizes the average number of common shares and the net income used in the calculation of basic and diluted earnings per share (*in thousands, except share and per share amounts*):

	Three Months Ended March 31,	
	2011	2010
Income from continuing operations	\$ 15,565	\$ 14,499
Discontinued operations	3,528	1,444
Net income available to common stockholders	\$ 19,093	\$ 15,943
BASIC:		
Weighted average common shares outstanding	27,696,727	27,632,376
Income from continuing operations per common share	\$.56	\$.53
Discontinued operations per common share	.13	.05
Net income per common share	\$.69	\$.58
DILUTED:		
Weighted average common shares outstanding	27,696,727	27,632,376
Stock options	97,235	45,734
Restricted shares	2,147	3,369
Average dilutive common shares outstanding	27,796,109	27,681,479
Income from continuing operations per common share	\$.56	\$.53
Discontinued operations per common share	.13	.05
Net income per common share	\$.69	\$.58

Incremental shares excluded since anti-dilutive:

Stock options

11,130

13,244

NOTE 13. SUBSEQUENT EVENTS

On May 4, 2011, we completed a \$15,000,000 purchase of four assisted living facilities totaling 183 units in Louisiana. The facilities, which have an average age of 13 years, are being leased by us to Selah Management Group over 15 years at an initial lease amount of \$1,275,000 per year plus annual fixed escalators.

Since March 31, 2011, we have sold marketable securities for net proceeds of \$11,201,000 and a realized gain of approximately \$8,600,000 for financial reporting purposes.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward Looking Statements

References throughout this document to NHI or the Company include National Health Investors, Inc. and its wholly-owned subsidiaries. In accordance with the Securities and Exchange Commission's Plain English guidelines, this Quarterly Report on Form 10-Q has been written in the first person. In this document, the words "we", "our", "ours" and "us" refer only to National Health Investors, Inc. and its wholly-owned subsidiaries and not any other person. Unless the context indicates otherwise, references herein to "the Company" include all of our wholly-owned subsidiaries.

This Quarterly Report on Form 10-Q and other materials we have filed or may file with the Securities and Exchange Commission, as well as information included in oral statements made, or to be made, by our senior management contain certain forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. All statements regarding our expected future financial position, results of operations, cash flows, funds from operations, continued performance improvements, ability to service and refinance our debt obligations, ability to finance growth opportunities, and similar statements including, without limitations, those containing words such as "may", "will", "believes", "anticipates", "expects", "intends", "estimates", "plans", and other similar forward-looking statements.

Forward-looking statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to differ materially from those projected or contemplated in the forward-looking statements as a result of, but not limited to, the following factors:

- * We depend on the operating success of our customers (facility operators) for collection of our revenues during this time of uncertain economic conditions in the U.S.;
- * We are exposed to the risk that our tenants and borrowers may become subject to bankruptcy or insolvency proceedings;

- * We are exposed to risks related to governmental payors and regulations and the effect they have on our tenants and borrowers' business;
- * We are exposed to the risk that the cash flows of our tenants and borrowers will be adversely affected by increased liability claims and general and professional liability insurance costs;
- * We are exposed to risks related to environmental laws and the costs associated with the liability related to hazardous substances;
- * We are exposed to the risk that we may not be indemnified by our lessees and borrowers against future litigation;
- * We depend on the success of future acquisitions and investments;
- * We depend on the ability to reinvest cash in real estate investments in a timely manner and on acceptable terms;
- * We may need to incur more debt in the future, which may not be available on terms acceptable to the Company;
- * We are exposed to the risk that the illiquidity of real estate investments could impede our ability to respond to adverse changes in the performance of our properties;
- * We are exposed to the risk that our assets may be subject to impairment charges;
- * We depend on the ability to continue to qualify as a real estate investment trust;
- * We have ownership limits in our charter with respect to our common stock and other classes of capital stock;
- * We are subject to certain provisions of Maryland law and our charter and bylaws that could hinder, delay or prevent a change in control transaction, even if the transaction involves a premium price for our common stock or our stockholders believe such transaction to be otherwise in their best interests.

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See the notes to the annual audited consolidated financial statements in our most recent Annual Report on Form 10-K for the year ended December 31, 2010, and Business and Risk Factors under Item 1 and Item 1A therein, for a discussion of various governmental regulations and other operating factors relating to the healthcare industry and the risk factors inherent in them. You should carefully consider these risks before making any investment decisions in the Company. These risks and uncertainties are not the only ones facing the Company. There may be additional risks that we do not presently know of or that we currently deem immaterial. If any of the risks actually occur, our business, financial condition, results of operations, or cash flows could be materially adversely affected. In that case, the trading price of our shares of stock could decline and you may lose part or all of your investment. Given these risks and uncertainties, we can give no assurance that these forward-looking statements will, in fact, occur and, therefore, caution investors not to place undue reliance on them.

Executive Overview

National Health Investors, Inc. (NHI or the Company), a Maryland corporation incorporated in 1991, is a real estate investment trust ("REIT") which invests in income-producing health care properties primarily in the long-term care and senior housing industries. As of March 31, 2011, our portfolio consisted of real estate (excluding corporate office and assets held for sale) and mortgage investments with a carrying value totaling \$401,630,000 and other investments in preferred stock and marketable securities of \$59,510,000 resulting in total invested assets of \$461,140,000. We are a self-managed REIT with our own management reporting directly to our Board of Directors. Our mission is to invest in health care real estate which generates current income that will be distributed to stockholders. We have pursued this mission by investing in leased properties and mortgage loans nationwide, primarily in the long-term health care industry. These investments include skilled nursing facilities, assisted living facilities, medical office buildings, independent living facilities, an acute psychiatric hospital, an acute care hospital, and a transitional rehabilitation center, all of which are collectively referred to herein as "Health Care Facilities". We have funded these investments in the past through three sources of capital: (1) current cash flow, including principal prepayments from our borrowers, (2) the sale of equity securities, and (3) debt offerings, including bank lines of credit, the issuance of convertible debt instruments, and the issuance of ordinary debt.

Major Customer - NHC

We lease 41 health care facilities to National HealthCare Corporation (NHC), a publicly-held company and our largest customer. For the three months ended March 31, 2011, rental income from continuing operations was \$19,020,000, of which \$9,477,000 (50%) was recognized from NHC consisting of base rent of \$8,425,000 and percentage rent of \$1,052,000, \$635,000 of which related to final determination of NHC's 2010 revenues. Consistent

with our strategy of diversification, we have increased our portfolio over time so that the portion of our portfolio leased by NHC has been reduced from 100% of our total portfolio on October 17, 1991 (the date we began operations) to 12.2% of our total portfolio on March 31, 2011, based on the net book value of these properties. In 1991, these assets were transferred by NHC to NHI at their then current net book value in a non-taxable exchange. Many of these assets were substantially depreciated as a result of having been presented in NHC's financial statements for as many as 20 years. As a result, we believe that the fair value of these assets is significantly in excess of their net book value. Subsequent additions to the portfolio related to non-NHC investments reflect their higher value based on existing costs at the date the investment was made.

As with all assets in our portfolio, we monitor the financial and operating results of each of the NHC properties on a quarterly basis. In addition to reviewing the consolidated financial results of NHC, the individual center financial results are reviewed including their occupancy, patient mix, and other relevant information.

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The following tables summarize our investments in real estate (excluding net investment in corporate office and assets held for sale) and mortgage notes receivable as of March 31, 2011:

Real Estate Properties	Properties	Beds/Sq. Ft.*		Net Investment
Skilled Nursing Facilities	51	6,858	\$	172,693,000
Assisted Living Facilities	29	1,675		122,268,000
Medical Office Buildings	2	88,517*		4,848,000
Independent Living Facilities	4	456		6,737,000
Acute Psychiatric Hospitals	1	66		12,168,000
Acute Care Hospitals	1	55		5,633,000
Total Real Estate Properties	88			324,347,000

Mortgage Notes Receivable

Skilled Nursing Facilities	27	2,730		62,406,000
Assisted Living Facilities	2	146		4,639,000
Transitional Rehabilitation Center	1	70		10,238,000
Total Mortgage Notes Receivable	30	2,946		77,283,000
Total Portfolio	118		\$	401,630,000

Portfolio Summary	Properties	Investment Percentage		Net Investment
Real Estate Properties	88	80.8%	\$	324,347,000
Mortgage Notes Receivable	30	19.2%		77,283,000
Total Portfolio	118	100.0%	\$	401,630,000

Summary of Facilities by Type

Skilled Nursing Facilities	78	58.6%	\$	235,099,000
Assisted Living Facilities	31	31.6%		126,907,000
Medical Office Buildings	2	1.2%		4,848,000
Independent Living Facilities	4	1.7%		6,737,000
Acute Psychiatric Hospitals	1	3.0%		12,168,000
Acute Care Hospitals	1	1.4%		5,633,000
Transitional Rehabilitation Center	1	2.5%		10,238,000
Total Real Estate Portfolio	118	100.0%	\$	401,630,000

Portfolio by Operator Type

Public	54	23.6%	\$	94,643,000
Regional	50	62.5%		251,193,000
Small	14	13.9%		55,794,000
Total Real Estate Portfolio	118	100.0%	\$	401,630,000

Public Operators

National HealthCare Corp.	41	12.2%	\$	48,840,000
Emeritus Senior Living	8	4.9%		19,701,000
Sunrise Senior Living, Inc.	1	2.9%		11,565,000
Community Health Systems, Inc.	2	1.8%		7,220,000
Sun Healthcare Group, Inc.	2	1.8%		7,317,000
Total Public Operators	54	23.6%	\$	94,643,000

Operators who operate more than 3% of our total real estate investments are as follows: American HealthCare, LLC; Bickford Senior Living; ElderTrust of Florida, Inc.; Emeritus Senior Living; Health Services Management, Inc.; Helix Healthcare, Inc.; Legend Healthcare, LLC; National HealthCare Corp.; SeniorTrust of Florida, Inc; Senior Living Management Corporation, LLC; and Suite Living Senior Specialty Services.

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As of March 31, 2011, the average effective quarterly rental income was \$1,879 per licensed bed for skilled nursing facilities, \$2,532 per unit for assisted living facilities, \$1,008 per unit for independent living facilities, \$7,045 per bed for acute psychiatric hospitals, \$12,770 per bed for acute care hospitals and \$3 per square foot for medical office buildings.

We invest a portion of our funds in the common and preferred shares of other publicly-held REITs to ensure the substantial portion of our assets are invested for real estate purposes. At March 31, 2011, our investment in common and preferred shares of publicly-held REITs was \$59,510,000. Refer to Notes 4, 5 and 6 of our condensed consolidated financial statements for further information.

Areas of Focus

We are evaluating and will potentially make investments during the remainder of 2011 while continuing to monitor and improve our existing properties. We continue to cautiously evaluate new portfolio investments and monitor the current prices being offered for health care assets. However, even as we make new investments, we expect to maintain a relatively low level of debt compared to our total book capitalization and relative to our peers in the industry. New investments in real estate and mortgage notes may be funded by our liquid investments and by external financing. We intend to make new investments that meet our underwriting criteria and where we believe the spreads over our cost of capital will generate sufficient returns to our shareholders.

Real Estate and Mortgage Write-downs

Our borrowers and tenants have experienced periods of significant financial pressures and difficulties similar to other health care providers. Governments at both the federal and state levels have enacted legislation to lower or at least slow the growth in payments to health care providers. Furthermore, the cost of professional liability insurance has continued to increase significantly. Since the inception of the Company, a number of our real estate property operators and mortgage loan borrowers have experienced bankruptcy. Others have surrendered properties to us in lieu of foreclosure or have failed to make timely payments on their obligations to us.

During the three months ended March 31, 2011 and 2010, we did not experience any write-downs of our real estate properties or mortgage receivables.

We believe that the carrying amounts of our real estate properties are recoverable and notes receivable are realizable (including those identified as impaired or non-performing) and are supported by the value of the underlying collateral. However, it is possible that future events could require us to make significant adjustments to these carrying amounts.

Planned or Completed Dispositions of Certain Real Estate

See Note 2 to the condensed consolidated financial statements.

Potential Effects of Proposed Reductions in Medicare Reimbursement

On April 28, 2011, the Centers for Medicare and Medicaid Services (CMS) issued the Skilled Nursing Facilities-Prospective Payment System proposed rule for fiscal year 2012. We believe the most important aspects of the proposed rule include two very different options under consideration for the net rate update: (1) Option One - a 2.7% increase in the market basket index, less a 1.2% productivity adjustment, for a net increase of 1.5% in Medicare reimbursement; and (2) Option 2 - a 1.5% increase in the market basket index, less a cut in reimbursement rates of 12.8%, for a net reduction of 11.3% in Medicare reimbursement effective October 1, 2011. Significant reductions in Medicare reimbursement, if they are made part of the final rule, may have a material adverse effect on the financial operations of our borrowers and lessees who operate skilled nursing facilities.

We currently estimate the majority of our borrowers and lessees will be able to withstand the most severe reductions described above, if enacted, due to their credit quality, profitability and their debt or lease coverage ratios, although no assurances can be given as to what the ultimate effect such a Medicare reduction would have on each of our borrowers and lessees. However, we estimate that two mortgage borrowers (with an aggregate carrying value of the notes of \$39,485,000) may be adversely impacted by the proposed reductions due to their payor mix, their current payment coverage ratios and limited net equity. Therefore, the impact of the CMS reduction in Medicare reimbursement could negatively affect their ability to make full scheduled payments to us, and could have an adverse affect on the carrying value of their mortgage notes. These borrowers are unlikely to have cash reserves to pay any deficiency in scheduled payments to us and may have difficulties

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refinancing in an amount to satisfy their indebtedness to us. We have offered to one borrower an extension of the maturity of their mortgage note for one year beyond the current maturity of August 31, 2011. We have also begun discussions with both borrowers to acquire their real estate assets and to subsequently lease those assets to third parties.

We evaluate the carrying value of our mortgage notes receivable on an instrument-by-instrument basis. On a quarterly basis, we review our notes receivable for recoverability when events or circumstances, including the non-receipt of principal and interest payments, significant deterioration of the financial condition of the borrower or significant adverse changes in general economic conditions, indicate that the carrying value of a note receivable may not be recoverable. If necessary, an impairment is measured as the amount by which the carrying value exceeds the discounted cash flows expected to be received under the note receivable or, if foreclosure is probable, the fair value of the collateral securing the note receivable.

We evaluate the recoverability of the carrying value of our real estate properties on a property-by-property basis. On a quarterly basis, we review our properties for recoverability when events or circumstances indicate the carrying value of the property may not be recoverable. The need to recognize an impairment is based on estimated undiscounted future cash flows from a property compared to the carrying value of that property. If recognition of an impairment is necessary, it is measured as the amount by which the carrying amount of the property exceeds the fair value of the property.

Based on the undetermined final rule affecting Medicare reimbursement, the recognition by us of an impairment of our properties, if any, would lower our net income for financial statement purposes and Funds From Operations (FFO), but is not expected to lower our revenue or Normalized FFO on a quarterly or annual basis.

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The results of operations for facilities sold or classified as held for sale have been reported in the current and prior periods as discontinued operations. The reclassifications to retroactively reflect their operating results due to the disposition of these facilities had no impact on previously reported net income.

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

The significant items affecting income and expenses are described below.

	Three Months Ended		Period Change	
	2011	March 31, 2010	\$	%
Rental income:				
Billed rent				
SNFs leased to Health Services Management	\$ 1,550	\$ 1,033	\$ 517	50.05%
ALFs leased to Suite Living Senior Specialty Services	535	115	420	365.22%
APH leased to Helix Healthcare	375	92	283	307.61%
ALFs leased to Bickford Senior Living	858	600	258	43.00%
ALFs leased to Senior Living Management	254	-	254	NM
RGL Development, LLC ⁽¹⁾	-	1,520	(1,520)	NM
Other existing leases	14,521	14,161	360	2.55%
	18,093	17,521	572	3.27%
Straight-line rent adjustments, new and existing leases	927	666	261	39.19%
Total Rental income	19,020	18,187	833	4.58%
Mortgage interest income:				
Care Foundation of America, Inc. ⁽²⁾	-	560	(560)	NM
Santé Mesa, LLC	221	-	221	NM

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Other new and existing mortgages	1,375	1,436	(61)	(4.25%)
Total Mortgage interest income	1,596	1,996	(400)	(20.04%)
Total Revenue	20,616	20,183	433	2.15%
Expenses:				
Depreciation				
SNFs leased to Health Services				
Management	389	260	129	49.62%
ALFs leased to Suite Living Senior				
Specialty Services	134	35	99	282.86%
Other new and existing assets	2,361	2,228	133	5.97%
Total Depreciation	2,884	2,523	361	14.31%
Other expenses	4,320	4,366	(46)	(1.06%)
	7,204	6,889	315	4.58%
Income before non-operating items	13,412	13,294	118	0.89%
Non-operating income ⁽³⁾	1,412	1,433	(21)	(1.47%)
Interest expense and amortization				
of loan costs:				
Change in fair value of interest rate				
swap agreement	1,254	-	1,254	NM
Interest expense	(477)	(165)	312	NM
Amortization of loan costs	(36)	(63)	27	NM
	741	(228)	969	NM
Income from continuing operations	15,565	14,499	1,066	7.36%
Income from discontinued				
operations ⁽⁴⁾	1,229	1,444	(215)	(14.89%)
Net gain on sale of real estate	2,299	-	2,299	NM
Net income	\$ 19,093	\$ 15,943	\$ 3,150	19.76%
Net income per common share,				
basic and diluted	\$.69	\$.58	\$.11	18.97%

(1) Past due rent received and recognized into income on ALFs currently leased to Emeritus Senior Living

(2) Mortgages paid off at or prior to maturity

(3) See Note 10 to the condensed consolidated financial statements

(4) See Note 11 to the condensed consolidated financial statements

NM not meaningful

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Financial highlights of the three months ended March 31, 2011 compared to the same period in 2010 were as follows:

* Excluding the impact of past due rent received from RGL Development in 2010 (as discussed below) rental income increased \$2,353,000 or 13% when compared to the same period in the prior year as a result of new real estate investments of \$121,672,000 during 2010. Rental income in 2010 included \$1,520,000 of past due rent received and recognized into income from RGL Development, the former tenant of eight ALFs which are currently leased to Emeritus Senior Living. Future increases in lease revenue depend on our ability to make new investments which meet our underwriting criteria.

* Mortgage interest income decreased due to normal amortization, final maturity or early payoffs of our mortgage loans, but was partially offset by interest earned on new mortgage loan investments of \$12,422,000 in 2010. Unless we continue to make new investments in mortgages in 2011 and future years, our mortgage interest income will continue to decrease due to the normal amortization and scheduled maturities of our loans.

* Depreciation expense increased primarily due to new real estate investments made in 2010.

* Interest expense on the revolving credit facility and term loan is due to our borrowings to fund new real estate and mortgage note investments. Upfront fees and other loan-related costs are amortized over the term of the credit facility. We recognize changes in the fair value of interest rate swap agreements as an adjustment to interest expense. See Note 6 and 7 to the condensed consolidated financial statements for additional information.

* As discussed in Note 2 to the condensed consolidated financial statements, we completed the sale of one skilled nursing facility in January 2011 and two medical office buildings in February 2011 and recognized gains of \$2,299,000 as a result of these transactions.

Table of ContentsLiquidity and Capital Resources*Sources and Uses of Funds*

Our primary sources of cash include rent and interest payments, principal payments on mortgage notes receivable, proceeds from the sales of real property and borrowings from our revolving credit facility. Our primary uses of cash include dividend distributions, debt service payments (including principal and interest), investments in real estate and mortgage loans and general overhead.

These sources and uses of cash are reflected in our Condensed Consolidated Statements of Cash Flows as summarized below (*dollars in thousands*):

	Three Months Ended			
	March 31,			
	2011	2010	\$ Change	% Change
Cash and cash equivalents at beginning of period	\$ 2,664	\$ 45,718	\$ (43,054)	-94.17%
Cash provided by operating activities	17,355	18,893	(1,538)	-8.14%
Cash (used in) provided by investing activities	6,020	(76,224)	82,244	107.90%
Cash (used in) provided by financing activities	(4,942)	15,976	(20,918)	-130.93%
Cash and cash equivalents at end of period	\$ 21,097	\$ 4,363	\$ 16,734	383.54%

Operating Activities Net cash provided by operating activities for the three months ended March 31, 2011 decreased as a result of the timing of receipt of dividends on LTC preferred stock, decreased collections of mortgage interest income and increased interest payments on our revolving credit facility and term loan. Certain working capital changes also affected operating cash and were primarily the timing of collections of accounts receivable and the payments of accounts payable and accrued expenses.

Investing Activities Net cash flows provided by investing activities for the three months ended March 31, 2011 increased from the same period during the prior year primarily due to significant investment activity concentrated in the first quarter of 2010, the receipt of proceeds from the disposition of certain real estate properties and proceeds from sales of marketable securities.

Financing Activities Net cash used in financing activities for the three months ended March 31, 2011 consists primarily of repayments of borrowings on our revolving credit facility and borrowings on our term loan. Dividends paid to stockholders during the first three months of 2011 were \$16,752,000.

Liquidity

At March 31, 2011, our liquidity was strong, with \$92,475,000 available in cash, highly-liquid marketable securities and borrowing capacity on our revolving credit facility. In addition, our investment in LTC preferred stock is convertible into common stock having a current market value of \$56,680,000. Cash proceeds from lease and mortgage collections, loan payoffs and the recovery of previous write-downs have been distributed as dividends to stockholders, used to retire our indebtedness, and accumulated in bank deposits for the purpose of making new real estate and mortgage loan investments.

Our liquidity in cash accounts and other readily marketable securities (traded on public exchanges) is a result of our normal operating cash flows from core business investments in leases and mortgage notes as shown in our condensed consolidated financial statements.

On November 3, 2010, we entered into a \$100,000,000 unsecured credit facility with Regions Bank as agent and Pinnacle National Bank as a participating bank. A total of \$50,000,000 can be drawn on a revolving basis with a maturity of three years (November 3, 2013) with interest at a margin of 250 basis points over LIBOR (2.81% at March 31, 2011). There is an accordion feature in the credit facility that could increase the total credit facility to \$200,000,000. The credit facility contains financial covenants related to our leverage ratio, fixed charge ratio, unencumbered asset ratio and tangible net worth ratio, all of which we were in compliance with at March 31, 2011. On January 31, 2011, \$50,000,000 was drawn on a term loan to mature in five years with interest at a fixed rate of 3.98% based on an interest rate swap agreement. The interest rate swap

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agreement was entered into to limit the Company's interest rate risk exposure related to the term loan. At March 31, 2011, the term loan had an outstanding balance of \$49,375,000 and the credit facility had an unused balance of \$50,000,000.

We intend to comply with REIT dividend requirements that we distribute at least 90% of our taxable income for the year ending December 31, 2011 and thereafter. During the first three months of 2011, we declared a quarterly dividend of \$.615 per common share to shareholders of record on March 31, 2011 and payable on May 10, 2011.

Dividends declared for the fourth quarter of each fiscal year are paid by the end of the following January and are treated for tax purposes as having been paid in the fiscal year just ended as provided in IRS Code Sec. 857(b)(8). The 2010 fourth quarter dividend was \$.605 per common share and was paid on January 31, 2011.

Off Balance Sheet Arrangements

We currently have no outstanding guarantees or letters of credit. At March 31, 2011, we had outstanding an interest rate swap agreement to fix the interest rate on our term loan (\$49,375,000 notional amount as of March 31, 2011) at 3.98% for five years. See further discussion of the interest rate swap agreement in Note 7 to the condensed consolidated financial statements.

Contractual Obligations and Contingent Liabilities

As of March 31, 2011, our contractual payment obligations and contingent liabilities were as follows (*in thousands*):

	Total	Year 1	Year 2-3	Year 4-5
Term loan principal and interest payments ⁽¹⁾	\$ 57,275	\$ 3,339	\$ 8,613	\$ 45,323
Real estate purchase liability	4,000	1,500	2,500	-
Construction loan commitment	3,632	3,632	-	-
Borrowings under revolving credit facility, including interest ⁽²⁾	1,142	191	508	443

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Capital improvements	424	424	-	-
Mortgage note advances	50	50	-	-
	\$ 66,523	\$ 9,136	\$ 11,621	\$ 45,766

(1) Principal payments of \$625,000 each quarter and interest payments at an annual rate of 3.98% on the outstanding balance.

(2) At March 31, 2011, the revolving credit facility did not have an outstanding balance. The unused line fee of 0.5% was applied to the full \$50,000,000 available under the revolving portion of the credit facility.

Contingencies

In October 2009, we completed a purchase/leaseback transaction with Bickford Senior Living and its affiliates (Bickford) for \$28,250,000. The purchase price was funded from our accumulated cash liquidity and includes \$3,000,000 in conditional payments to be made over the next three years based on Bickford's expected achievement of certain operating financial thresholds. No conditional amounts have been paid as of March 31, 2011.

In March 2010, we completed a purchase/leaseback transaction with Helix Healthcare (Helix) for \$12,500,000. The purchase price was funded with borrowings from our revolving credit facility and includes \$1,000,000 as a conditional payment which is expected to be made in 2011.

Commitments

As of March 31, 2011, we had pending commitments related to three health care real estate projects: (1) as described in Note 3, in June 2010, we entered into a construction loan commitment to provide up to \$13,870,000 for the development and construction of a 70-bed transitional rehabilitation center in Mesa, Arizona; and as of March 31, 2011 we had funded a total of \$10,238,000 toward this commitment, (2) one of our leases contains a provision whereby we will fund up to \$750,000 of certain capital improvements and operating equipment purchases with the total being added to the base amount from which the lease payment is calculated; during the three months ended March 31, 2011, we funded \$326,000 of this commitment, and (3) we were committed to fund an additional \$50,000 on a mortgage note receivable. We believe we have sufficient liquidity to fund these commitments and to finance new investments.

As described in Note 2, we have agreed to sell six skilled nursing facilities to our current lessee, affiliates of Fundamental. We are committed to finance a portion of the purchase price, not to exceed \$8,000,000, with individual loans for each facility to be repaid over a term of five years with interest of 11.5% per annum plus annual fixed escalators.

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Funds From Operations

Our funds from operations (FFO) for the three months ended March 31, 2011 increased \$1,080,000 or 5.87% over the same period in 2010. Our normalized FFO for the three months ended March 31, 2011 increased \$2,156,000 or 12.56% over the same period in 2010. The increase in normalized FFO was primarily the result of the impact on net income of our new investments in 2010. FFO represents net earnings available to common stockholders, excluding the effects of asset dispositions, plus depreciation associated with real estate investments. Diluted FFO assumes the exercise of stock options using the treasury stock method. We define normalized FFO as FFO excluding certain items which, due to their infrequent or unpredictable nature, may create some difficulty in comparing funds from operations for the current period to similar prior periods.

We believe that FFO and normalized FFO are important supplemental measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen and fallen with market conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative, and should be supplemented with a measure such as FFO. The term FFO was designed by the REIT industry to address this issue. Our measure may not be comparable to similarly titled measures used by other REITs. Consequently, our FFO may not provide a meaningful measure of our performance as compared to that of other REITs. Since other REITs may not use our definition of FFO, caution should be exercised when comparing our Company's FFO to that of other REITs. FFO in and of itself does not represent cash generated from operating activities in accordance with generally accepted accounting principles (GAAP) (FFO does not include changes in operating assets and liabilities) and therefore should not be considered an alternative to net earnings as an indication of operating performance, or to net cash flow from operating activities as determined by GAAP as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs.

We have complied with the SEC's interpretation that impairments taken on real property may not be added back to net income in the calculation of FFO. The SEC's position is that recurring impairments on real property are not an appropriate adjustment.

The following table reconciles net income to FFO and Normalized FFO and is presented for basic and diluted weighted average shares (*in thousands, except share and per share amounts*):

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	Three Months Ended	
	March 31,	
	2011	2010
Net income	\$ 19,093	\$ 15,943
Elimination of certain non-cash items in net income:		
Real estate depreciation - continuing operations	2,690	2,395
Real estate depreciation - discontinued operations	-	66
Net gain on sale of real estate	(2,299)	-
Funds from operations	\$ 19,484	\$ 18,404
Collection and recognition of past due rent	-	(1,520)
Gains and recoveries on sales of marketable securities	(154)	-
Other items	-	290
Normalized FFO	\$ 19,330	\$ 17,174
 <u>BASIC</u>		
Weighted average common shares outstanding	27,696,727	27,632,376
FFO per common share	\$.70	\$.67
Normalized FFO per common share	\$.70	\$.62
 <u>DILUTED</u>		
Weighted average common shares outstanding	27,796,109	27,681,479
FFO per common share	\$.70	\$.66
Normalized FFO per common share	\$.70	\$.62

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The results of operations for facilities included in assets held for sale or facilities sold have been reported in the current and prior periods as discontinued operations. The reclassifications to retrospectively reflect the disposition of these facilities had no impact on previously reported FFO.

Impact of Inflation

Inflation may affect us in the future by changing the underlying value of our real estate or by impacting our cost of financing our operations. Our revenues are generated primarily from long-term investments. Inflation has remained relatively low during recent periods. There can be no assurance that future Medicare, Medicaid or private pay rate increases will be sufficient to offset future inflation increases. Certain of our leases require increases in rental income based upon increases in the revenues of the tenants.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less. Our mortgage notes receivable bear interest at fixed interest rates. Our investment in preferred stock, at cost, represents an investment in the preferred stock of another REIT and yields dividends at a fixed rate of 8.5%. As a result of the short-term nature of our cash instruments and because the interest rates on our investments in notes receivable and preferred stock, respectively, are fixed, a hypothetical 10% change in interest rates has no impact on our future earnings and cash flows related to these instruments.

On November 3, 2010, we entered into an interest rate swap agreement to fix the interest rate on a \$50,000,000 term loan at 3.98% for five years. On January 31, 2011, we received proceeds from the term loan and paid off our revolving credit facility in full. We currently have \$50,000,000 available to draw on our revolving credit facility at a floating interest rate of 250 basis points over LIBOR.

Equity Price Risk

We consider our investments in marketable securities of \$21,378,000 at March 31, 2011 as available-for-sale securities. Increases and decreases in the fair market value of our investments in other marketable securities are unrealized gains and losses that are recorded in stockholders' equity. The investments in marketable securities are recorded at their fair value based on quoted market prices. Thus, there is exposure to equity price risk, which is the potential change in fair value due to a change in quoted market prices. We monitor our investments in marketable securities to consider evidence of whether any portion of our original investment is likely not to be recoverable, at which time we would record an impairment charge to operations. A hypothetical 10% change in quoted market prices would result in a related \$2,137,800 change in the fair value of our investments in marketable securities.

Item 4. Controls and Procedures.

Evaluation of Disclosure Control and Procedures. As of March 31, 2011, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (CEO) and our Chief Accounting Officer (CAO), of the effectiveness of the design and operation of management's disclosure controls and procedures (as defined in rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934) to ensure information required to be disclosed in our filings under the Securities and Exchange Act of 1934, is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms; and (ii) accumulated and communicated to our management, including our CEO and our CAO, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving desired control objectives, and management is necessarily required to apply its judgment when evaluating the cost-benefit relationship of potential controls and procedures. Based upon the evaluation, the CEO and our CAO concluded that the design and operation of these disclosure controls and procedures were effective as of March 31, 2011.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting identified in management's evaluation during the three months ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

The Health Care Facilities are subject to claims and suits in the ordinary course of business. Our lessees and borrowers have indemnified and are obligated to continue to indemnify us against all liabilities arising from the operation of the Health Care Facilities, and are further obligated to indemnify us against environmental or title problems affecting the real estate underlying such facilities. While there may be lawsuits pending against certain of the owners and/or lessees of the Health Care Facilities, management believes that the ultimate resolution of all such pending proceedings will have no material adverse effect on our financial condition, results of operations or cash flows.

On January 2, 2009, Care Foundation of America, Inc., a Tennessee nonprofit corporation (CFA) filed an adversary proceeding complaint against NHI in CFA 's bankruptcy case (the CFA Adversary Proceeding). CFA 's complaint alleged in part that NHI exercised dominion and control over CFA 's board of directors from 1999 until sometime in 2008 and that NHI had used that control to cause CFA to buy and finance six Florida nursing homes on terms that were not fair to CFA. CFA also alleged that these transactions constituted excess benefit transactions as defined in Section 4958 of the Internal Revenue Code. NHI denied CFA 's claims and filed a counterclaim seeking a declaratory judgment as to the validity and enforceability of CFA 's outstanding secured debt to NHI. In June 2009, the bankruptcy court granted a motion to intervene filed by the Tennessee Attorney General 's Office. In December 2009, NHI agreed to purchase the six Florida properties (which are leased to a third-party for \$6.2 million annually, plus escalators over the initial lease term expiring in 2014) from CFA for a total of \$67 million; CFA agreed to pay the full amount of its outstanding balance due to NHI as a credit against the purchase price; and the parties agreed to dismiss with prejudice their respective claims in the CFA Adversary Proceeding. The transaction and the resolution of the claims were approved by both the bankruptcy court and the Tennessee Attorney General 's Office. The transaction was completed on February 1, 2010, and the CFA Adversary Proceeding has been dismissed with prejudice.

In November 2008, the Company was served with a Civil Investigative Demand by the Office of the Tennessee Attorney General (OTAG), which indicated that the OTAG was investigating transactions between the Company and three Tennessee nonprofit corporations, including CFA. NHI has provided OTAG with requested information and documents. OTAG agreed as part of the settlement of the CFA litigation that it will take no further action based on the Company 's relationship with CFA. At this time, however, NHI does not know whether OTAG will commence any legal proceedings with respect to any transaction with any other nonprofit corporation or, if so, what relief will be sought.

On October 20, 2009, Burt Shearer Trustee, as trustee of the Shearer Family Living Trust, filed a shareholder derivative complaint (M.D. Tenn. Case No. 3:09-991), naming as defendants NHI directors W. Andrew Adams, Robert A. McCabe, Jr., Robert T. Webb, and Ted H. Welch and as a nominal defendant NHI. On January 19, 2010, the plaintiff filed an amended complaint. The amended complaint asserted that the allegations made in the CFA Adversary Proceeding are true and that the individual defendants are responsible for the wrongdoing alleged by CFA in that proceeding and have thus breached their fiduciary duties to NHI. The derivative amended complaint alleged that, as a result of that breach of duty, NHI has sustained damages in an amount not specified. The amended complaint sought no relief from NHI itself. The defendants filed a motion to dismiss the amended complaint for failure to make an adequate pre-filing demand. On September 21, 2010, the Court granted that motion, entered a judgment, and dismissed the action with prejudice. Despite that ruling, the Company's Board received a new demand letter from Mr. Shearer dated October 11, 2010 that again asserted that certain NHI directors and officers breached their fiduciary duties to NHI in connection with its transaction with CFA. In response to the October 11, 2010 demand, the Company's Board appointed a special committee that on December 6, 2010 made its report and recommendation to the Board. The Board considered the demand and unanimously accepted the special committee's recommendation to reject the demand on the basis that pursuing the proposed claims, in whole or in part, would not be in the best interests of the Company. Mr. Shearer was notified of the Board's determination by letter dated December 13, 2010. On February 3, 2011, Mr. Shearer filed a new derivative shareholder lawsuit (M.D. Tenn. Case No. 3:11-99), making the same claim and allegations as in the action that was dismissed with prejudice. The Company has responded to the new lawsuit by filing a motion to dismiss, in which the Company contends that Mr. Shearer lacks standing to bring the action given the Board's acceptance of the special committee's recommendation. The individual defendants have filed a separate motion to dismiss, in which they contend that the judgment in the first action precludes a subsequent action. The Company anticipates that both motions will be fully briefed and ready for the Court's ruling as of May 6, 2011.

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Item 1A. Risk Factors.

During the quarter ended March 31, 2011, there were no material changes to the risk factors that were disclosed in Item 1A of National Health Investors, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011 except for a recent development that has increased the risk factor that stated as follows:

(Form 10-K) We are exposed to risks related to governmental payors and regulations and the effect they have on our tenants' and borrowers' business.

On April 28, 2011, the Centers for Medicare and Medicaid Services (CMS) issued the Skilled Nursing Facilities-Prospective Payment System proposed rule for fiscal year 2012. We believe the most important aspects of the proposed rule include two very different options under consideration for the net rate update: (1) Option One - a 2.7% increase in the market basket index, less a 1.2% productivity adjustment, for a net increase of 1.5% in Medicare reimbursement; and (2) Option 2 - a 1.5% increase in the market basket index, less a cut in reimbursement rates of 12.8%, for a net reduction of 11.3% in Medicare reimbursement effective October 1, 2011. Significant reductions in Medicare reimbursement, if they are made part of the final rule, may have a material adverse effect on the financial operations of our borrowers and lessees who operate skilled nursing facilities.

Item 5. Other Information

On May 3, 2011, the Compensation Committee of the Board of Directors approved an amendment to Justin Hutchens' employment agreement. Mr. Hutchens' employment agreement previously provided that Mr. Hutchens would be granted an option to purchase 100,000 shares of common stock on February 25th of each year until February 2018 provided that Mr. Hutchens remains employed by NHI on that date, priced at the fair market price of NHI's common stock on the date granted. This provision did not change, however, the amendment provides that in the event there is a change in control (as defined below) of NHI, upon the closing of such change in control transaction, Mr. Hutchens will receive a grant of stock with a value equal to the spread between the price of NHI stock on the day prior to the announcement of the change in control transaction and the per share value received by the NHI shareholders in the change in control transaction. This would apply to each 100,000 option required to be granted under his agreement that has not been granted as of the date of the change in control. For example, if NHI stock is trading at \$50 per share and a change of control event occurs that provides the NHI shareholders will receive a value of \$55 per

share, Mr. Hutchens would receive 9,091 shares of NHI stock for each option to purchase 100,000 shares that had not been granted yet. If NHI is not the surviving entity, Mr. Hutchens would receive the number of shares of the surviving entity that equal the number of shares he would have received for such NHI shares in the change in control transaction if the NHI stock had been issued to him immediately prior to the change in control transaction. However, in the event that Mr. Hutchens remains the CEO of the surviving entity following the change in control transaction, his employment agreement would continue as in effect at such time, including the right to receive any remaining option grants and the grant of shares described above would not occur.

The term "change in control" means (i) the acquisition, directly or indirectly, of the beneficial or record ownership of more than fifty percent (50%) of the outstanding voting power of the Company (by operation of law or otherwise) by any Person, provided, however, that the merger or consolidation of the Company with another entity as a result of which more than 50% of the outstanding voting securities of the surviving or resulting entity (or of the parent entity of such resulting or surviving entity) shall be owned in the aggregate by the former owners of the Company, as the same shall have existed immediately prior to such merger or consolidation, shall not constitute a Change of Control, (ii) the sale of all or substantially all of the assets of the Company and its subsidiaries in one or more transactions, or (iii) the merger or consolidation of the Company with another entity as a result of which less than fifty percent (50%) of the outstanding voting securities of the surviving or resulting entity (or of the parent entity of such resulting or surviving entity) shall be owned in the aggregate by the former owners of the Company, as the same shall have existed immediately prior to such merger or consolidation; or (iv) a majority of members of the Board are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election.

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Item 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Form S-11 Registration Statement No. 33-41863)
3.2	Amendment to Articles of Incorporation (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed March 23, 2009)
3.3	Bylaws (incorporated by reference to Exhibit 3.2 to Form S-11 Registration Statement No. 33-41863)
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

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

NATIONAL HEALTH INVESTORS, INC.
(Registrant)

Date: May 4,
2011

/s/ J. Justin Hutchens

J. Justin Hutchens
President, Chief Executive Officer,
and Director

Date: May 4, 2011

/s/ Roger R. Hopkins

Roger R. Hopkins
Chief Accounting Officer
(Principal Financial Officer)