

NATIONWIDE HEALTH PROPERTIES INC

Form 10-K

March 01, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K**

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

For the fiscal year ended December 31, 2010

OR

o 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 1-9028

NATIONWIDE HEALTH PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

610 Newport Center Drive, Suite 1150

Newport Beach, California

(Address of principal executive offices)

95-3997619

(I.R.S. Employer Identification No.)

92660

(Zip Code)

Registrant's telephone number, including area code: (949) 718-4400

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.10 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

As of June 30, 2010, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$4,334,021,000 based on the closing sale price as reported on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 25, 2011
Common Stock, \$0.10 par value per share	126,469,665 shares

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts Into Which Incorporated
Proxy Statement for the Annual Meeting of Stockholders to be held on May 3, 2011 (Proxy Statement)	Part III

NATIONWIDE HEALTH PROPERTIES, INC.

Form 10-K

December 31, 2010

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Nationwide Health Properties, Inc., a Maryland corporation incorporated on October 14, 1985, is a real estate investment trust (REIT) that invests in healthcare related real estate, primarily senior housing, long-term care properties and medical office buildings. Whenever we refer herein to NHP or to us or use the terms we or our, we are referring to Nationwide Health Properties, Inc. and its subsidiaries, unless the context otherwise requires.

Our operations are organized into two segments triple-net leases and multi-tenant leases. In the triple-net leases segment, we invest in healthcare related properties and lease the facilities to unaffiliated tenants under triple-net and generally master leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. In the multi-tenant leases segment, we invest in healthcare related properties that have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). During 2010, 2009 and 2008, the multi-tenant leases segment was comprised exclusively of medical office buildings. In addition, but to a much lesser extent because we view the risks of this activity to be greater due to less favorable bankruptcy treatment and other factors, from time to time, we extend mortgage loans and other financing to operators. For the twelve months ended December 31, 2010, approximately 93% of our revenues are derived from our leases, with the remaining 7% from our mortgage loans and other financing activities.

As of December 31, 2010, we had investments in 663 healthcare facilities, one land parcel, two development projects and two assets held for sale located in 42 states, consisting of:

	Consolidated Facilities	Unconsolidated Facilities	Facilities and Land Parcel Securing Mortgage Loans	Total
Assisted and independent living facilities	267	19	12	298
Skilled nursing facilities	178	14	20	212
Continuing care retirement communities	10	1	1	12
Specialty hospitals	7			7
Triple-net medical office buildings	24		27	51
Multi-tenant medical office buildings	83			83
Land parcel			1	1
Development projects	2			2
Assets held for sale	2			2
	573	34	61	668

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As of December 31, 2010, our directly owned facilities, other than our multi-tenant medical office buildings, were operated by 88 different healthcare providers, including the following publicly traded companies:

	Facilities Operated
Assisted Living Concepts, Inc.	4
Brookdale Senior Living, Inc.	93
Emeritus Corporation	6
Extendicare, Inc.	1
HealthSouth Corporation	2
Kindred Healthcare, Inc.	1
Sun Healthcare Group, Inc.	4

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One of our triple-net lease tenants, Brookdale Senior Living, Inc. (Brookdale) accounted for more than 10% of our revenues at December 31, 2010 and may account for more than 10% of our revenues in 2011.

The following table summarizes our top five tenants, the number of facilities each operates and the percentage of our revenues received from each of these tenants as of the end of 2010, as adjusted for facilities acquired and disposed of during 2010:

	Number of Facilities Operated	Percentage of Revenue	Average Remaining Lease Term (Years)
Brookdale Senior Living, Inc.	93	12.2%	6.6
Hearthstone Senior Services, L.P	32	9.2%	10.5
Wingate Healthcare, Inc.	18	5.5%	9.2
Atria Senior Living Group	9	3.4%	9.6
Senior Services of America	19	3.2%	10.6

Our leases have fixed initial rent amounts and generally contain annual escalators. Many of our leases contain non-contingent rent escalators for which we recognize income on a straight-line basis over the lease term. Certain leases contain escalators contingent on revenues or other factors, including increases based on changes in the Consumer Price Index. Such revenue increases are recognized over the lease term as the related contingencies are met. However, if the Consumer Price Index starts trending negatively again as it did for most of 2009, we are likely to see much less, if any, internal growth from these rent escalators if deflationary conditions return. We assess the collectability of our rent receivables, and we reserve against the receivable balances for any amounts that may not be recovered.

Our 486 triple-net leased facilities are generally leased under triple-net leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. As of December 31, 2010, approximately 88% of these facilities were leased under master leases. In addition, the majority of these leases contain cross-collateralization and cross-default provisions tied to other leases with the same tenant, as well as grouped lease renewals and grouped purchase options. As of December 31, 2010, leases covering 417 triple-net leased facilities were backed by security deposits consisting of irrevocable letters of credit or cash totaling \$78.8 million. As of December 31, 2010, leases covering 386 facilities contain provisions for property tax impounds, and leases covering 274 facilities contain provisions for capital expenditure impounds. Our multi-tenant facilities generally have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants).

2010 Highlights and Recent Developments***Investing Activities***

In addition to the transactions with Pacific Medical Buildings LLC and certain of its affiliates described below, during 2010, we acquired 21 skilled nursing facilities, 20 assisted and independent living facilities, seven medical office buildings and one continuing care retirement community subject to triple-net leases and 15 multi-tenant medical office buildings in 17 separate transactions for an aggregate investment of \$437.2 million. The transactions included the acquisition of majority interests in certain of the facilities. In connection with the

acquisition of certain of the facilities, we funded two unsecured loans totaling \$5.5 million and funded an additional \$0.4 million subsequent to acquisition during 2010.

During 2010, we completed the following transactions related to our February 2008 agreement (the Contribution Agreement) with Pacific Medical Buildings LLC and certain of its affiliates (see Note 5 to our condensed consolidated financial statements):

Three multi-tenant medical office buildings with an aggregate value of \$223.2 million that had previously been eliminated from the Contribution Agreement were reinstated, and the majority interests therein were acquired through our consolidated joint venture, NHP/PMB L.P (NHP/PMB). The acquisitions were paid in a combination of cash, the retirement of our \$47.5 million mortgage loan from a related party to

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which one of the multi-tenant medical office buildings had served as collateral, the assumption of \$98.3 million of mortgage financing and the issuance of Class A limited partnership units in NHP/PMB (OP Units) with a fair value at the date of issuance of \$19.0 million.

One of the two multi-tenant medical office buildings which remained under the Contribution Agreement at December 31, 2009 was eliminated from the Contribution Agreement and acquired through a new consolidated joint venture with an entity affiliated with Pacific Medical Buildings LLC. Our joint venture partner contributed the multi-tenant medical office building, and we contributed \$13.5 million in cash. Additionally, we provided the joint venture with a \$56.5 million mortgage loan, of which \$49.8 million has been funded, and a \$3.0 million mezzanine loan.

As a result of the elimination of the above property from the Contribution Agreement, NHP/PMB became obligated to pay \$2.1 million (which had previously been accrued), of which \$2.0 million was paid in cash and the remaining \$0.1 million through the issuance of OP Units.

During 2010, we also completed the following transactions with certain affiliates of Pacific Medical Buildings LLC:

One multi-tenant medical office building was acquired through a new consolidated joint venture with an entity affiliated with Pacific Medical Buildings LLC. Our joint venture partner contributed the multi-tenant medical office building, and we contributed \$6.3 million in cash. Additionally, we agreed to loan the joint venture up to \$8.8 million as project financing, including \$6.8 million that was disbursed initially.

We acquired the remaining 55.05% interest in PMB SB, an entity affiliated with Pacific Medical Buildings LLC that owns two multi-tenant medical office buildings. PMB SB was valued at \$17.4 million at the date of acquisition, and the acquisition was paid in a combination of cash and the assumption of \$11.2 million of mortgage financing (of which \$6.2 million was previously attributable to the controlling interest in PMB SB). In connection with the acquisition, we re-measured our previously held equity interest at the acquisition date fair value and recognized a gain on the re-measurement of \$0.6 million.

Additionally, we have entered into an agreement (the Pipeline Agreement) with NHP/PMB, PMB LLC and PMB Real Estate Services LLC (PMBRES) pursuant to which we or NHP/PMB currently have the right, but not the obligation, to acquire up to approximately \$1.3 billion of multi-tenant medical office buildings developed by PMB LLC through April 2019. During 2010, certain terms of the Pipeline Agreement were modified, and we completed the following transaction with an affiliate of Pacific Medical Buildings LLC:

We entered into a consolidated joint venture to develop a medical office building with a total budget of \$53.0 million and concurrently entered into an agreement under which the interests in the joint venture will be contributed to NHP/PMB subsequent to completion of development in accordance with the terms of the Pipeline Agreement. We contributed \$14.7 million in cash, and our joint venture partner contributed \$1.8 million in cash. During 2010, the joint venture incurred development costs of \$16.6 million.

During 2010, we also entered into an agreement to develop an assisted and independent living facility and incurred costs of \$1.2 million.

During 2010, we funded \$21.0 million in expansions, construction and capital improvements at certain facilities in accordance with existing lease provisions. Such expansions, construction and capital improvements generally result in an increase in the minimum rents earned by us on these facilities either at the time of funding or upon completion of the project. We also funded, directly and through our consolidated joint

ventures, \$4.2 million in capital and tenant improvements at certain multi-tenant medical office buildings.

During 2010, we funded four mortgage loans secured by 27 medical office buildings, one assisted and independent living facility and four skilled nursing facilities in the amount of \$155.3 million. In connection with the funding of a mortgage loan secured by one of the skilled nursing facilities, we agree to fund up to \$10.9 million to expand the facility and funded \$1.9 million as of December 31, 2010. During 2010, we also acquired one mortgage loan secured by one assisted and independent living facility for \$6.1 million, net of a \$0.8 million discount.

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During 2010, we sold the assisted living portion of a continuing care retirement community, for which we had an existing mortgage loan secured by the skilled nursing portion of such continuing care retirement community, to the tenant of the facility. For facility count purposes, this was previously accounted for in real estate properties as a continuing care retirement community. We provided financing of \$6.5 million related to the sale, including the concurrent repayment of a \$0.7 million unsecured loan which had previously been included in the caption *Other assets* on our consolidated balance sheets, and funded an additional \$0.4 million subsequent to the sale.

During 2010, we also funded \$5.6 million on other loans and received payments of \$4.9 million.

During 2010, we sold nine skilled nursing facilities and three assisted and independent living facilities for net cash proceeds of \$43.6 million that resulted in a total gain of \$16.9 million which is included in the caption *Gain on sale of facilities, net* in *Discontinued operations* on our consolidated income statements.

During January 2011, one mortgage loan to Brookdale with a carrying value of \$28.3 million (net of a deferred gain of \$4.7 million) and a stated maturity date of June 2011 was prepaid.

Financing Activities

During 2010, we exercised our option to extend the maturity date of our \$700.0 million revolving unsecured senior credit facility by one year to December 15, 2011 and borrowed \$175.0 million under the credit facility which remained outstanding at December 31, 2010.

During 2010, we repaid at maturity \$67.2 million of secured debt with a weighted average interest rate of 5.24%, prepaid \$118.3 million of secured debt with a weighted average interest rate of 4.73% and made regular principal payments of \$8.6 million on other notes and bonds payable.

During August 2010, we entered into six 12-month forward-starting interest rate swap agreements for an aggregate notional amount of \$250.0 million at a weighted average rate of 3.16%. We entered into these swap agreements in order to hedge the expected interest payments associated with fixed rate debt forecasted to be issued in 2011. The swap agreements are recorded under the caption *Other assets* on our consolidated balance sheets at their aggregate estimated fair value of \$11.2 million at December 31, 2010.

On January 18, 2010, we redeemed all outstanding shares of our 7.75% Series B Cumulative Convertible Preferred Stock (*Series B Preferred Stock*) at a redemption price of \$103.875 per share plus an amount equal to accumulated and unpaid dividends thereon to the redemption date (\$0.3875), for a total redemption price of \$104.2625 per share, payable only in cash. As a result of the redemption, each share of Series B Preferred Stock was convertible until January 14, 2010 into 4.5150 shares of common stock. During that time, 512,727 shares were converted into approximately 2,315,000 shares of common stock. On January 18, 2010, we redeemed 917 shares that remained outstanding.

On January 15, 2010, we entered into two sales agreements to sell up to an aggregate of 5,000,000 shares of our common stock from time to time through our at-the-market equity offering program. When that program was completed, we entered into two additional sales agreements on July 2, 2010 to sell up to an aggregate of an additional 5,000,000 shares of our common stock from time to time. During 2010, we issued and sold approximately 9,141,000 shares of common stock through our at-the-market equity offering program at a weighted average price of \$37.04 per share, resulting in net proceeds of approximately \$335.1 million after sales agent fees.

During 2010, we issued approximately 150,000 shares of common stock through our dividend reinvestment plan at an average price of \$33.26 per share, resulting in proceeds of approximately \$5.0 million.

During 2010, we paid \$223.5 million, or \$1.82 per common share, in dividends to our common stockholders. On February 8, 2011, our board of directors declared a quarterly cash dividend of \$0.48 per share of common stock. This dividend will be paid on March 4, 2011 to stockholders of record on February 18, 2011.

On January 15, 2010, we filed a new shelf registration statement with the Securities and Exchange Commission under which we may issue securities including debt, convertible debt, common and preferred

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stock and warrants to purchase any of these securities. Our existing shelf registration statement was set to expire in May 2010.

On March 8, 2010, our credit rating from Standard & Poor's Ratings Services was upgraded to BBB from BBB-.

Taxation

We believe we have operated in such a manner as to qualify for taxation as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and we intend to continue to operate in such a manner. If we qualify for taxation as a REIT, we will generally not be subject to federal corporate income taxes on our net income that is currently distributed to stockholders. This treatment substantially eliminates the double taxation, that is, at the corporate and stockholder levels, that usually results from investment in the stock of a corporation. Please see the risk factors found under the heading "Risks Related to Our Taxation as a REIT" under the caption "Risk Factors" for more information.

Objectives and Policies

We are organized to invest in income-producing healthcare related facilities. At December 31, 2010, we had investments in 663 healthcare facilities, one land parcel, two development projects and two assets held for sale located in 42 states, and we plan to invest in additional healthcare properties in the United States. Other than potentially utilizing joint ventures, we do not intend to invest in securities of, or interests in, persons engaged in real estate activities or to invest in securities of other issuers for the purpose of exercising control.

In evaluating potential investments, we consider such factors as:

- the geographic area, type of property and demographic profile;
- the location, construction quality, condition and design of the property;
- the expertise and reputation of the operator;
- the current and anticipated cash flow and its adequacy to meet operational needs and lease obligations;
- whether the anticipated rent provides a competitive market return to NHP;
- the potential for capital appreciation;
- the tax laws related to REITs;
- the regulatory and reimbursement environment in which the properties operate;
- occupancy and demand for similar healthcare facilities in the same or nearby communities; and
- an appropriate mix between private and government sponsored patients.

There are no limitations on the percentage of our total assets that may be invested in any one property. The Investment Committee of the board of directors or the board of directors may establish limitations as it deems appropriate from time to time. No limits have been set on the number of properties in which we will seek to invest or on the

concentration of investments in any one facility type or any geographic area. From time to time we may sell properties; however, we do not intend to engage in the purchase and sale, or turnover, of investments. We acquire our investments primarily for long-term income.

During 2010, we redeemed all outstanding shares of our preferred stock. We may, in the future, issue additional debt or equity securities that will be senior to our common stock.

In certain circumstances, we may make mortgage loans with respect to certain facilities secured by those facilities. At December 31, 2010, we held 20 mortgage loans secured by 27 medical office buildings, 20 skilled nursing facilities, 12 assisted and independent living facilities, one continuing care retirement community and one land parcel. There are no limitations on the number or the amount of mortgages that may be placed on any one piece of property.

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We may incur additional indebtedness when, in the opinion of our management and board of directors, it is advisable. For short-term purposes, we, from time to time, negotiate lines of credit or arrange for other short-term borrowings from banks or others. We arrange for long-term borrowings through public offerings or private placements to institutional investors.

In addition, we may incur additional mortgage indebtedness on real estate which we have acquired through purchase, foreclosure or otherwise. We may invest in properties subject to existing loans or secured by mortgages, deeds of trust or similar liens on the properties. We also may obtain non-recourse or other mortgage financing on unleveraged properties in which we have invested or may refinance properties acquired on a leveraged basis.

We will not, without the approval of a majority of the disinterested directors, acquire from or sell to any director, officer or employee of NHP or any affiliate thereof, as the case may be, any of our assets or other property. We provide to our stockholders annual reports containing audited financial statements and quarterly reports containing unaudited information, which are available upon request.

We do not have plans to underwrite securities of other issuers.

The policies set forth herein have been established by our board of directors and may be changed without stockholder approval.

Properties

We operate in two segments based on our investment and leasing activities – triple-net leases and multi-tenant leases. See Note 20 Segment Information of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K for more information about our business segments. As of December 31, 2010, we had direct ownership of:

Assisted and independent living facilities	267
Skilled nursing facilities	178
Continuing care retirement communities	10
Specialty hospitals	7
Triple-net medical office buildings	24
Multi-tenant medical office buildings, including 21 owned by consolidated joint ventures	83
Development projects, including one owned by a consolidated joint venture	2
Assets held for sale	2
	573

Triple-net Leases

Our triple-net leases segment includes investments in the following types of facilities:

Senior Housing/Assisted and Independent Living Facilities

Assisted and independent living facilities offer studio, one bedroom and two bedroom apartments on a month-to-month basis primarily to elderly individuals, including those with Alzheimer’s or related dementia, with various levels of assistance requirements. Assisted and independent living residents are provided meals and eat in a

central dining area; assisted living residents may also be assisted with some daily living activities with programs and services that allow residents certain conveniences and make it possible for them to live as independently as possible; staff are also available when residents need assistance and for group activities. Services provided to residents who require more assistance with daily living activities, but who do not require the constant supervision skilled nursing facilities provide, include personal supervision and assistance with eating, bathing, grooming and administering medication. Charges for room, board and services are generally paid from private sources.

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Skilled nursing facilities provide rehabilitative, restorative, skilled nursing and medical treatment for patients and residents who do not require the high-technology, care-intensive, high-cost setting of an acute care or rehabilitative hospital. Treatment programs include physical, occupational, speech, respiratory and other therapeutic programs, including sub-acute clinical protocols such as wound care and intravenous drug treatment.

Continuing Care Retirement Communities

Continuing care retirement communities provide a broad continuum of care. At the most basic level, independent living residents might receive meal service, maid service or other services as part of their monthly rent. Services which aid in everyday living are provided to other residents, much like in an assisted living facility. At the far end of the spectrum, skilled nursing, rehabilitation and medical treatment are provided to residents who need those services. This type of facility consists of independent living units, dedicated assisted living units and licensed skilled nursing beds on one campus.

Specialty Hospitals

Specialty hospitals provide specialized medical services and treatment rather than the broad spectrum offered by regular hospitals. The specialty hospitals in which we have invested are focused on rehabilitation, long-term acute care or children's care.

Medical Office Buildings

Medical office buildings usually house several different unrelated medical practices, although they can be associated with a large single-specialty or multi-specialty group. Tenants include physicians, dentists, psychologists, therapists and other healthcare providers, with space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. Medical office buildings are generally classified as being either on campus, meaning on or near an acute care hospital campus, or off campus.

The following table sets forth certain information regarding our owned triple-net leased facilities, excluding development projects and assets held for sale as of December 31, 2010:

Facility Location	Number of Facilities	Number of Beds/Units(1)	Square Footage(1)	Gross	
				Real Estate Investment (Dollars in thousands)	2010 NOI(2)
<i>Senior Housing/Assisted and Independent Living Facilities:</i>					
Alabama	7	598		\$ 46,244	\$ 4,297
Arizona	3	277		28,172	2,732
Arkansas	1	32		2,151	236
California	19	2,229		169,841	21,295
Colorado	4	399		43,924	4,404
Connecticut	2	234		32,786	3,283
Florida	24	1,641		136,386	11,046

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Georgia	3	343	21,836	1,978
Indiana	8	409	34,896	2,577
Kansas	6	277	16,419	1,753
Maryland	1	65	5,645	478
Massachusetts	1	98	19,346	1,082
Michigan	13	775	84,332	8,660
Minnesota	10	343	38,721	3,502
Mississippi	1	52	4,682	422

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Facility Location	Number of Facilities	Number of Beds/Units(1)	Square Footage(1)	Gross	
				Real Estate Investment (Dollars in thousands)	2010 NOI(2)
Missouri	4	76		2,129	139
Nevada	2	154		13,833	1,403
New Jersey	2	104		7,616	1,088
New Mexico	1	116		23,427	2,103
New York	3	406		44,266	5,158
North Carolina	10	970		109,845	9,476
North Dakota	1	48		6,302	488
Ohio	12	869		89,316	8,855
Oklahoma	4	229		22,801	2,201
Oregon	7	437		33,640	3,340
Pennsylvania	8	618		27,775	2,778
Rhode Island	3	272		30,289	3,020
South Carolina	3	117		8,357	603
South Dakota	4	182		21,257	1,952
Tennessee	14	1,485		126,676	7,154
Texas	28	2,468		290,627	27,520
Virginia	1	74		11,210	1,088
Washington	10	907		71,658	7,519
West Virginia	1	65		6,536	566
Wisconsin	46	2,064		178,393	16,906
Subtotals	267	19,433		1,811,334	171,102
<i>Long-Term Care/Skilled Nursing Facilities:</i>					
Arkansas	9	945		38,682	4,280
California	3	340		10,444	2,263
Connecticut	3	351		17,317	1,613
Florida	3	411		11,718	1,452
Georgia	1	100		4,342	386
Indiana	21	1,938		91,058	9,417
Kansas	5	317		10,587	1,175
Maryland	3	445		20,381	2,761
Massachusetts	15	2,079		184,839	17,257
Minnesota	3	510		27,825	2,481
Mississippi	1	120		4,467	510
Missouri	12	1,089		51,236	5,527
Nevada	1	125		4,390	813
New York	3	440		58,634	5,179
North Carolina	1	150		2,360	371
Ohio	5	704		28,457	2,759
Oklahoma	5	235		9,121	980

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Pennsylvania	3	240	14,032	1,807
South Carolina	4	602	36,696	3,376
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Facility Location	Number of Facilities	Number of Beds/Units(1)	Square Footage(1)	Gross	
				Real Estate Investment (Dollars in thousands)	2010 NOI(2)
South Dakota	2	246		18,000	775
Tennessee	3	369		18,307	1,829
Texas	47	5,508		309,652	20,069
Utah	1	65		2,793	114
Virginia	6	779		31,732	4,216
Washington	7	711		44,607	5,363
West Virginia	4	326		15,919	2,233
Wisconsin	7	662		30,269	3,446
Subtotals	178	19,807		1,097,865	102,452
<i>Continuing Care Retirement Communities:</i>					
Arizona	1	228		12,887	1,619
Colorado	1	119		3,116	423
Maine	3	550		39,341	3,570
Massachusetts	1	171		14,656	1,580
Oklahoma	1	193		8,717	954
Tennessee	1	62		3,178	432
Texas	2	532		46,196	3,837
Subtotals	10	1,855		128,091	12,415
<i>Specialty Hospitals:</i>					
Arizona	2	110		17,071	2,903
California	2	75		39,307	3,857
Texas	3	119		19,825	2,074
Subtotals	7	304		76,203	8,834
<i>Medical Office Buildings:</i>					
Alabama	1		61,219	16,706	1,502
Florida	9		80,940	35,543	4,919
Indiana	4		55,814	15,724	1,838
Maryland	1		5,400	1,717	241
Michigan	2		17,190	5,654	783
Wisconsin	7		256,428	43,402	3,467
Subtotals	24		476,991	118,746	12,750
Total Owned Triple-Net Leased Facilities	486	41,399	476,991	\$ 3,232,239	\$ 307,553

- (1) Assisted and independent living facilities are measured in units; continuing care retirement communities are measured in beds and units; skilled nursing facilities and specialty hospitals are measured by bed count; and medical office buildings are measured by square footage.
- (2) Net operating income (NOI) is a non-GAAP supplemental financial measure used to evaluate the operating performance of our facilities. We define NOI for our triple-net leases segment as rent revenues. For our multi-tenant leases segment, we define NOI as revenues minus medical office building operating expenses. In some cases, revenue for medical office buildings includes expense reimbursements for common area maintenance

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charges. NOI excludes interest expense and amortization of deferred financing costs, depreciation and amortization expense, general and administrative expense and discontinued operations. We present NOI as it effectively presents our portfolio on a net rent basis and provides relevant and useful information as it measures the operating performance at the facility level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties. Furthermore, we believe that NOI provides investors relevant and useful information because it measures the operating performance of our real estate at the property level on an unleveraged basis. We believe that net income is the GAAP measure that is most directly comparable to NOI. However, NOI should not be considered as an alternative to net income as the primary indicator of operating performance as it excludes the items described above. Additionally, NOI as presented above may not be comparable to other REITs or companies as their definitions of NOI may differ from ours. See Note 20 to our consolidated financial statements for a reconciliation of net income to NOI. NOI for 2010 includes \$14,000 related to one continuing care retirement community sold during the year for which we provided financing related to the sale. We have a continuing interest in the facility, and its operating results are included in income from continuing operations on our consolidated income statements.

In the triple-net leases segment, facilities are leased to single tenants. Revenue is received by us directly from the tenants in accordance with the lease terms which generally provide for annual rent escalators and transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. While occupancy information is relevant to the operations of the tenant, our revenues are not directly impacted by occupancy levels at the triple-net leased facilities. The following table sets forth certain information regarding average rents for triple-net leased facilities, excluding assets held for sale, owned by us as of December 31, 2010 and 2009:

	December 31, 2010			December 31, 2009		
	Average Annualized Rent per Bed/Unit	Average Annualized Rent per Square Foot	Occupancy Percentage(1)	Average Annualized Rent per Bed/Unit	Average Annualized Rent per Square Foot	Occupancy Percentage(1)
Senior Housing/Assisted and Independent Living Facilities	\$ 8,805	\$	82.5%	\$ 9,088	\$	83.0%
Long-Term Care/Skilled Nursing Facilities	\$ 5,173	\$	79.7%	\$ 5,185	\$	81.0%
Continuing Care Retirement Communities	\$ 6,693	\$	91.3%	\$ 6,493	\$	89.0%
Specialty Hospitals	\$ 29,058	\$	74.0%	\$ 28,451	\$	69.7%
Medical Office Buildings	\$	\$ 26.73	100.0%	\$	\$ 17.78	100.0%

(1) Represents occupancy as reported by the respective tenants.

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The following table sets forth certain information regarding lease expirations for our owned triple-net leased facilities, excluding assets held for sale, as of December 31, 2010:

	Assisted and Independent		Skilled Nursing		Continuing Care		Other Triple-Net		Total Owned Triple-Net	
	Minimum Rent	Number of Facilities	Minimum Rent	Number of Facilities	Minimum Rent	Number of Facilities	Minimum Rent	Number of Facilities	Minimum Rent	Number of Facilities
	(Dollars in thousands)									
2011	\$ 659	1	\$ 6,590	18	\$ 550	1	\$		\$ 7,799	20
2012	1,994	9	5,043	7	1,633	1	1,891	1	10,561	18
2013	11,166	10	4,040	8					15,206	18
2014	15,330	18	5,294	6	4,826	3			25,450	27
2015	2,392	5	4,920	7			3,394	1	10,706	13
2016	12,943	11	13,702	22			3,674	5	30,319	38
2017	1,657	4	6,213	16	3,585	3			11,455	23
2018	1,592	2	4,169	11					5,761	13
2019	482	1					1,224	1	1,706	2
2020	6,994	12	35,551	39	443	1	1,262	4	44,250	56
Thereafter	116,720	194	29,790	44	1,398	1	7,578	19	155,486	258
	\$ 171,929	267	\$ 115,312	178	\$ 12,435	10	\$ 19,023	31	\$ 318,699	486

Multi-Tenant Leases

During 2010, our multi-tenant leases segment was comprised exclusively of medical office buildings.

The following table sets forth certain information regarding our owned multi-tenant leased facilities as of December 31, 2010:

Facility Location	Number of Facilities	Square Footage	Occupancy Percentage	Gross Real Estate Investment	2010 NOI (1)
				(Dollars in thousands)	
<i>Medical Office Buildings:</i>					
Arizona	1	62,083	68.6%	\$ 8,871	\$ 828
California	13	1,143,922	91.0%	381,072	30,021
Florida	1	35,900	36.4%	6,399	80
Georgia	5	298,523	92.9%	31,411	1,489
Illinois	12	387,532	86.9%	36,705	5,456
Louisiana	8	397,581	82.5%	24,869	2,319
Missouri	7	404,229	91.7%	46,345	4,224

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Nevada	2	149,248	81.7%	39,391	2,467
Ohio	13	386,106	97.1%	42,483	1,305
Oregon	1	105,375	86.8%	31,199	2,347
South Carolina	2	109,787	76.4%	14,123	968
Tennessee	1	58,555	91.1%	4,025	761
Texas	6	145,382	62.9%	7,933	417
Virginia	3	66,196	84.4%	5,860	559
Washington	8	389,536	99.3%	106,354	7,721
Total Owned Multi-Tenant Leased Facilities	83	4,139,955	88.6%	\$ 787,040	\$ 60,962

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(1) Net operating income (NOI) is a non-GAAP supplemental financial measure used to evaluate the operating performance of our facilities. We define NOI for our triple-net leases segment as rent revenues. For our multi-tenant leases segment, we define NOI as revenues minus medical office building operating expenses. In some cases, revenue for medical office buildings includes expense reimbursements for common area maintenance charges. NOI excludes interest expense and amortization of deferred financing costs, depreciation and amortization expense, general and administrative expense and discontinued operations. We present NOI as it effectively presents our portfolio on a net rent basis and provides relevant and useful information as it measures the operating performance at the facility level on an unleveraged basis. We use NOI to make decisions about resource allocations and to assess the property level performance of our properties. Furthermore, we believe that NOI provides investors relevant and useful information because it measures the operating performance of our real estate at the property level on an unleveraged basis. We believe that net income is the GAAP measure that is most directly comparable to NOI. However, NOI should not be considered as an alternative to net income as the primary indicator of operating performance as it excludes the items described above. Additionally, NOI as presented above may not be comparable to other REITs or companies as their definitions of NOI may differ from ours. See Note 20 to our consolidated financial statements for a reconciliation of net income to NOI. NOI for 2010 includes \$14,000 related to one continuing care retirement community sold during the year for which we provided financing related to the sale. We have a continuing interest in the facility, and its operating results are included in income from continuing operations on our consolidated income statements.

Average occupancy for our owned multi-tenant medical office buildings was 88.6% and 88.8% as of December 31, 2010 and 2009, respectively. Average annualized revenue per square foot for our owned multi-tenant leased medical office buildings was \$24.71 and \$24.99 as of December 31, 2010 and 2009, respectively.

The following table sets forth certain information regarding lease expirations for our owned multi-tenant leased facilities as of December 31, 2010:

	Minimum Rent (In thousands)	Square Feet
2011	\$ 13,632	593,811
2012	9,105	352,440
2013	6,756	298,214
2014	7,748	262,191
2015	7,840	318,488
2016	6,790	217,321
2017	12,186	425,061
2018	6,495	168,555
2019	7,755	236,570
2020	2,480	66,665
Thereafter	25,831	769,961
	\$ 106,618	3,709,277

Competition

We generally compete with other publicly traded REITs, including HCP, Inc., Health Care REIT, Inc., Healthcare Realty Trust Incorporated, Senior Housing Properties Trust and Ventas, Inc., private healthcare REITs, real estate partnerships, healthcare providers and other investors, including, but not limited to, banks, insurance companies, pension funds, government sponsored entities, including the Department of Housing and Urban Development, Fannie Mae and Freddie Mac, and opportunity funds, in the acquisition, leasing and financing of healthcare facilities. The tenants that operate our healthcare facilities compete on a local and regional basis with operators of facilities that provide comparable services. Operators compete for patients and residents based on

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quality of care, reputation, physical appearance of facilities, price, services offered, family preferences, physicians, staff and location. Our medical office buildings compete with other medical office buildings in their surrounding areas for tenants, including physicians, dentists, psychologists, therapists and other healthcare providers.

Regulation

Payments for healthcare services provided by the tenants of our facilities are received principally from four sources: private funds; Medicaid, a medical assistance program for the indigent, operated by individual states with the financial participation of the federal government; Medicare, a federal health insurance program for the aged, certain chronically disabled individuals, and persons with end-stage renal disease; and health and other insurance plans. While assisted and independent living facilities and medical office building tenants generally receive private funds, government revenue sources are the primary source of funding for most skilled nursing facilities and specialty hospitals and are subject to statutory and regulatory changes, administrative rulings, and government funding restrictions, all of which may materially increase or decrease the rates of payment to skilled nursing facilities and specialty hospitals and in some cases, the amount of additional rents payable to us under our leases. There is no assurance that payments under such programs will remain at levels comparable to the present levels or be sufficient to cover all the operating and fixed costs allocable to Medicaid and Medicare patients. Decreases in reimbursement levels could have an adverse impact on the revenues of the tenants of our skilled nursing facilities and specialty hospitals, which could in turn adversely impact their ability to make their monthly lease or debt payments to us. Changes in reimbursement levels have very little impact on our assisted and independent living facilities because virtually all of their revenues are paid from private funds.

During 2010, payments for healthcare services provided by the tenants of our facilities were received from the following sources:

	Percentage of Tenants Revenue
Medicare	10%
Medicaid	18%
Private sources health and other insurance plans	72%

There exist various federal and state laws and regulations prohibiting fraud and abuse by healthcare providers, including those governing reimbursements under Medicaid and Medicare as well as referrals and financial relationships. Federal and state governments are devoting increasing attention to anti-fraud initiatives. Our tenants may not comply with these current or future regulations, which could affect their ability to operate or to continue to make lease or mortgage payments.

Healthcare facilities in which we invest are also generally subject to federal, state and local licensure statutes and regulations and statutes which may require regulatory approval, in the form of a certificate of need (CON), prior to the addition or construction of new beds, the addition of services or certain capital expenditures. CON requirements generally apply to skilled nursing facilities and specialty hospitals. CON requirements are not uniform throughout the United States and are subject to change. In addition, some states have staffing and other regulatory requirements. We cannot predict the impact of regulatory changes with respect to licensure and CONs on the operations of our tenants.

Various federal, regional and state laws and regulations have been implemented or are under consideration to mitigate the effects of climate change caused by greenhouse gas emissions. Among other things, green building codes may seek to reduce emissions through the imposition of standards for design, construction materials, water and energy

usage and efficiency, and waste management. We are not aware of any such existing requirements that we believe will have a material impact on our current operations. However, future requirements could increase the costs of maintaining or improving our existing properties or developing new properties.

Table of Contents**Executive Officers of the Company**

The table below sets forth the name, position and age of each executive officer of the Company. Each executive officer is appointed by the board of directors, serves at its pleasure and holds office until a successor is appointed, or until the earliest of death, resignation or removal. There is no family relationship among any of the named executive officers or with any director. All information is given as of March 1, 2011:

	Age
Douglas M. Pasquale Chairman of the Board and President and Chief Executive Officer	56
Donald D. Bradley Executive Vice President and Chief Investment Officer	55
Abdo H. Khoury Executive Vice President and Chief Financial and Portfolio Officer	61

Douglas M. Pasquale Chairman of the Board of Directors since May 2009 and President and Chief Executive Officer since April 2004. Mr. Pasquale was Executive Vice President and Chief Operating Officer from November 2003 to April 2004 and a director since November 2003. Mr. Pasquale served as the Chairman and Chief Executive Officer of ARV Assisted Living, Inc. (ARV), an operator of assisted living facilities, from December 1999 to September 2003. From April 2003 to September 2003, Mr. Pasquale concurrently served as President and Chief Executive Officer of Atria Senior Living Group. From March 1999 to December 1999, Mr. Pasquale served as the President and Chief Executive Officer at ARV, and he served as the President and Chief Operating Officer at ARV from June 1998 to March 1999. Previously, Mr. Pasquale served as President and Chief Executive Officer of Richfield Hospitality Services, Inc. and Regal Hotels International-North America, a hotel ownership and hotel management company, from 1996 to 1998, and as its Chief Financial Officer from 1994 to 1996. Mr. Pasquale is a member of the Executive Board of the American Seniors Housing Association (ASHA), a director of Alexander & Baldwin, Inc. (NYSE: ALEX) and Matson Navigation Company, Inc. (a subsidiary of Alexander & Baldwin, Inc.), a director of Terreno Realty Corporation (NYSE: TRNO) and a member of the Board of Trustees of the Newport Harbor Nautical Museum.

Donald D. Bradley Executive Vice President since March 2008 and Chief Investment Officer since July 2004. Mr. Bradley was a Senior Vice President from March 2001 to February 2008 and the General Counsel from March 2001 to June 2004. From January 2000 to February 2001, Mr. Bradley was engaged in various personal interests. Mr. Bradley was formerly the General Counsel of Furon Company, a NYSE-listed international, high performance polymer manufacturer from 1990 to December 1999. Previously, Mr. Bradley served as a Special Counsel of O Melveny & Myers LLP, an international law firm with which he had been associated since 1982. Mr. Bradley is a member of the Executive Board of ASHA.

Abdo H. Khoury Executive Vice President since March 2008 and Chief Financial and Portfolio Officer since July 2005. Mr. Khoury was a Senior Vice President from July 2005 to February 2008 and Chief Portfolio Officer from August 2004 to June 2005. Mr. Khoury served as the Executive Vice President of Operations of Atria Senior Living Group (formerly ARV Assisted Living, Inc.) from June 2003 to March 2004. From January 2001 to May 2003, Mr. Khoury served as President of ARV and he served as Chief Financial Officer at ARV from March 1999 to January 2001. From October 1997 to February 1999, Mr. Khoury served as President of the Apartment Division at ARV. From January 1991 to September 1997, Mr. Khoury ran Financial Performance Group, a business and financial consulting firm located in Newport Beach, California.

Employees

As of March 1, 2011, we had 41 employees.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports required by Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are electronically filed with the SEC. You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically

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with the SEC. Our annual, quarterly and current reports and amendments to reports are also available, free of charge, on our website at www.nhp-reit.com, as soon as reasonably practicable after those reports are available on the SEC's website. These materials, together with our Governance Principles, Director Committee Charters and Business Code of Conduct & Ethics referenced below, are available in print to any stockholder who requests them in writing by contacting:

Nationwide Health Properties, Inc.
610 Newport Center Drive, Suite 1150
Newport Beach, California 92660
Attention: Abdo H. Khoury

Availability of Governance Principles and Board of Director Committee Charters

Our board of directors has adopted charters for its Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee and Investment Committee. Our board of directors has also adopted Governance Principles. The Governance Principles and each of the charters are available on our website at www.nhp-reit.com.

Business Code of Conduct & Ethics

Our board of directors has adopted a Business Code of Conduct & Ethics, which applies to all employees, including our chief executive officer, chief financial and portfolio officer, chief investment officer, vice presidents and directors. The Business Code of Conduct & Ethics is posted on our website at www.nhp-reit.com. Our Audit Committee must approve any waivers of the Business Code of Conduct & Ethics. We presently intend to disclose any amendments and waivers, if any, of the Business Code of Conduct & Ethics on our website; however, if we change our intention, we will file any amendments or waivers with a current report on Form 8-K. There have been no waivers of the Business Code of Conduct & Ethics.

Proposed Merger with Ventas

On February 27, 2011, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ventas, Inc., a Delaware corporation ("Ventas"), and Needles Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of Ventas ("Merger Sub").

Under the terms of the Merger Agreement, NHP will be merged with and into Merger Sub (the "Merger"), with Merger Sub surviving the Merger as a subsidiary of Ventas. Pursuant to the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each outstanding share of common stock, other than shares held by any wholly owned subsidiary of NHP, by Ventas or by any subsidiary of Ventas, will be cancelled and converted into the right to receive 0.7866 shares (the "Exchange Ratio") of common stock of Ventas ("Ventas Common Stock").

Immediately prior to the Effective Time: (i) each option to purchase common stock will, at the option of Ventas, either be cancelled in exchange for the right to receive a cash payment, or be converted into an option exercisable for a number of shares of Ventas Common Stock, in either case, calculated based on the Exchange Ratio; (ii) all of the restricted stock units will vest and will either be assumed by Ventas or converted into the right to receive a cash amount calculated based on the Exchange Ratio; (iii) each share of restricted stock will vest and will be converted into the right to receive a number of shares of Ventas Common Stock equal to the Exchange Ratio; (iv) all dividend equivalent rights granted in connection with any other award will vest and will be paid in accordance with their terms; and (v) the performance period for any performance shares will be terminated, and the number of performance shares that vest will be determined based on NHP's actual performance for the shortened performance period, with each

performance share that vests converted into the right to receive a number of shares of Ventas Common Stock equal to the Exchange Ratio.

We intend to pay our regular quarterly cash dividend, prorated through the closing of the Merger.

We have made customary representations and warranties in the Merger Agreement and has agreed to customary covenants, including covenants regarding the operation of our business prior to the closing and

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covenants prohibiting us from soliciting, providing information or entering into discussions concerning proposals relating to alternative business combination transactions, except in limited circumstances relating to unsolicited proposals that constitute, or are reasonably expected to lead to, a superior proposal.

Consummation of the Merger is subject to customary closing conditions, including approval of our stockholders and Ventas's stockholders. The Merger Agreement may be terminated under certain circumstances, including by either party if the Merger has not occurred by October 31, 2011, if an order is entered prohibiting or disapproving the transaction and the order has become final and non-appealable, if our stockholders or Ventas fail to approve the transaction, or upon a material uncured breach by the other party that would cause the closing conditions not to be satisfied.

Additional Information About the Proposed Transaction and Where to Find it:

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. In connection with the proposed transaction, Ventas and NHP expect to prepare and file with the SEC a registration statement on Form S-4 containing a joint proxy statement/prospectus and other documents with respect to the proposed Merger. **INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS (INCLUDING ALL AMENDMENTS AND SUPPLEMENTS THERETO) AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.**

Investors may obtain free copies of the registration statement, the joint proxy statement/prospectus and other relevant documents filed by Ventas and NHP with the SEC (if and when they become available) through the website maintained by the SEC at www.sec.gov. Copies of the documents filed by Ventas with the SEC are also available free of charge on Ventas's website at www.ventasreit.com, and copies of the documents filed by us with the SEC are available free of charge on NHP's website at www.nhp-reit.com.

Ventas, NHP and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Ventas's and NHP's shareholders in respect of the proposed transaction. Information regarding Ventas's directors and executive officers can be found in Ventas's definitive proxy statement filed with the SEC on March 19, 2010. Information regarding NHP's directors and executive officers can be found in NHP's definitive proxy statement filed with the SEC on March 25, 2010. Additional information regarding the interests of such potential participants will be included in the joint proxy statement/prospectus and other relevant documents filed with the SEC in connection with the proposed transaction if and when they become available. These documents are available free of charge on the SEC's website and from Ventas or NHP, as applicable, using the sources indicated above.

Item 1A. Risk Factors.

Generally speaking, the risks facing our company fall into four categories: risks related to our proposed merger with Ventas, risks associated with the operations of our tenants, risks related to our operations and risks related to our taxation as a REIT. You should carefully consider the risks and uncertainties described below and the other information contained in this Annual Report on Form 10-K and other filings that we make from time to time with the SEC, including our consolidated financial statements and accompanying notes before making an investment decision in our company. These risks and uncertainties are not the only ones facing us, and there may be additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, financial condition, results of operations and cash flows and, thus, the value of an investment in our company.

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RISKS RELATED TO OUR PROPOSED MERGER WITH VENTAS

We will be subject to various uncertainties and contractual restrictions while the merger is pending that could adversely affect our financial results.

Uncertainty about the effect of the merger on employees and tenants may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel, and could cause tenants and others who deal with us to seek to change existing business relationships. Employee retention and recruitment may be particularly challenging, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect our financial results.

In addition, the merger agreement restricts us, without Ventas' consent, from making certain acquisitions and dispositions, from engaging in certain capital raising transactions and taking other specified actions while the merger is pending. These restrictions may prevent us from pursuing attractive business opportunities and making other changes to our business prior to completion of the merger or termination of the merger agreement.

We may be unable to obtain satisfaction of all conditions to complete the merger, including the approval of our stockholders and Ventas' stockholders in the anticipated timeframe, or at all.

Completion of the merger is contingent upon customary closing conditions, including approval of the merger by our stockholders and the approval by Ventas' stockholders of the issuance of Ventas common stock in connection with the merger. We may be unable to satisfy all the conditions to the merger. If the stockholders of either company do not approve the merger at the special stockholder meetings to be held after the related merger proxy and registration statement is effective, the merger will not be consummated.

In addition, satisfying the conditions to, and completion of, the merger may take longer than, and could cost more than, we expect. Any delay in completing the merger may adversely affect the benefits that we and Ventas expect to achieve from the merger and the integration of our businesses.

If the merger is not completed, our financial results may be adversely affected and we will be subject to several risks, including but not limited to:

payment to Ventas of a termination fee of \$175 million, plus \$20 million as reimbursement of its expenses, as specified in the merger agreement, depending on the nature of the termination;

payment of costs relating to the merger, whether or not the merger is completed, and payment to Ventas of \$20 million as reimbursement of its expenses if our stockholders do not approve the merger; and

being subject to litigation related to any failure to complete the merger.

Any delay or inability to satisfy all conditions to complete the merger, or failure to complete the merger could negatively affect our future business, financial condition or results of operation.

RISKS RELATING TO OUR TENANTS

Our financial position and results of operation could be weakened and our ability to make distributions could be limited if any of our major tenants were unable to meet their obligations to us or failed to renew or extend their relationship with us as their lease terms expire or their mortgages mature, or if we were unable to lease or re-lease our facilities or make mortgage loans on economically favorable terms. We have no operational control over our tenants, and our tenants face a wide range of economic, competitive, government reimbursement and regulatory pressures and constraints. There may end up being more serious tenant financial problems that lead to more extensive restructurings or tenant disruptions than we currently expect. This could be unique to a particular tenant or it could be industry wide, such as increased regulatory compliance costs and further federal or state governmental reimbursement reductions in the case of our skilled nursing facility and specialty hospital tenants, as governments

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work through their budget deficits; reduced occupancies or slow lease-ups for our assisted and independent living facilities or medical office buildings due to general economic and other factors; and increases in insurance premiums, labor and other expenses. These adverse developments could arise due to a number of factors, including those listed below.

The global financial crisis has adversely impacted the financial condition of our tenants, which could impair our tenants' ability to meet their obligations to us.

The U.S. recently experienced the longest recession since the Great Depression. While there are current signs of a strengthening and stabilizing economy, there are continued concerns about the uncertainty over whether our economy will again be adversely impacted by inflation, deflation or stagflation and the systemic impact of high unemployment and energy costs, geopolitical issues, the availability and cost of capital, the U.S. mortgage market and a weak real estate market in the U.S., resulting in a return to increased market volatility and diminished expectations for the U.S. economy.

The specific impact this may have on each of our businesses is described below:

Senior Housing. The combination of a weak economy, sustained weak housing market and high unemployment (the Economic Factors) has put downward pressure on occupancies and operating margins for senior housing, a trend that we expect to continue until these factors fully abate. Since the principal competitor for senior housing is the home, the Economic Factors have intensified this competition and in turn, challenged occupancies. In particular, the sustained weak housing markets have put particular pressure on independent living facility occupancies as more seniors delay or forego moving into such facilities, while the weak economy and high unemployment have put particular pressure on occupancies at more need-based assisted living and Alzheimer facilities as costs become prohibitive, causing seniors to go without the necessary assistance and care or causing unemployed, or in some cases working, adults to become caregivers to their senior family members for a period of time. We also believe that our tenants already have implemented prudent cost reductions, and further rent increases will be incrementally more difficult on beleaguered consumers. Therefore, without stabilization or increases in occupancies, it will be difficult for our senior housing tenants to prevent margin erosion over time which could adversely impact their operations and financial condition and their ability to continue to meet their obligations to us.

Long-Term Care/Skilled Nursing. Skilled nursing occupancies have been less impacted by the Economic Factors since the services provided are primarily driven by a significant need. However, the impact of increasing pressure on federal and state government reimbursement from the current economic turmoil and recently enacted and potential future healthcare reform legislation remains uncertain. The ultimate outcome of either of these factors could adversely affect the operations and financial condition of our skilled nursing tenants and their ability to continue to meet their obligations to us.

Medical Office. While the medical office sector currently remains generally healthy, the Economic Factors, particularly high unemployment and cuts in corporate benefits, will likely have unfavorable implications. Consumers faced with limited financial resources and reduced or eliminated insurance coverage will likely choose to forego elective procedures and may defer or forego prescribed procedures. Over time, this could adversely affect the operations and financial condition of our medical office building tenants and their ability to continue to meet their obligations to us.

This difficult operating environment has adversely impacted the financial condition of our tenants. If these recent economic conditions continue or do not fully abate, our tenants may be unable to meet their obligations to us, and our business could be adversely affected.

The bankruptcy, insolvency or financial deterioration of our tenants could significantly delay our ability to collect unpaid rents or require us to find new operators for rejected facilities.

We are exposed to the risk that our tenants may not be able to meet their obligations, which may result in their bankruptcy or insolvency. This risk is more pronounced during weak economic conditions, such as those we are currently experiencing. Our lease agreements, under certain circumstances, provide us the right to evict a tenant,

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demand immediate payment of rent and exercise other remedies, and our mortgage loans provide us the right to terminate any funding obligations, demand immediate repayment of principal and unpaid interest, foreclose on the collateral and exercise other remedies. However the bankruptcy laws afford certain rights to a party that has filed for bankruptcy or reorganization. A tenant in bankruptcy may be able to limit or delay our ability to collect unpaid rent, interest and principal or exercise other rights and remedies during the bankruptcy proceeding.

Leases. If one of our lessees seeks bankruptcy protection, the lessee can either assume or reject the lease. Generally, the lessee is required to make rent payments to us during its bankruptcy until it rejects the lease. If the lessee assumes the lease, the court cannot change the rental amount or any other lease provision that could financially impact us. However, if the lessee rejects the lease, the facility would be returned to us. In that event, if we were able to re-lease the facility to a new tenant only on unfavorable terms or after a significant delay, we could lose some or all of the associated revenue from that facility for an extended period of time.

Mortgage Loans. If a tenant defaults under one of our mortgage loans, we may have to foreclose on the mortgage or protect our interest by acquiring title to a property and thereafter make substantial improvements or repairs in order to maximize the facility's investment potential. Tenants may contest enforcement of foreclosure or other remedies, seek bankruptcy protection against an enforcement and/or bring claims for lender liability in response to actions to enforce mortgage obligations. If a tenant seeks bankruptcy protection, the automatic stay of the federal bankruptcy law would preclude us from enforcing foreclosure or other remedies against the tenant unless relief is obtained from the court. In addition, a tenant would not be required to make principal and interest payments while an automatic stay was in effect. High loan to value ratios or declines in the value of the facility may prevent us from realizing an amount equal to our mortgage loan upon foreclosure.

The receipt of liquidation proceeds or the replacement of a tenant that has defaulted on its lease or loan could be delayed by the approval process of any federal, state or local agency necessary for the replacement of the tenant licensed to manage the facility. In some instances, we may take possession of a property that exposes us to operating risks and expenses and successor liabilities, including unforeseen liabilities that may be imposed in the future by Medicare, Medicaid or other government regulators. These events, if they were to occur, could reduce our revenue and operating cash flow.

In addition, many of our leases contain non-contingent rent escalators for which we recognize income on a straight-line basis over the lease term. This method results in rental income in the early years of a lease being higher than actual cash received, creating a straight-line rent receivable asset included in the caption Other assets on our consolidated balance sheets. At some point during the lease, depending on its terms, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. We assess the collectability of the straight-line rent that is expected to be collected in a future period, and, depending on circumstances, we provide a reserve against the straight-line rent for a portion, up to its full value, that we estimate may not be recoverable. The balance of straight-line rent receivables at December 31, 2010, net of allowances was \$39.3 million. To the extent any of the tenants under these leases become unable to pay the contracted cash rent, we may be required to write down the straight-line rent receivable from those tenants, which would reduce our net income.

Our tenants may be affected by the financial deterioration, insolvency and/or bankruptcy of other significant operators in the healthcare industry.

Certain companies in the healthcare industry, including some key senior housing operators, none of which are currently our tenants, are experiencing or have experienced considerable financial, legal and/or regulatory difficulties which have resulted or may result in financial deterioration and, in some cases, insolvency and/or bankruptcy. The

adverse effects on these companies could have a significant impact on the industry as a whole, including but not limited to negative public perception by investors, lenders and consumers. As a result, our tenants could experience the damaging financial effects of a weakened industry driven by negative industry headlines, ultimately making them unable to meet their obligations to us, and our business could be adversely affected.

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Certain of our medical office buildings are located on or near the campuses of hospitals whose affiliated health systems may experience financial difficulties and/or fail to remain competitive in their respective markets.

Certain of our medical office buildings are located on or near the campuses of hospitals, and the operations of those medical office buildings are dependent in part on such hospitals and their affiliated health systems in order to attract and retain tenants, including physicians and other healthcare providers. The viability of these hospitals is impacted by factors including, but not limited to, the quality and mix of healthcare services provided, competition, demographic and economic trends in the surrounding community, market position and growth potential, as well as the ability of their affiliated health systems to provide economies of scale and access to capital. If a hospital and/or the affiliated health system experiences financial difficulties, it could result in the inability of the hospital to remain competitive or the closure or relocation of the hospital which could in turn adversely impact the ability of the surrounding medical office buildings to attract and retain tenants, and our business could be adversely affected. Conversely, medical office buildings which are not located on or near the campuses of viable hospitals or who do not have affiliations with sound health systems may be adversely impacted by the lack of such proximity or affiliation, and in turn, our business could be adversely affected.

Adverse trends in the healthcare service industry may negatively affect our tenants.

The healthcare service industry is currently experiencing:

- regulatory and government reimbursement uncertainty resulting from comprehensive healthcare reform efforts;
- increased accountability for quality of care, compliance and reporting requirements;
- changing trends in the method of delivery of healthcare services;
- increased expense for uninsured patients and uncompensated care;
- increased competition among healthcare providers;
- continuing pressure by private and governmental payors to contain costs and reimbursements while increasing patients' access to healthcare services;
- lower pricing, admissions growth and operating profit margins in an uncertain economy;
- investment losses;
- constrained availability of capital;
- credit downgrades;
- increased liability insurance expense; and
- increased audits, scrutiny and formal investigations by federal and state authorities.

These changes, among others, could adversely affect the economic performance of some or all of our tenants and, in turn, negatively affect our tenants' ability to meet their obligations to us, which could adversely affect our results of operations and financial condition.

We are exposed to risks related to government regulations and the effect they have on our tenants' businesses.

Our tenants are subject to a complex system of federal and state regulations relating to the delivery of healthcare services. If a tenant experiences regulatory or legal problems, we could be at risk for amounts owed to us by the tenant under our leases or mortgages. To the extent that any of their facilities receive a significant portion of their revenues from governmental payors, primarily Medicare and Medicaid, those revenues may be subject to statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries, government funding restrictions (at a program level or with respect to specific facilities) and interruption or delays in payments due to

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any ongoing governmental investigations and audits at such facilities. In recent years, governmental payors have frozen or reduced payments to healthcare providers due to budgetary pressures. Changes in healthcare reimbursement will likely continue to be of paramount importance to federal and state authorities.

Legislative and Regulatory Changes. Our tenants are subject to numerous federal, state and local laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations, and administrative and judicial interpretations of existing law. During March 2010, the Patient Protection and Affordable Care Act (the PPACA) and the Health Care and Education Reconciliation Act were signed into federal law. The provisions included in the combination of these two bills provide increased access to health benefits for uninsured or underinsured populations through reform of both the private insurance industry and existing government programs. The combined bills also call for reductions in federal health program expenditures over 10 years through various reductions. Additionally, many states have enacted or are considering enacting measures to reduce Medicaid expenditures, reduce coverage and program eligibility and/or impose additional taxes. The fiscal condition of certain states may be impacted as budget shortfalls could potentially widen due to provisions within the healthcare reform legislation that expand certain Medicaid programs and other related healthcare expenditures. In addition, the full impact associated with increased costs for our tenants to provide healthcare insurance to their employees may cause additional pressure on our tenants' operating performance. While the expansion of coverage may result in some additional demand for services provided by our tenants, reimbursement may be lower than the cost required to provide such services, which could adversely affect our tenants' ability to meet their obligations to us. The ultimate timing or effect of these changes cannot be predicted. We cannot make any assessment as to the ultimate timing or effect any future legislative reforms may have on the financial condition of the health care industry. The failure of any of our tenants to comply with these laws, requirements and regulations could adversely affect their ability to meet their obligations to us.

Licensing and Certification, Certificate of Need and Other Regulatory Requirements. Our tenant facilities are generally subject to regulatory and licensing requirements of federal, state and local authorities and are periodically audited by such authorities to confirm compliance. They may also be subject to accreditation standards imposed by private accreditation bodies. State licensing, as well as Medicare and Medicaid laws, require operators of specialty hospitals, skilled nursing facilities, and assisted living facilities to comply with extensive standards governing operations, including federal conditions of participation and state operating regulations. Failure to obtain state licensure or loss of licensure or failure to obtain Medicare and Medicaid certification or loss thereof would prevent a facility, or in some cases, potentially all of a tenant's facilities in a state, from operating and could adversely impact our tenants' operations and financial condition, potentially jeopardizing their ability to meet their obligations to us. Federal and state agencies administering regulatory and licensing laws regularly inspect our facilities and investigate complaints. Our tenants receive notices of potential sanctions, fines and remedies from time to time, and such sanctions and fines have been imposed from time to time on facilities operated by them. If they are unable to cure deficiencies which have been identified or which are identified in the future, such sanctions and fines may be imposed, and if imposed, may adversely affect our tenants' ability to operate, financial condition and ability to meet their obligations to us.

Our skilled nursing facilities and specialty hospitals generally also may require additional governmental approval, often in the form of a certificate of need that generally varies by state and is subject to change, prior to the addition or construction of new beds, the addition of services or certain capital expenditures.

The PPACA also increased disclosure requirements related to ownership and control of our tenant facilities. Some of these additional disclosure requirements for certain third parties doing business with providers such as our tenants may impact us. The PPACA imposes additional reporting requirements for skilled nursing facilities which will be phased in over the next several years. Further, there is increased liability, including overpayment liability, for

providers with the same taxpayer identification number. Some of our facilities may not be able to satisfy current and future regulatory requirements, and for this reason, may be unable to continue operating in the future. In such event, our revenue from those facilities could be reduced or eliminated for an extended period of time.

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Medicare, Medicaid and Private Payor Reimbursement. Our tenants who operate skilled nursing facilities and specialty hospitals derive a significant portion of their revenue from governmentally-funded reimbursement programs, such as Medicare and Medicaid. Failure to maintain certification and accreditation in these programs would result in a significant loss of funding from them. Moreover, federal and state governments have adopted and continue to consider various reform proposals to control and reduce healthcare costs. Governmental concern regarding healthcare costs and their budgetary impact may result in significant reductions in payment to healthcare facilities, and future reimbursement rates for either governmental or private payors may not be sufficient to cover cost increases in providing services to patients. In many instances, revenues from Medicaid programs are already insufficient to cover the actual costs incurred in providing care to those patients. Many of the states where our tenants operate report budget deficits that put future Medicaid funding at risk and may limit or decrease the number of Medicaid beds available to patients in the near future as well as in the long term. In addition, reimbursement from private payors has, in many cases, effectively been reduced to levels approaching those of government payors. There can be no assurance that adequate reimbursement levels will continue to be available for services provided by any facility operator, whether the facility receives reimbursement from Medicare, Medicaid or private payors. Significant limits on the scope of services reimbursed and on reimbursement rates and fees, or any changes in reimbursement policies that reduce reimbursement to levels that are insufficient to cover our tenants' cost of operating could adversely impact our tenants' operations and financial condition, potentially jeopardizing their ability to meet their obligations to us.

Fraud and Abuse Laws, Stark Law, False Claims Act and Other Compliance Requirements. There are various extremely complex federal and state laws and regulations governing a wide array of business referrals, relationships and arrangements that prohibit fraud by healthcare providers. These laws include (i) civil and criminal laws that prohibit filing false claims, making false statements to receive payment or certification under Medicare and Medicaid and failing to refund overpayments or improper payments, (ii) certain federal and state anti-remuneration and fee-splitting laws, such as the federal healthcare Anti-Kickback Statute and federal physician self-referral law (also known as the Stark law), which govern various types of financial arrangements among healthcare providers and others who may be in a position to refer or recommend patients to these providers (including, in the case of certain states, laws that extend to arrangements that do not involve items or services reimbursable under Medicare or Medicaid but apply to all payors), (iii) the Civil Monetary Penalties law, which may be imposed by the U.S. Department of Health and Human Services (HHS) for certain fraudulent acts, (iv) federal and state patient privacy and security laws and regulations, such as the privacy and security provisions of the Health Insurance Portability and Accountability Act of 1996 as amended (HIPAA) and (v) certain state laws that prohibit the corporate practice of medicine. Increased reporting and compliance requirements are imposed on specialty hospitals, skilled nursing facilities and other providers. Governments are devoting increasing attention and resources to anti-fraud initiatives against healthcare providers. In addition, certain laws, such as the Federal False Claims Act, allow for individuals to bring qui tam (or whistleblower) actions on behalf of the government. Further, federal and state agencies have focused and may continue to focus on the activities of hospitals and skilled nursing facilities in certain states in which we have properties. The violation of any of these regulations by a tenant may result in the imposition of criminal or civil fines or other penalties (including exclusion from the Medicare and Medicaid programs) that could jeopardize that tenant's ability to meet their obligations to us or to continue operating its facility. Finally, government investigation and enforcement of healthcare laws has increased dramatically over the past several years and is expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of false claims laws. The costs for an operator of a facility associated with defending such an enforcement action and undertaking a settlement agreement can be substantial and could adversely affect the ability of a tenant to meet its obligations to us.

Specialty Hospitals. Our specialty hospital tenants are also subject to extensive state and federal regulation, changes in reimbursement and quality reporting as outlined above. They have been the subject of policy and

reimbursement changes under the PPACA, impacting the calculation of inpatient and outpatient prospective payment under Medicare and outlier payments. Further, inpatient rehabilitation facilities are also subject to new coverage criteria impacting hospitals' ability to be paid for services.

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Assisted Living Facilities, Independent Living Facilities and Continuing Care Retirement Communities. Our assisted living and independent living facility tenants are primarily regulated by the states under state licensing laws. In issuing and renewing assisted and independent living facility licenses to our tenants, the state regulatory authorities consider numerous factors relating to the facility's physical plant and operations, such as admissions and discharge standards, staffing and training of personnel, patient rights, medication management, and disaster planning. In some states, certificate of need laws may apply to assisted living facilities. The majority of revenues received by the tenant operators of assisted living and independent living facilities are from private payor sources. The remaining revenue source for assisted living is primarily Medicaid under certain waiver programs which enable certain states to offer Medicaid reimbursement to assisted living facilities as an alternative to institutional long-term care services such as the Omnibus Budget Reconciliation Act of 1981 (OBRA). There can be no guarantee that state Medicaid programs operating pursuant to a waiver will be able to maintain their waiver status. Further, the level of Medicaid reimbursement varies from state to state. Thus, the revenues generated by operators of our assisted living facilities may be adversely affected by payor mix, acuity level and changes in Medicaid eligibility and reimbursement levels. Changes in revenues could in turn adversely affect a tenant's operations and ability to meet its obligations to us. States are increasingly feeling the economic pressures of diminished Medicaid dollars and federal matching funds for Medicaid. As a result, this may negatively impact our tenant operators and affect their ability to meet their obligations to us. In addition, to the extent our assisted living facilities participate in Medicaid, they may be subject to the reimbursement, fraud and abuse and other regulatory risks noted above for skilled nursing facilities.

Successor Liability. Some of our tenants have accepted, and prospective tenants may accept, an assignment of the previous operator's Medicare provider agreement. Such tenants and other new tenants that take assignment of Medicare provider agreements might be subject to federal or state regulatory, civil and criminal investigations of the previous operator's operations and claims submissions. While our tenants generally conduct due diligence in connection with the transfer of operations of such facilities, these types of issues may not be discovered prior to purchase. Adverse decisions, fines or recoupments might negatively impact our tenants' financial condition, and in turn their ability to meet their obligations to us.

If a tenant loses its licensure or certification, becomes unable to provide healthcare services, cannot meet its financial obligations to us or otherwise vacates a facility, we would have to obtain another tenant for the affected facility.

If we lose a tenant and are unable to attract another healthcare provider on a timely basis and on acceptable terms, our cash flows and results of operations could suffer. In addition, many of our properties are special purpose healthcare facilities that may not be easily adaptable to other uses. In addition, transfers of healthcare facilities (including skilled nursing facilities, specialty hospitals and assisted living facilities) to successor operators frequently are subject to regulatory approvals, including change of ownership approvals under certificate of need laws, state licensure laws and Medicare and Medicaid provider certification and conditions of participation, that are not required for transfers of other types of real estate. The replacement of a tenant could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the operations of a facility or the replacement of the operator licensed to manage the facility. The inability to timely transfer properties to successor tenant operators or find efficient alternative uses for any of our properties could materially and adversely affect our results of operations and financial condition.

One of the operators of our facilities accounts for more than 10% of our revenues, and another operator accounts for approximately 9% of our revenues. If these operators experience financial difficulties, or otherwise fail to make payments to us, our revenues may significantly decline.

At December 31, 2010, Brookdale Senior Living, Inc. (Brookdale) and Hearthstone Senior Services, L.P. (Hearthstone) accounted for 12.2% and 9.2%, respectively, of our revenues. We cannot assure you that Brookdale or Hearthstone will have sufficient assets, income or access to financing to enable it to satisfy its obligations to us. Any failure by Brookdale or Hearthstone to effectively conduct its operations could have a material adverse effect on its business reputation or on its ability to attract and retain patients and residents in its properties, which would

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affect its ability to continue to meet its obligations to us. The failure or inability of Brookdale or Hearthstone to pay its obligations to us could materially reduce our revenues and net income, which could in turn reduce the amount of dividends we pay and cause our stock price to decline. In addition, we may incur expenses in exercising our remedies upon any default by Brookdale or Hearthstone.

In February 2011, Hearthstone notified us that it would be unable to pay the rent then due under its leases with us, and asked us to amend certain terms of the leases to make rents achievable. In order to substantially increase the ability of Hearthstone to meet its future obligations, we agreed to certain modifications of the terms of our leases with Hearthstone that include, among other things, a reduction in the aggregate rent payable by \$7.4 million for the lease year ending February 2012, and by \$6.4 million for subsequent lease years. After giving effect to these reductions, the aggregate rent payable by Hearthstone is \$31.7 million for the first lease year, \$33.7 million for the second lease year and increases by 3% each year thereafter. In connection with the lease modifications, we also obtained the right to terminate any and all of our leases with Hearthstone at any time without cause. We believe that the agreed upon rent reductions will be sufficient to enable Hearthstone to satisfy its future payment obligations to us, but there can be no assurance in this regard. We hold a \$6.0 million letter of credit that secures Hearthstone's payment obligations to us. However, it is possible that the letter of credit may not be sufficient to compensate us for any future losses or expenses that may arise if Hearthstone defaults under its leases with us. If we exercise the right to terminate any of the leases without cause, upon the transition of the facilities to a licensed replacement operator we must release to Hearthstone a portion of the \$6 million letter of credit in an amount equal to \$3 million, increasing by an additional \$1 million every six months.

We may be unable to find another tenant for our properties if we have to replace Brookdale, Hearthstone or any of our other tenants.

We may have to find another tenant for the properties covered by one or more of our master lease agreements with Brookdale or Hearthstone or any of our other tenants upon the expiration of the terms of the applicable lease or upon a default by any such tenants. During any period that we are attempting to locate one or more tenants, there could be a decrease or cessation of rental payments on those properties. We cannot assure you that Brookdale or Hearthstone or any of our other tenants will elect to renew their respective leases with us upon expiration of the terms thereof, nor can we assure you that we will be able to locate another suitable tenant or, if we are successful in locating such a tenant, that the rental payments from that new tenant would not be significantly less than the existing rental payments. Our ability to locate another suitable tenant may be significantly delayed or limited by various state licensing, receivership, certificate of need or other laws, as well as by Medicare and Medicaid change-of-ownership rules. We also may incur substantial additional expenses in connection with any such licensing, receivership or change-of-ownership proceedings. Any such delays, limitations and expenses could materially delay or impact our ability to collect rent, to obtain possession of leased properties or otherwise to exercise remedies for tenant default and could have an adverse effect on our business.

Because of the unique and specific improvements required for healthcare facilities, we may be required to incur substantial development and renovation costs to make certain of our properties suitable for other tenants, which could materially adversely affect our business, results of operations and financial condition.

Healthcare facilities are typically highly customized and may not be easily adapted to non-healthcare-related uses. The improvements generally required to conform a property to healthcare use, such as upgrading electrical, gas and plumbing infrastructure, are costly and often times tenant-specific. A new or replacement tenant may require different features in a property, depending on that tenant's particular operations. If a current tenant is unable to pay rent and vacates a property, we may incur substantial expenditures to modify a property before we are able to re-lease the space to another tenant. Also, if the property needs to be renovated to accommodate multiple tenants, we may incur substantial expenditures before we are able to re-lease the space. Consequently, our properties may not be suitable for

lease to traditional office or other healthcare tenants without significant expenditures or renovations, which costs may adversely affect our business, results of operations and financial condition.

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If our tenants are unable or unwilling to incur capital expenditures to maintain and improve our properties, our properties may cease to be competitive and our results of operations would be adversely impacted.

Capital expenditures to maintain and improve our properties are generally incurred by our tenants. If our tenants fail to pay for such expenditures, we may incur substantial costs to maintain or improve our properties, which could adversely affect our liquidity. If we fail to make such capital expenditures, our properties may become less attractive to tenants and our results of operations could be adversely impacted. Although some of our leases provide for impound accounts to reduce the risk of a tenant failing to make the requisite capital expenditures, many of our leases do not provide for such impound accounts and, for those that do, such accounts may not always be sufficient to protect us from loss.

Our tenants are faced with significant potential litigation and rising insurance costs that not only affect their ability to obtain and maintain adequate liability and other insurance, but also may affect their ability to pay their lease or mortgage payments and fulfill their insurance, indemnification and other obligations to us.

Our tenants have experienced substantial increases in both the number and size of patient care liability claims in recent years. As a result, the costs of monitoring and reporting quality of care compliance incurred by our tenants have increased materially. In addition, the cost of general and professional liability insurance has increased and may continue to increase so long as the present litigation environment continues. This has affected the ability of some of our tenants to obtain and maintain adequate liability and other insurance and, thus, manage their related risk exposure. In addition to being unable to fulfill their insurance, indemnification and other obligations to us under their leases and mortgages, and thereby potentially exposing us to those risks, this could cause our tenants to be unable to meet their financial and other obligations to us, potentially decreasing our revenues and increasing our collection and litigation costs.

In addition, we have in the past and may in the future in some circumstances be named as a defendant in litigation involving the actions of our tenants. Although we have no involvement in the activities of our tenants and our standard leases generally require our tenants to indemnify and carry insurance to cover us, in certain cases, a significant judgment against us in such litigation could exceed our and our tenants' insurance coverage, which would require us to make payments to cover the judgment. We have purchased our own insurance as additional protection against such issues, but we may experience uninsured or underinsured losses.

Increased competition resulting in lower revenues for some operators may affect their ability to meet their payment obligations to us.

The healthcare industry is highly competitive, and we expect that it may become more competitive in the future. Our tenants are competing with numerous other companies providing similar healthcare services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. In addition, past overbuilding in the assisted and independent living market caused a slow-down in the fill rate of newly constructed buildings and a reduction in the monthly rate many newly built and previously existing facilities were able to obtain for their services and adversely impacted the occupancy of mature properties. This in turn resulted in lower revenues for the operators of certain of our facilities and contributed to the financial difficulties of some operators. While we believe that overbuilt markets should reach stabilization in the next several years and are less of a problem today due to minimal development, we cannot be certain that the operators of all of our facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Our tenants are expected to encounter increased competition in the future, including through industry consolidation, that could limit their ability to attract residents or expand their businesses and therefore affect their ability to meet their obligations to us.

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RISKS RELATING TO US AND OUR OPERATIONS

In addition to the tenant related risks discussed above, there are a number of risks directly associated with us and our operations.

We are subject to particular risks associated with real estate ownership, which could result in unanticipated losses or expenses.

Our business is subject to many risks that are associated with the ownership of real estate, including, among other things, the following:

general liability, property and casualty losses, some of which may be uninsured;

the inability to purchase or sell our assets rapidly to respond to changing economic conditions, due to the illiquid nature of real estate and the real estate market;

leases which are not renewed or are renewed at lower rental amounts at expiration;

the exercise of purchase options by operators resulting in a reduction of our rental revenue;

costs relating to maintenance and repair of our facilities and the need to make expenditures due to changes in governmental regulations, including the Americans with Disabilities Act;

environmental hazards created by prior owners or occupants, existing tenants, mortgagors or other persons for which we may be liable;

acts of God, earthquakes, wildfires, storms, floods and other natural disasters affecting our properties, some of which may be exacerbated in the future as a result of global climate changes; and

acts of terrorism affecting our properties.

We are subject to particular risks associated with real estate development, which could result in unanticipated losses or expenses.

On a strategic and selective basis, we may make investments in development projects. Our success with such projects is subject to many risks associated with real estate development, including, among other things, the following:

we may be unable to obtain construction and/or permanent financing for these projects on favorable terms or at all;

we may be unable to obtain or experience delays in obtaining all required zoning, land use, building, occupancy, environmental and other required governmental permits and authorizations;

development and construction costs of a project may exceed our original estimates;

the time required to complete the development, construction and/or lease up of a project may exceed our original estimates;

competition may exceed our original estimates and/or demand may be lower than our original estimates;

occupancy and rental rates of a completed project may be lower than our original estimates;

we have a limited history in conducting ground-up development projects; and

unsuccessful projects could result in direct costs to us.

We may make investments in mezzanine loans, which are subject to a greater risk of loss than loans secured by the underlying real estate.

We may make investments in mezzanine loans which generally take the form of subordinated loans secured by a pledge of ownership interests in the entity owning the related property. These types of investments involve a higher degree of risk than senior mortgage loans secured by income-producing real property because the investment may

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have a lesser likelihood of being repaid in full in the event of foreclosure by the senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to fully repay any mezzanine loans. If a borrower defaults on mezzanine loans or debt senior to our loans, or in the event of a borrower bankruptcy, the mezzanine loans would be satisfied only after the senior debt is paid and, any repayment would be in accordance with bankruptcy rules. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan-to-value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. If mezzanine loans are not repaid, or are only partially repaid, our business, results of operations and financial condition may be adversely affected.

We may make investments in senior housing operations, which would cause the related portion of our results of operations to be dependent on third party managers.

We may make investments in senior housing operations utilizing the REIT Improvement Diversification and Empowerment Act (RIDEA) and taxable REIT subsidiary (TRS) structure. Such investments would restrict us from directly or indirectly engaging in senior housing operations, and instead, we would be required to retain eligible independent contractors to operate the related facilities under management agreements. Accordingly, we would be dependent upon the independent contractors to implement strategic business decisions and control the daily facility operations. Our business, results of operations and financial condition may be adversely affected if the independent contractors fail to successfully operate the facilities efficiently, effectively and in a manner that is in our best interest.

We may make investments in facilities that require entrance fees, which would expose us to additional risks.

We may make investments in facilities that require the payment of entrance fees by residents, a portion of which may be refundable by the operator, which would be our tenant. The timing of the receipt of and/or refund of entrance fees could cause a financial burden on our tenants. Additionally, some of these facilities may be subject to oversight of such funds by state regulators, affording residents various rights which could be unfavorable for our tenants. These factors could adversely impact our tenants' financial condition and their ability to meet their obligations to us.

General economic conditions and other events or occurrences that affect areas in which our investments are geographically concentrated may impact our financial results.

At December 31, 2010, 47.9% of our triple-net lease rent was derived from facilities located in the following states: Texas (19.9%), California (10.7%), Massachusetts (6.2%), Wisconsin (6.1%) and Florida (5.0%). As a result of this geographic concentration, we are subject to increased exposure to adverse conditions affecting these markets, including general economic conditions, increased competition or decreased demand, changes in state-specific legislation, including proposed Medicaid cuts, a downturn in the local healthcare industry, real estate conditions, terrorist attacks, earthquakes and wildfires and other natural disasters occurring in these regions, which could adversely affect our business.

Our ownership of properties through ground leases exposes us to certain restrictions and the potential loss of such properties upon the exercise by the lessor of purchase options contained in certain ground leases, breach or termination of the ground leases.

We have acquired an interest in certain of our facilities by acquiring a leasehold interest in the property on which the building is located, and we may acquire additional facilities in the future through the purchase of interests in ground leases. As the lessee under a ground lease, we are subject to restrictions imposed by the lease terms, including potential limitations on the replacement of tenants, which could result in a decrease or cessation of rental payments to us. Additionally, we are exposed to the possibility of losing the facility upon the exercise by the lessor of purchase

options contained in the ground lease, termination of the ground lease or an earlier breach of the ground lease by us.

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We have now, and may have in the future, exposure to contingent rent escalators and floating interest rates, both of which can have the effect of reducing our profitability.

We receive revenue primarily by leasing our assets under operating leases in which the rental rate is generally fixed with annual rent escalations, subject to certain limitations. Certain leases contain escalators contingent on revenues or other factors, including increases based on changes in the Consumer Price Index. If our tenants' revenues do not increase as a result of the current weak economic conditions or other factors and/or the Consumer Price Index does not increase, our revenues may not increase.

Certain of our debt obligations are floating-rate obligations with interest rate and related payments that vary with the movement of LIBOR or other indices. The generally fixed rate nature of our revenue and the variable rate nature of certain of our interest obligations create interest rate risk. If interest rates increase, it could have a negative effect on our profitability, and our lease and other revenue may become insufficient to meet our obligations.

We have now, and may have in the future, exposure related to our leases and loans secured by letters of credit, some of which are issued by banks that may be affected by the severely distressed housing and credit markets or other factors.

As of December 31, 2010, leases covering 417 triple-net leased facilities were secured by irrevocable letters of credit totaling \$78.8 million. In the event that any of the tenants or borrowers related to these facilities become unable to meet their obligations, we are entitled to draw down on the letters of credit an amount equal to the earned and unpaid obligations. Our access to funds under the letters of credit is dependent on the ability of the issuing banks to meet their funding commitments. These banks might have incurred losses or might have reduced capital reserves as a result of their prior lending to other borrowers, their holdings of certain mortgage or other securities or losses they have sustained in connection with any other financial relationships, each of which may be affected by the general weakening of the U.S. economy and the increased financial instability of many borrowers. As a result, these banks might be or become capital constrained and might tighten their lending standards, or become insolvent. If they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, these banks might not be able to meet their funding commitments under our letters of credit. If an issuing bank has financial difficulties, we may be unable to draw down on a letter of credit, which could delay or reduce our ability to collect unpaid obligations and reduce our revenue and operating cash flow.

Underinsured or uninsured losses and/or the failure of one or more of our insurance carriers could adversely impact our business.

We and our tenants insure against a wide range of risks through insurance with terms, conditions, limits and deductibles that we believe are adequate and appropriate given the relative risk and costs of such coverage. However, there is no assurance that this insurance will fully cover all potential losses, and there are certain exposures for which insurance is not purchased when it is deemed it is not economically feasible to do so. Underinsured or uninsured losses could decrease our anticipated revenues from a property and result in the loss of all or a portion of the capital we have invested in a property.

Additionally, if the recent global financial crisis were to affect the solvency of any carrier providing insurance to us or any of our tenants, it could result in their inability to make payments on insurance claims, which could have an adverse effect on our financial condition or that of our tenants. In addition, the failure of one or more insurance companies may increase the costs to renew existing insurance policies.

As owners of real estate, we are subject to environmental laws that expose us to the possibility of having to pay damages to the government and costs of remediation if there is contamination on our property.

Under various laws, owners of real estate may be required to investigate and clean up hazardous substances present at a property and may be held liable for property damage or personal injuries that result from environmental contamination. These laws also expose us to the possibility that we become liable to reimburse the government for damages and costs it incurs in connection with the contamination, regardless of whether we were aware of, or responsible for, the environmental contamination. We review environmental surveys of the facilities we own prior to

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their purchase. Based upon those surveys we do not believe that any of our properties are subject to material environmental contamination. However, environmental liabilities may be present in our properties and we may incur costs to remediate contamination that could have a material adverse effect on our business or financial condition.

We may recognize impairment charges or losses on the sale of certain facilities.

We review our long-lived assets individually on a quarterly basis to determine if there are indicators of impairment. For operating assets, if indicators of impairment exist, we compare the undiscounted cash flows from the expected use of the property to its net book value to determine if impairment exists. If the sum of the future estimated undiscounted cash flows is higher than the current net book value, we would conclude no impairment exists. If the sum of the future estimated undiscounted cash flows is lower than its current net book value, we would recognize an impairment loss for the difference between the net book value of the asset and its estimated fair value which would reduce our net income. From time to time, we classify certain facilities, including unoccupied buildings and land parcels, as assets held for sale. To the extent we are unable to sell these properties for net book value, we may be required to take an impairment charge or loss on the sale, either of which would reduce our net income.

We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investment in an unconsolidated joint venture may exceed the fair value. If it is determined that a decline in the fair value of our investment in an unconsolidated joint venture is other-than-temporary and is below its carrying value, an impairment would be recorded which would reduce our net income.

We may face competitive risks related to reinvestment of sale proceeds.

From time to time, we will have cash available from (i) the proceeds of sales of our securities, (ii) principal payments on our loans receivable and (iii) the sale of properties, including non-elective dispositions, under the terms of master leases or similar financial support arrangements. In order to maintain our current financial results, we must re-invest these proceeds on a timely basis. We compete for real estate investments with a broad variety of potential investors. This competition for attractive investments may negatively affect our ability to make timely investments on terms acceptable to us. Delays in completing investment transactions may negatively impact revenues and our ability to make distributions to stockholders.

We rely on external sources of capital to fund future capital needs, and continued turbulence in financial markets could impair our ability to meet maturing commitments or make future investments necessary to grow our business.

In order to qualify as a REIT under the Internal Revenue Code, we are required, among other things, to distribute each year to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and by excluding net capital gain. Because of this distribution requirement, we will not be able to fund, from cash retained from operations, all future capital needs, including capital needs to satisfy or refinance maturing commitments and to make investments. As a result, we rely on external sources of capital. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, we might not be able to make the investments needed to grow our business, or to meet our obligations and commitments as they mature, which could negatively affect the ratings of our debt and even, in extreme circumstances, affect our ability to continue operations. Our access to capital depends upon a number of factors over which we have little or no control, including rising interest rates, inflation and other general market conditions and the market's perception of our potential for future increases in earnings and cash distributions, as well as the market price of the shares of our capital stock.

Recent market and economic conditions have been unprecedented and challenging with tighter credit conditions and slow growth. While there are current signs of a strengthening and stabilizing economy and more liquid and attractive

capital markets, there are continued concerns about the uncertainty over whether our economy will again be adversely impacted by inflation, deflation or stagflation, and the systemic impact of high unemployment and energy costs, geopolitical issues, the availability and cost of capital, the U.S. mortgage market and a

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weak real estate market in the U.S., resulting in a return to illiquid credit markets and widening credit spreads. We had \$525.0 million available under our \$700.0 million revolving unsecured senior credit facility at December 31, 2010, and we have no current reason to believe that we will be unable to access the facility in the future. However, continued concern about the stability of the markets generally and the strength of borrowers specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide, funding to borrowers. In addition, the banks that are parties to the credit facility might have incurred losses or might have reduced capital reserves as a result of their prior lending to other borrowers, their holdings of certain mortgage or other securities or losses they have sustained in connection with any other financial relationships, each of which may be affected by the general weakening of the U.S. economy and the increased financial instability of many borrowers. As a result, these banks might be or become capital constrained and might tighten their lending standards, or become insolvent. If they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from other borrowers within a short period of time, these banks might not be able to meet their funding commitments under our credit facility. If we were unable to access our credit facility it could result in an adverse effect on our liquidity and financial condition.

As of December 31, 2010, we had \$514.0 million of debt that matures in 2011 and \$111.3 million of debt that matures in 2012. Additionally, \$75.4 million of our senior notes can be put to us prior to the stated maturity date. There are no such senior notes that we may be required to repay in 2011, however, there is \$52.4 million of such senior notes that we may be required to repay in 2012. If the adverse market conditions the U.S. recently experienced return, they may limit our ability to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, resulting in a material adverse effect on our financial condition and results of operations.

Our plans for growth require regular access to the capital and credit markets. If capital is not available at an acceptable cost, it will significantly impair our ability to make future investments as acquisitions and development projects become difficult or impractical to pursue. Our potential capital sources include:

Equity Financing. As with other publicly-traded companies, the availability of equity capital will depend, in part, on the market price of our common stock which, in turn, will depend upon various market conditions that may change from time to time. Among the market conditions and other factors that may affect the market price of our common stock are:

the extent of investor interest;

the reputation of REITs in general and the healthcare sector in particular and the attractiveness of REIT equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;

our financial performance and that of our tenants;

the contents of analyst reports about us and the REIT industry;

general stock and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers of our common stock to demand a higher annual yield from future distributions;

our failure to maintain or increase our dividend, which is dependent, to a large part, on growth of funds from operations which in turn depends upon increased revenues from existing investments, future investments and revenue increases; and

other factors such as governmental regulatory action and changes in REIT tax laws.

The market value of the equity securities of a REIT is generally based upon the market's perception of the REIT's growth potential and its current and potential future earnings and cash distributions. Our failure to meet the market's expectation with regard to future earnings and cash distributions likely would adversely affect the market price of our common stock.

Debt Financing/Leverage. Financing for our maturing commitments and future investments may be provided by borrowings under our credit facility, private or public offerings of debt, the assumption of secured indebtedness, mortgage financing on a portion of our owned portfolio or through joint ventures. We

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are subject to risks normally associated with debt financing, including the risks that our cash flow will be insufficient to service our debt or make distributions to our stockholders, that we will be unable to refinance existing indebtedness or that the terms of refinancing may not be as favorable as the terms of existing indebtedness or may include restrictive covenants that limit our flexibility in operating our business. If we are unable to refinance or extend principal payments due at maturity or pay them with proceeds from other capital transactions, our cash flow may not be sufficient in all years to pay distributions to our stockholders and to repay all maturing debt. Furthermore, if prevailing interest rates, changes in our debt ratings, or other factors at the time of refinancing, result in higher interest rates upon refinancing, the interest expense relating to that refinanced indebtedness would increase, which could reduce our profitability and the amount of dividends we are able to pay. Moreover, additional debt financing increases the amount of our leverage. The degree of leverage could have important consequences to stockholders, including affecting our investment grade ratings, our ability to obtain additional financing in the future for working capital, capital expenditures, investments, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy generally.

Joint Ventures. We may develop or acquire properties in joint ventures with other persons or entities when circumstances warrant the use of these structures. Our participation in joint ventures is subject to the risks that:

our co-venturers or partners might at any time have economic or other business interests or goals that are inconsistent with our business interests or goals;

our co-venturers or partners may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives (including actions that may be inconsistent with our REIT status);

our co-venturers or partners may have different objectives from us regarding the appropriate timing and pricing of any sale or refinancing of properties; and

our co-venturers or partners might become bankrupt or insolvent.

Joint ventures require us to share decision-making authority with our co-venturers or partners, which limits our ability to control the properties in the joint ventures. Even when we have a controlling interest, certain major decisions may require partner approval.

A downgrade of our credit rating could impair our ability to obtain additional debt financing on favorable terms, if at all, and significantly reduce the trading price of our common stock.

We currently have investment grade credit ratings of BBB from Fitch Ratings, Baa2 from Moody's Investors Service and BBB from Standard & Poor's Ratings Services (upgraded to BBB from BBB- on March 8, 2010) on our senior notes. If any of these rating agencies downgrade our credit rating, or place our rating under watch or review for possible downgrade, this could make it more difficult or expensive for us to obtain additional debt financing, and the trading price of our common stock will likely decline. Factors that may affect our credit rating include, among other things, our financial performance, our success in raising sufficient equity capital, adverse changes in our debt and fixed charge coverage ratios, our capital structure and level of indebtedness and pending or future changes in the regulatory framework applicable to our tenants and our industry. We cannot assure you that these credit agencies will not downgrade our credit rating in the future.

Our level of indebtedness may adversely affect our financial results.

As of December 31, 2010, we had total consolidated indebtedness of \$1.5 billion and total assets of \$4.1 billion. We expect to incur additional indebtedness in the future. The risks associated with financial leverage include:

increasing our sensitivity to general economic and industry conditions;

limiting our ability to obtain additional financing on favorable terms;

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requiring a substantial portion of our cash flow to make interest and principal payments due on our indebtedness;

a possible downgrade of our credit rating; and

limiting our flexibility in planning for, or reacting to, changes in our business and industry.

Our debt instruments contain covenants that restrict our ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

Covenants under our credit facility and our senior notes may limit management's discretion by restricting our ability to, among other things, incur additional debt, redeem our capital stock, enter into certain transactions with affiliates, pay dividends and make other distributions, make investments and other restricted payments and create liens. Any additional financing we may obtain could contain similar or more restrictive covenants. Our desire to comply with these covenants may in the future prevent us from taking certain actions that we would otherwise deem appropriate.

If the holders of our senior notes exercise their rights to require us to repurchase their securities, we may have to make substantial payments, incur additional debt or issue equity securities to finance the repurchase.

Some of our senior notes grant the holders the right to require us, on specified dates, to repurchase their securities at a price equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest. If the holders of these securities elect to require us to repurchase their securities, we may be required to make significant payments, which would adversely affect our liquidity. Alternatively, we could finance the repurchase through the issuance of additional debt securities, which may have terms that are not as favorable as the securities we are repurchasing, or equity securities, which would dilute the interests of our existing stockholders.

We are subject to risks associated with derivative instruments.

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest-bearing liabilities. We endeavor to limit these risks by following established risk management policies, procedures and strategies, including, on occasion, the use of derivative instruments. These instruments may not be effective in reducing our exposure to changes in interest rates, and in the case of forward-starting interest rate swap agreements, there is a risk that we will not complete the forecasted debt issuance for which the swap is intended to hedge the related expected interest payments. Further, the counterparties to these instruments may fail to honor their obligations under these arrangements. Such events may adversely affect our results of operations or financial condition.

The market price of our common stock has fluctuated and could fluctuate significantly.

Stock markets, in general, and stock prices of participants in the healthcare industry, in particular, have recently experienced significant levels of volatility. Continued market volatility may adversely affect the market price of our common stock. As with other publicly traded securities, the trading price of our common stock depends on several factors, many of which are beyond our control, including: general market and economic conditions; our proposed merger with Ventas; the effects of direct governmental action in financial markets; prevailing interest rates; the market for similar securities issued by other REITs; our credit rating; and our financial condition and results of operations.

A decision by any of our significant stockholders to sell a substantial amount of our common stock could depress our stock price. Based on filings with the SEC and shareholder reporting services, as of December 31, 2010, three of our

stockholders owned at least five percent of our common stock and held an aggregate of approximately 21.4% of our common stock. A decision by any of these stockholders to sell a substantial amount of our common stock could depress the trading price of our common stock.

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We may issue shares of preferred stock that would give holders of such shares rights that are senior to the rights of holders of our common stock or significant influence over our affairs, and their interests may differ from those of our other stockholders.

Our board of directors has the authority to designate and issue preferred stock that may have dividend, liquidation and other rights that are senior to those of our common stock. Holders of our preferred stock would be entitled to cumulative dividends before any dividends may be declared or set aside on our common stock. Upon our voluntary or involuntary liquidation, dissolution or winding up, before any payment is made to holders of our common stock, holders of our preferred stock would be entitled to receive a liquidation preference, plus any accumulated and unpaid distributions. This would reduce the remaining amount of our assets, if any, available to distribute to holders of our common stock. In addition, holders of our preferred stock may have the right to elect directors to our board of directors if preferred dividends are in arrears.

There is no assurance that we will make distributions in the future.

We intend to continue to pay quarterly distributions to our stockholders consistent with our historical practice. However, our ability to pay distributions will be adversely affected if any of the risks described herein occur. Our payment of distributions is subject to compliance with restrictions contained in our credit facility and our senior notes. All distributions are made at the discretion of our board of directors, and our future distributions will depend upon our earnings, our cash flows, our anticipated cash flows, our financial condition, maintenance of our REIT tax status and such other factors as our board of directors may deem relevant from time to time. There are no assurances of our ability to pay distributions in the future. In addition, our distributions in the past have included, and may in the future include, a return of capital.

We face risks associated with short-term liquid investments.

At times we have significant cash balances that we invest in various short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. These investments may include (either directly or indirectly) obligations of the U.S. government or its agencies, obligations (including certificates of deposit) of banks, commercial paper, money market funds and other highly rated short-term securities. Investments in these securities and funds are not insured against loss of principal. Under certain circumstances, we may be required to redeem all or part of our investment, and our right to redeem some or all of our investment may be delayed or suspended. In addition, there is no guarantee that our investments in these securities or funds will be redeemable at par value. A decline in the value of our investment or a delay or suspension of our right to redeem may have a material adverse effect on our results of operations or financial condition.

Our growth to date has been in part dependent on acquisitions which may not be available in the future, and we cannot make any assurances that any future growth strategies will be successful or not expose us to additional risks.

Any future growth through acquisitions will be partially dependent upon our ability to identify and complete favorable transactions and will be subject to risks associated with acquisitions, including delays or failures in obtaining third party consents or approvals, the failure to achieve perceived benefits, unexpected costs or liabilities and potential litigation. To the extent that acquisitions are made in geographic markets in which we have not previously had a presence, we would be exposed to additional risks, including those associated with an inability to accurately evaluate local market conditions, a lack of business relationships in the area and an unfamiliarity with local governmental and other regulations. Additionally, with respect to large or highly sought-after transactions, we may be unable to successfully compete with companies that are larger or have a lower cost of capital than us, or which may be willing to assume more risk than us.

A key component of our growth strategy includes efficient access to the capital and credit markets. In certain situations where the future availability of capital is uncertain, we may secure equity and/or debt financing without the ability to immediately deploy the capital to income producing investments. As a result, dilution of earnings and other per share financial measures could occur as a result of the issuance of additional shares of stock and/or increased interest expense.

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Although we believe that we have been successful in the past, we can give no assurance that we would be able to successfully identify and complete favorable transactions and/or execute new growth strategies in the future.

Unforeseen costs associated with investments in new properties could reduce our profitability.

Our business strategy contemplates future investments that may not prove to be successful. For example, we might encounter unanticipated difficulties and expenditures relating to any acquired properties, including contingent and/or unknown liabilities with limited or no recourse, and newly-acquired properties might require significant management attention that would otherwise be devoted to our ongoing business. If we issue equity securities or incur additional debt or both to finance future investments, it may reduce our per share financial results and/or increase our leverage. If we pursue new development projects, such projects would be subject to numerous risks, including risks of construction delays or cost overruns that may increase project costs, and new project commencement risks such as receipt of zoning, occupancy and other required governmental approvals and permits. Moreover, if we agree to provide funding to enable healthcare operators to build, expand or renovate facilities on our properties and the project is not completed, we could be forced to become involved in the development to ensure completion or we could lose the property. These costs may negatively affect our results of operations.

Increasing consolidation at the operator or REIT level could increase competition and reduce our profitability.

Our business is highly competitive and it may become more competitive in the future. We compete with a number of healthcare REITs and other financing sources, some of which are larger than us. If consolidation occurs at the REIT or operator level, it could result in fewer investment opportunities for us and/or reduced profitability on our investments.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, results of operations, financial condition and stock price.

Pursuant to the Sarbanes-Oxley Act of 2002, we are required to provide a report by management on our internal control over financial reporting, including management's assessment of the effectiveness of such control. Changes to our business will necessitate ongoing changes to our internal control systems and processes. Internal control over financial reporting may not prevent or detect misstatements due to inherent limitations, including the possibility of human error, the circumvention or overriding of controls or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business, results of operations and financial condition could be materially adversely affected, we could fail to meet our reporting obligations and there could be a decline in our stock price.

Compliance with changing government regulations may result in additional expenses.

Changing laws, regulations and standards, including those relating to corporate governance and public disclosure, new SEC regulations and New York Stock Exchange rules, may create uncertainty for companies such as ours. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to our business practices. Also, legislative or regulatory efforts that seek to reduce greenhouse gas emissions through green building codes could increase the costs of maintaining or improving our existing properties or developing new properties. We are committed to maintaining high standards of

compliance with all applicable laws, regulations and standards. As a result, our efforts to comply with evolving laws, regulations and standards may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our

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efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

During July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into federal law. The provisions of the Dodd-Frank Act include new regulations for over-the-counter derivatives and substantially increased regulation and risk of liability for credit rating agencies, all of which could increase our cost of capital. The Dodd-Frank Act also includes provisions concerning corporate governance and executive compensation which, among other things, require additional executive compensation disclosures and enhanced independence requirements for board compensation committees and related advisors, as well as provide explicit authority for the SEC to adopt proxy access and non-binding stockholder say on pay voting, all of which could result in additional expenses in order to maintain compliance. The Dodd-Frank Act is wide-ranging, and the provisions are broad with significant discretion given to the many and varied agencies tasked with adopting and implementing the Dodd-Frank Act. The majority of the provisions of the Dodd-Frank Act do not go into effect immediately and may be adopted and implemented over many months or years. As such, we cannot predict the full impact of the Dodd-Frank Act on our financial condition or results of operations.

Our success depends in part on our ability to retain key personnel, and if we are not successful in succession planning for our senior management team our business could be adversely impacted.

We depend on the efforts of our executive officers, particularly our President and Chief Executive Officer, Mr. Douglas M. Pasquale and our Executive Vice Presidents, Mr. Donald D. Bradley and Mr. Abdo H. Khoury. The loss of the services of these persons or the limitation of their availability could have an adverse impact on our operations. Although we have entered into employment or change in control agreements with certain of these executive officers, these agreements may not assure their continued service. In addition, if we are unsuccessful in our succession planning efforts, the continuity of our business and results of operations could be adversely impacted in the event that we are unable to retain one or more of these officers.

Some of our directors are involved in other real estate activities and investments and, therefore, may have potential conflicts of interest with us.

From time to time, certain of our directors may own interests in other real estate related businesses and investments, and this may give rise to potential conflicts of interests. All directors, officers and employees must avoid conflicts of interest as prescribed by our Business Code of Conduct & Ethics (the Code of Conduct) and are required, on an annual basis, to certify their compliance with the requirements of the Code of Conduct. The Code of Conduct provides that no director shall participate in any decision by the board of directors or Audit Committee that in any way relates to a matter that gives rise to a conflict of interest, other than to provide the board of directors of Audit Committee with all relevant information relating to the matter. Related party transactions are disclosed in our consolidated financial statements.

Our charter and bylaws and the laws of the state of our incorporation contain provisions that may delay, defer or prevent a change in control or other transactions that could provide stockholders with the opportunity to realize a premium over the then-prevailing market price for our common stock.

In order to protect us against the risk of losing our REIT status for U.S. federal income tax purposes, our charter and bylaws prohibit (i) the beneficial ownership by any single person of more than 9.9% of the issued and outstanding shares of our stock, by value or number of shares, whichever is more restrictive, and (ii) any transfer that would result in beneficial ownership of our stock by fewer than 100 persons. We have the right to redeem shares acquired or held in excess of the ownership limit. In addition, if any acquisition of our common or preferred stock violates the 9.9% ownership limit, the subject shares are automatically transferred to a trust temporarily for the benefit of a charitable

beneficiary and, ultimately, are transferred to a person whose ownership of the shares will not violate the ownership limit. Furthermore, where such transfer in trust would not prevent a violation of the ownership limits, the prohibited transfer is treated as void ab initio. The ownership limit may have the effect of delaying, deferring or preventing a change in control of our company and could adversely affect our stockholders' ability to realize a premium over the market price for the shares of our common stock. Our board of directors has increased the ownership limit to 20% with respect to one of our stockholders, Cohen & Steers, Inc. (Cohen & Steers).

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Cohen & Steers beneficially owned 3.5 million of our shares, or approximately 2.8% of our common stock, as of December 31, 2010.

Our charter authorizes us to issue additional shares of common stock and one or more series of preferred stock and to establish the preferences, rights and other terms of any series of preferred stock that we issue. Although our board of directors has no intention to do so at the present time, it could establish a series of preferred stock that could delay, defer or prevent a transaction or a change in control that might involve the payment of a premium over the market price for our common stock or otherwise be in the best interests of our stockholders.

In addition, the laws of our state of incorporation and the following provisions of our charter may delay, defer or prevent a transaction that may be in the best interests of our stockholders:

certain business combinations must be approved by 90% of the outstanding shares unless the transaction receives a unanimous vote or consent of our board of directors or is a combination solely with a wholly owned subsidiary; and

the classification of our board of directors into three groups, with each group of directors being elected for successive three-year terms, may delay any attempt to replace our board.

As a Maryland corporation, we are subject to provisions of the Maryland Business Combination Act (MBCA) and the Maryland Control Share Acquisition Act (MCSA). The MBCA may prohibit certain future acquirors of 10% or more of our stock (entitled to vote generally in the election of directors) and their affiliates from engaging in business combinations with us for a period of five years after such acquisition, and then only upon recommendation by the board of directors with (i) a stockholder vote of 80% of the votes entitled to be cast (including two-thirds of the stock not held by the acquiror and its affiliates) or (ii) if certain stringent fair price tests are met. The MCSA may cause acquirors of stock at levels in excess of 10%, 33% or 50% of the voting power of our stock to lose the voting rights of such stock unless voting rights are restored by vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes of stock held by the acquiring stockholder and our officers and employee directors.

RISKS RELATED TO OUR TAXATION AS A REIT

If we fail to remain qualified as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our stockholders.

We intend to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Accordingly, there can be no assurance that the Internal Revenue Service (IRS) will not contend that our interests in subsidiaries or other issuers will not cause a violation of the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our common stock. Unless we were entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the

four taxable years following the year in which we failed to qualify as a REIT.

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Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from qualified dividends payable to domestic stockholders that are individuals, trusts and estates has been reduced by legislation to 15% through the end of 2012. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, and state or local income, property and transfer taxes. For example, we have in the past acquired, and may in the future acquire, appreciated assets from a corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Internal Revenue Code) in a transaction in which we receive carry-over tax basis. If we subsequently dispose of those assets and recognize gain during the ten-year period following their acquisition, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our non-healthcare assets through TRSs, or other subsidiary corporations that will be subject to corporate-level income tax at regular rates. We will be subject to a 100% penalty tax on certain amounts if the economic arrangements among our tenants, our TRS and us are not comparable to similar arrangements among unrelated parties. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements with respect to our TRS limits our flexibility in operating or managing certain properties through our TRS.

A TRS may not directly or indirectly operate or manage a healthcare facility. For REIT qualification purposes, the definition of a healthcare facility means a hospital, nursing facility, assisted living facility, congregate care facility, qualified continuing care facility or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of or mortgage secured by such facility, was operated by a provider of such services which was eligible for participation in the Medicare program under Title XVIII of the Social Security Act with respect to such facility. If the IRS were to treat a subsidiary corporation of ours as directly or indirectly operating or managing a healthcare facility, such subsidiary would not qualify as a TRS, which could jeopardize our REIT qualification under the REIT gross asset tests.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we continually must satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income, asset-diversification or distribution requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes or currency fluctuations with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of both the 75% and 95% gross income tests, if certain requirements are met. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through one of our domestic TRSs. This could

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increase the cost of our hedging activities because our domestic TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear.

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our continued qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the federal income tax treatment of an investment in us. The federal income tax rules that affect REITs are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. Revisions in federal tax laws and interpretations thereof could cause us to change our investments and commitments and affect the tax considerations of an investment in us.

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

See Item 1 for details.

Item 3. *Legal Proceedings.*

From time to time, we are a party to various legal proceedings, lawsuits and other claims (as to some of which we may not be insured) that arise in the normal course of our business. Regardless of their merits, these matters may require us to expend significant financial resources. Except as described herein, we are not aware of any other legal proceedings or claims that we believe may have, individually or taken together, a material adverse effect on our business, results of operations or financial position. However, we are unable to predict the ultimate outcome of pending litigation and claims, and if our assessment of our liability with respect to these actions and claims is incorrect, such actions and claims could have a material adverse effect on our business, results of operations or financial position.

Greenwood Healthcare Center

In late 2004 and early 2005, we were served with several lawsuits in connection with a fire at the Greenwood Healthcare Center in Hartford, Connecticut, that occurred on February 26, 2003. At the time of the fire, the Greenwood Healthcare Center was owned by us and leased to and operated by Lexington Healthcare Group (Lexington Healthcare). There were a total of 13 lawsuits arising from the fire. Those suits have been filed by representatives of patients who were either killed or injured in the fire. The lawsuits seek unspecified monetary damages. The complaints allege that the fire was set by a resident who had previously been diagnosed with

depression. The complaints allege theories of negligent operation and premises liability against Lexington Healthcare, as operator, and us as owner. Lexington Healthcare has filed for bankruptcy. The matters have been consolidated into one action in the Connecticut Superior Court Complex Litigation Docket at the Judicial District at Hartford and are in various stages of discovery and motion practice. We have filed a motion for summary judgment with regard to certain pending claims and will be filing additional summary judgment motions for any remaining claims. Mediation was commenced with respect to most of the claims, and a settlement has been reached in 10 of the 13 pending claims within the limits of our commercial general liability insurance. We obtained a judgment of nonsuit in one case whereby it is now dismissed, and the two remaining claims will be subject to summary judgment motions and ongoing efforts at resolution. Summary judgment rulings are not expected until the end of 2011, if not later.

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Lexington Insurance, the insurance carrier for Lexington Healthcare, which potentially owes insurance coverage for these claims to us, has filed a lawsuit against us which seeks no monetary damages, but which does seek a court order limiting its insurance coverage obligations to us. We have filed a counterclaim against Lexington Insurance demanding additional insurance coverage from Lexington Insurance in amounts up to \$10.0 million. The parties to that case, which is pending on the Complex Litigation Docket for the Judicial District of Hartford, filed cross-motions for summary judgment. Those motions have been decided, resulting in an outcome that is largely favorable for us. The court's ruling indicates \$10.0 million in aggregate coverage is available from Lexington Insurance for both the various plaintiffs' claims and our claims under the Professional Liability part of the Lexington Insurance policy. The court then found that there were 13 separate medical incidents for each of the 13 plaintiffs' claims. However, the court limited the coverage to \$500,000 per claim with a \$250,000 self insured retention per claim, which retention will not be paid due to the bankruptcy of Lexington Healthcare. Further, the court has ruled that both the various plaintiffs' claims and our claims are subject to the same policy limits. The court declined to find coverage for our claims under the comprehensive general liability portions of the Lexington Insurance policy. Lexington Insurance is pursuing an appeal of the rulings. We are currently defending the appeal by Lexington Insurance. We do not expect the appeal to be resolved before the end of 2011, if not later.

We are being defended in the matter by our commercial general liability carrier. We believe that we have substantial defenses to the claims and that we have adequate insurance to cover the risks, should liability nonetheless be imposed. However, because the remaining claims are still in the process of discovery and motion practice, it is not possible to predict the ultimate outcome of these claims.

Shareholder Litigation

On February 28, 2011, a putative class action entitled *Palma v. Nationwide Health Properties, Inc. et al.*, was filed purportedly on behalf of our stockholders in the Superior Court of the State of California, Orange County Superior Court. It names us and members of our Board of Directors as defendants. The complaint alleges, among other things, that our directors breached their fiduciary duties by approving a proposed merger transaction between us and Ventas, Inc. because the proposed transaction would not maximize shareholder value and would allegedly provide the directors personal benefits not shared by our shareholders. Along with other relief, the complaint seeks an injunction against the closing of the proposed merger. We intend to defend against this suit vigorously.

Item 4. *Removed and Reserved.*

None.

PART II

Item 5. *Market for the Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our common stock is listed on the New York Stock Exchange. It has been our policy to declare quarterly dividends to holders of our common stock in order to comply with applicable sections of the Internal Revenue Code governing real estate investment trusts. Set forth below are the high and low sales prices of our common stock from January 1, 2009 to December 31, 2010, as reported by the New York Stock Exchange and the cash dividends per share paid with respect to such periods. Future dividends will be declared and paid at the discretion of our board of directors and will depend upon cash generated by operating activities, our financial condition, relevant financing instruments, capital requirements, annual distribution requirements under the REIT provisions of the Internal Revenue Code and such other factors as our board of directors deems relevant. However, we currently expect to pay cash dividends in the future, comparable in amount to dividends recently paid.

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		High	Low	Dividend
2010				
	First quarter	\$ 36.82	\$ 31.43	\$ 0.44
	Second quarter	\$ 37.33	\$ 30.91	\$ 0.45
	Third quarter	\$ 39.94	\$ 34.34	\$ 0.46
	Fourth quarter	\$ 41.48	\$ 33.55	\$ 0.47
2009				
	First quarter	\$ 28.81	\$ 18.16	\$ 0.44
	Second quarter	\$ 28.38	\$ 21.46	\$ 0.44
	Third quarter	\$ 33.79	\$ 24.23	\$ 0.44
	Fourth quarter	\$ 35.92	\$ 29.73	\$ 0.44

On February 8, 2011, our board of directors declared a quarterly cash dividend of \$0.48 per share of common stock. This dividend will be paid on March 4, 2011 to stockholders of record on February 18, 2011.

As of February 24, 2011 there were approximately 1,469 holders of record of our common stock.

We currently maintain two equity compensation plans: the 1989 Stock Option Plan (the 1989 Plan) and the Amended and Restated 2005 Performance Incentive Plan (the 2005 Plan). Each of these plans has been approved by our stockholders. The following table sets forth, for our equity compensation plans, the number of shares of common stock subject to outstanding options, warrants and rights (including restricted stock units and performance shares); the weighted-average exercise price of outstanding options, warrants and rights; and the number of shares remaining available for future award grants under the plans as of December 31, 2010:

Equity Compensation Plans

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders	1,510,593(1)(2)	\$ 26.94(3)	4,111,871(4)
Equity compensation plans not approved by security holders			
Total	1,510,593	\$ 26.94	4,111,871

(1) Of these shares, 143,363 were subject to stock options then outstanding under the 1989 Plan. In addition, this number includes an aggregate of 1,367,230 shares that were subject to restricted stock units, performance shares, stock options and stock appreciation rights awards then outstanding under the 2005 Plan.

- (2) This number does not include an aggregate of 11,620 shares of unvested restricted stock then outstanding under the 2005 Plan.
- (3) This number reflects the weighted-average exercise price of outstanding stock options and has been calculated exclusive of restricted stock units, performance shares and stock appreciation rights outstanding under the 2005 Plan.
- (4) All of these shares were available for grant under the 2005 Plan. The shares available under the 2005 Plan are, subject to certain other limits under that plan, generally available for any type of award authorized under the 2005 Plan, including stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonuses and performance shares.

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The following graph demonstrates the performance of the cumulative total return to the stockholders of our common stock during the previous five years in comparison to the cumulative total return on the National Association of Real Estate Investment Trusts (NAREIT) Equity Index and the Standard & Poor's 500 Stock Index. The NAREIT Equity Index is comprised of all tax-qualified, equity oriented, real estate investment trusts listed on the New York Stock Exchange, the American Stock Exchange or the NASDAQ Global Market.

It should be noted that this graph represents historical stock performance and is not necessarily indicative of any future stock price performance.

The following table sets forth information regarding issuer purchases of equity securities from October 1, 2010 to December 31, 2010:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2010 – October 31, 2010	68	\$ 40.53		
November 1, 2010 – November 30, 2010				
December 1, 2010 – December 31, 2010				
Total	68	\$ 40.53		

(1) Represents shares withheld by us to satisfy tax withholding due in connection with the vesting of restricted stock awards.

Table of Contents**Item 6. Selected Financial Data.**

The following table presents our selected financial data. Certain of this financial data has been derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K and should be read in conjunction with those financial statements and accompanying notes and with Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Years Ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except per share data)				
Operating Data:					
Revenues	\$ 439,251	\$ 383,853	\$ 360,869	\$ 296,461	\$ 214,928
Income from continuing operations	137,224	121,800	102,423	126,044	47,004
Discontinued operations	4,899	27,258	165,584	98,202	138,152
Net income	142,123	149,058	268,007	224,246	185,156
Preferred stock dividends		(5,350)	(7,637)	(13,434)	(15,163)
Net income attributable to NHP common stockholders	143,766	143,040	260,501	211,024	170,414
Dividends paid on common stock	223,452	187,799	171,496	150,819	120,406
Per Share Data:					
Diluted income from continuing operations attributable to NHP common stockholders	\$ 1.11	\$ 1.06	\$ 0.95	\$ 1.23	\$ 0.41
Diluted net income attributable to NHP common stockholders	1.15	1.31	2.63	2.31	2.19
Dividends paid on common stock	1.82	1.76	1.76	1.64	1.54
Balance Sheet Data:					
Investments in real estate, net	\$ 3,698,274	\$ 3,031,383	\$ 3,124,299	\$ 2,961,442	\$ 2,583,515
Total assets	4,092,624	3,647,075	3,458,125	3,144,353	2,704,814
Borrowings under unsecured senior credit facility	175,000			41,000	139,000
Senior notes	991,633	991,633	1,056,233	1,166,500	887,500
Notes and bonds payable	362,624	431,456	435,199	340,150	355,411
NHP stockholders' equity	2,299,827	2,033,099	1,760,667	1,482,693	1,243,809
Other Data:					
Net cash provided by operating activities	\$ 295,741	\$ 247,145	\$ 243,838	\$ 220,886	\$ 171,932
Net cash used in investing activities	\$ (708,454)	\$ (1,900)	\$ (111,088)	\$ (375,364)	\$ (654,819)
Net cash provided by (used in) financing activities	\$ 90,026	\$ 54,783	\$ (69,907)	\$ 159,190	\$ 487,577
Diluted weighted average shares outstanding	124,339	108,547	98,763	90,987	77,566
Reconciliation of Funds from Operations(1):					
Net income	\$ 142,123	\$ 149,058	\$ 268,007	\$ 224,246	\$ 185,156
	1,643	(668)	131	212	421

Net loss (income) attributable to noncontrolling interests					
Preferred stock dividends		(5,350)	(7,637)	(13,434)	(15,163)
Real estate related depreciation	135,245	123,666	118,603	100,340	77,714
Depreciation in income from unconsolidated joint ventures	4,793	5,209	4,768	1,703	
Gain on sale of facilities, net	(16,948)	(23,908)	(154,995)	(118,114)	(96,791)
Funds from operations available to common stockholders	\$ 266,856	\$ 248,007	\$ 228,877	\$ 194,953	\$ 151,337

(1) We believe that funds from operations is an important non-GAAP supplemental measure of operating performance because it excludes the effect of depreciation and gains (losses) from sales of facilities (both of which are based on historical costs which may be of limited relevance in evaluating current performance).

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Additionally, funds from operations is used by us and widely used by industry analysts as a measure of operating performance for equity REITs. We therefore disclose funds from operations, although it is a measurement that is not defined by accounting principles generally accepted in the United States. We calculate funds from operations in accordance with the definition used by NAREIT. Funds from operations does not represent cash generated from operating activities as defined by accounting principles generally accepted in the United States (funds from operations does not include changes in operating assets and liabilities) and, therefore, should not be considered as an alternative to net income as the primary indicator of operating performance or to cash flow as a measure of liquidity.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Overview

To facilitate your review and understanding of this section of our report and the financial statements that follow, we are providing an overview of what management believes are the most important considerations for understanding our company and its business – the key factors that drive our business and the principal associated risks.

Who We Are

We are an investment grade rated (since 1994), publicly traded equity REIT that invests in senior housing, long-term care facilities and medical office buildings throughout the United States. We strive to maximize total stockholder return by expanding our portfolio of quality healthcare assets through a conservative, long-term approach to real estate investments. The healthcare sector has proven to be relatively recession resistant and presents unique growth potential as evidenced by favorable aging demographic trends and increasing market penetration of a rapidly growing senior population. Led by the aging baby boomer generation, the growth potential within the healthcare real estate sector will be driven by the increased use of healthcare services and, in each case, the recognized need for additional and improved healthcare facilities and services. Our management team has extensive operating backgrounds in senior housing and long-term care that we believe provides us with a competitive advantage in these sectors. In 2008, we established a full service medical office building platform comprised of a Class A portfolio of facilities backed by well regarded property management services and development capabilities.

What We Invest In

We hold passive investment interests in the following types of geographically diversified healthcare properties:

Senior Housing/Assisted and Independent Living Facilities (ALFs, ILFs and ALZs). This primarily private pay-backed sector breaks down into three principal categories, each of which may be operated on a stand alone basis or combined with one or more of the others into a single facility or campus:

Assisted Living Facilities (ALFs) are designed for frail seniors who can no longer live independently and instead need assistance with activities of daily living (such as feeding, dressing and bathing) but do not require round-the-clock skilled nursing care.

Independent Living Facilities (ILFs) are designed for seniors who pay for some concierge-type services (e.g., meals, housekeeping, laundry, transportation, and social and recreational activities) but require little, if any, assistance with activities of daily living.

Alzheimer Facilities (ALZs) are designed for those residents with significant cognitive impairment as a result of having Alzheimer's or related dementia.

Long-Term Care/Skilled Nursing Facilities (SNFs). These facilities tend to be grouped into two categories: (1) those focused on providing room, board and longer-term care primarily funded by Medicaid; and (2) those focused on sub-acute care services for medically complex patients, including rehabilitative, restorative, wound care and other medical treatment, that are primarily funded by Medicare, managed care and private resources (Sub-Acute SNFs). We primarily invest in Sub-Acute SNFs.

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Continuing Care Retirement Communities (CCRCs). These communities are designed to provide a continuum of care for residents as they age and their health deteriorates and typically combine on a defined campus integrated senior housing and long-term care facilities.

Medical Office Buildings (MOBs). MOBs usually house several different unrelated medical practices, although they can be associated with a large single-specialty or multi-specialty group. MOB tenants include physicians, dentists, psychologists, therapists and other healthcare providers, with space devoted to patient examination and treatment, diagnostic imaging, outpatient surgery and other outpatient services. Since an MOB generally has several tenants under separate leases, they require day-to-day property management services that typically include rent collection from disparate tenants, re-marketing space as it becomes vacant and, for non-triple-net leases, responsibility for many of the MOB's associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). MOBs are generally classified as being either on campus or off campus.

On Campus MOBs are typically located on or immediately adjacent to an acute care hospital campus and are generally subject to a hospital ground lease. Its tenants are primarily doctors whose patients have been or will be treated at the hospital. The relationship with a vibrant hospital tends to create stronger tenant demand, generate higher rental rates, provide higher tenant retention and discourage competitive new supply as compared to most off campus MOBs that are unaffiliated with a healthcare system.

Off Campus MOBs have become more and more prevalent as healthcare has increasingly shifted from the inpatient model to the typically less expensive outpatient model. Instead of typically being subject to a hospital ground lease with operating and use restrictions limiting the owner's control over the facility, including as a practical matter the ability to aggressively raise rents, owners of off campus MOBs typically have full ownership of the facility and control over all leasing and operating decisions. Further, those affiliated with a healthcare system may also enjoy many of the same advantages as an on campus facility.

How We Do It

Using a three-prong foundation that focuses on proactive capital management, active portfolio management and quality funds from operations (FFO) growth, we typically invest in senior housing facilities, long-term care facilities and medical office buildings as provided below.

Senior Housing and Long-Term Care Facilities (including CCRCs). We primarily make our investments in these properties passively by acquiring an ownership interest in facilities and leasing them to unaffiliated tenants under triple-net master leases that transfer the obligation for all facility operating costs (insurance, property taxes, utilities, maintenance, capital improvements, etc.) to the tenants. In addition, but to a much lesser extent because we view the risks of this activity to be greater due to less favorable bankruptcy treatment and other factors, from time to time, we extend mortgage loans and other financing to tenants, generally at higher rates than we charge for rent on our owned facilities to compensate us for the additional risk. In 2010, we expanded our capabilities by executing on our strategic initiative to develop senior housing and long-term care facilities. Targeting select markets throughout the United States, we established key relationships with experienced operator/developers. Over time, we anticipate that our combined development activities would represent approximately 10% our total assets. Development, while a greater risk due to the multi-year lease up of the asset, provides a unique opportunity to generate a robust acquisition pipeline, generally at higher rates than we charge for rent on our owned facilities to compensate us for the additional risk.

Medical Office Buildings (MOBs). We generally lease medical office buildings to multiple tenants under separate non-triple-net leases, where we are responsible for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants), and to single tenants under triple-net master leases like those referred to above. Until 2008, we primarily made our multi-tenant MOB investments in MOBs through joint ventures with specialists in this sector that would manage the venture and provide property management services. Since 2008, we have expanded our capabilities by executing on our strategic initiative to establish a full service MOB platform through a multi-faceted

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transaction with Pacific Medical Buildings LLC. We acquired from Pacific Medical Buildings LLC and certain of its affiliates interests in 12 Class A MOBs for approximately \$250 million in 2008 and five Class A MOBs and the remaining interests in two of the 12 Class A MOBs acquired in 2008 for approximately \$300 million in 2010. These MOBs comprise approximately 1.5 million square feet and are located in California (13), Nevada (2), Arizona (1) and Oregon (1). We also acquired from Pacific Medical Buildings LLC a 50% interest in PMB Real Estate Services LLC (PMBRES), a full service property management company. PMBRES provides property and asset management services for 34 MOBs (2,546,000 square feet), 32 of which we own or in which we have an ownership interest. Additionally, we entered into an agreement pursuant to which we currently have the right, but not the obligation, to acquire up to approximately \$1.3 billion of MOBs to be developed by PMB LLC through April 2019. In 2010, we commenced the inaugural development under this program and also expanded our medical office footprint to other regions of the United States, cultivating relationships with other well established medical office developers.

How We Measure Our Progress Funds from Operations and Total Stockholder Return

We believe that funds from operations (FFO) is an important non-GAAP supplemental measure of operating performance because it excludes depreciation and amortization and gains (losses) from sales of facilities which are based on historical costs which may be of limited relevance in evaluating current performance. Additionally, FFO is used by us and widely used by industry analysts as a measure of operating performance for equity REITs. We therefore discuss FFO, although it is a measurement that is not defined by accounting principles generally accepted in the United States (GAAP). We calculate FFO in accordance with the definition used by NAREIT. Adjusted FFO is defined as FFO excluding impairments of assets, acquisition costs and gains and losses other than those from the sale of real estate. FFO and adjusted FFO should not be considered as alternatives to net income (a GAAP measure) as primary indicators of our financial performance or as alternatives to cash flow from operating activities (a GAAP measure) as primary indicators of our liquidity, nor are FFO and adjusted FFO necessarily indicative of sufficient cash flow to satisfy all of our liquidity requirements.

In addition to FFO, we also believe total stockholder return to be a significant measure of our progress. Total stockholder return means, with respect to the Company: (a) the change in the market price of its common stock (as quoted on the principal market on which it is traded) during the performance period plus reinvested dividends and other distributions paid with respect to the common stock during the performance period, divided by (b) the market price of the common stock at the beginning of the performance period.

What We Have Accomplished Over the Last Three Years

We have enjoyed numerous successes since the end of 2007, perhaps the most notable of which are as follows:

Investments. We invested, directly and through our consolidated and unconsolidated joint ventures, \$1.6 billion in the last three years, growing our gross investments in real estate, net of dispositions, 30% from \$3.4 billion at the end of 2007 to \$4.4 billion at the end of 2010. During this period, we strategically diversified our asset base through investments in an MOB platform and facilities representing 26% of our investments at the end of 2010. Coupled with our capital and portfolio management initiatives, over the past three years this growing asset base enabled us to accomplish the following:

Quality Adjusted FFO Growth We increased our adjusted diluted FFO per share over 10% from \$2.08 per share in 2007 to \$2.30 per share in 2010.

Growing Dividend We increased our cash dividend 11% from \$1.64 per share in 2007 to \$1.82 per share in 2010.

Total Stockholder Return According to Thomson Reuters, we provided 38% total stockholder return over the past three years compared to a 33% total stockholder return provided by the companies within the healthcare sector of the NAREIT Index, a 7% total stockholder return provided by the companies comprising the NAREIT Index and a -5% total stockholder return provided by the companies comprising the S&P 500 Index.

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Capital More Flexible and Diverse Structure and Conservative Balance Sheet. Our overall capital goal has been to balance the debt and equity components of our capital structure, increase our sources of capital, enhance our credit statistics, preserve and strengthen our investment grade credit ratings (Fitch Ratings: BBB, Moody's Investors Service: Baa2 and Standard & Poor's Ratings Service: BBB) and continue to protect our dividend. In addition, in response to the crises in the capital and credit markets, in 2009, we improved our liquidity. We believe we have accomplished all of these goals, with the following items being particularly noteworthy over the past three years:

Conservative Leverage We reduced our debt to equity ratio (on an undepreciated book basis) from 46.1% at the end of 2007 to 34.3% at the end of 2010.

Enhanced Credit Statistics We increased our total adjusted fixed charge coverage from 2.74x at the end of 2007 to 3.95x at the end of 2010.

Enhanced Credit Ratings In 2010, Standard & Poors upgraded us to BBB, making NHP the only healthcare REIT rated BBB equivalent by all three credit rating agencies.

Multiple Capital Sources We added the following to our existing \$700 million credit facility and traditional marketed debt and equity capital sources:

At-the-Market Equity Offering We periodically issue equity with a targeted price greater than the volume weighted average price, subject to fees of less than 2%. Over the past three years, we have issued approximately 24 million shares of common stock under this program, resulting in net proceeds of approximately \$779 million.

Institutional Joint Venture Capital We formed a joint venture in January 2007 with a state pension fund investor to provide an additional capital source. The joint venture has invested \$574 million in assisted and independent living facilities, skilled nursing facilities and continuing care retirement communities, including \$227 million in facilities acquired by the joint venture from us.

Asset Management Capital In 2008, we sold to Emeritus Corporation senior housing assets previously leased to them for \$305 million (a 6.1% capitalization rate on our rent, resulting in a gain on sale of \$135.0 million) and retained the net proceeds to bolster our liquidity.

Dividend Secure and Growing We maintained our dividend payout ratio (dividends per share divided by adjusted diluted FFO per share) at about 80%, while our dividend increased 11%.

Maximized Liquidity Retained \$60 million in cash and \$525 million availability on our \$700 million credit line at the end of 2010.

Portfolio Management Implemented Sophisticated Program. We continue to dramatically upgrade our portfolio management program by enhancing the proprietary software system we developed, adding five dedicated portfolio management personnel and proactively anticipating and responding to potential problem areas. We believe we now have one of the most sophisticated portfolio management programs in our industry.

Focus and Outlook for 2011

Our financial strength allows flexibility to create and exploit growth opportunities related to our core acquisition business (assisted living, skilled nursing, medical office) as well as new development projects in healthcare real estate. We believe we have adequate liquidity to address our business commitments over the next two years while also growing our business. Our plans for growth require efficient access to the capital and credit markets. So long as capital continues to be available at an acceptable cost, we expect to be able to make further investments through quality acquisitions and development projects.

We intend to be more proactive in allocating capital in a focused effort to provide mortgage and other loans and otherwise making debt investments to new and existing customers of NHP. This strategic initiative will expand NHP's product offerings, particularly in the senior housing sector where there has been a substantial reduction in lending. In addition, we expect this initiative will augment senior housing, skilled nursing and medical office

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investments, enhance existing relationships as well as develop new customers. Given the risk profile of this initiative, we would expect our investment to represent no more than 15% of our total assets.

We will continue to look for opportunities to invest in senior housing operations, utilizing the REIT Improvement Diversification and Empowerment Act (RIDEA) and taxable REIT subsidiary structure. We may, in certain circumstances, decide to forego the traditional triple-net structure and leverage the benefits afforded by RIDEA which allow for greater growth potential than our typical fixed rent escalators. Over time, we expect to see increasing use of RIDEA among healthcare REITs, particularly as the number of eligible independent contractors increases. RIDEA transactions, by their nature, will demand greater reward for increased risk. Given the risk profile of this type of investment vehicle, we would expect that the net operating income generated from this type of investment would not exceed 25% of our total net operating income.

Our growth plans could be diminished, our financial position weakened and our ability to make distributions limited if we revert to an environment dominated by deteriorating general economic conditions or other factors leading to any of our major senior housing or other tenants being unable to meet their obligations to us. We have no operational control over our tenants, and our tenants face a wide range of economic, competitive, government reimbursement and regulatory pressures and constraints. There may end up being more serious tenant financial problems that lead to more extensive restructurings or tenant disruptions than we currently expect. This could be unique to a particular tenant or it could be industry related, such as reduced occupancies for our assisted and independent living facilities due to distressed housing and credit markets, sustained high unemployment or reduced federal or state governmental reimbursement levels in the case of our skilled nursing facilities with many states facing severe budget deficits.

Notwithstanding the uncertainty that exists in the economy and capital markets, our focus for 2011 will be to make quality, accretive investments in existing healthcare assets as well as new development projects when opportunities arise. Simultaneously, we intend to plan for a range of possible outcomes that could develop for 2011 through conservative capital management, active portfolio management and relevant enterprise risk management. We will continue to monitor our liquidity, the capital and credit markets and the performance of our tenants, using our unique operating backgrounds to proactively identify and address potential problems that may develop.

In February 2011, our tenant, Hearthstone Senior Services, L.P. (Hearthstone), notified us that it would be unable to pay the rent then due under its leases with us, and asked us to amend certain terms of the leases to make rents achievable. In order to substantially increase the ability of Hearthstone to meet its future obligations, we agreed to certain modifications of the terms of our leases with Hearthstone that include, among other things, a reduction in the aggregate rent payable by \$7.4 million for the lease year ending February 2012, and by \$6.4 million for subsequent lease years. After giving effect to these reductions, the aggregate rent payable by Hearthstone is \$31.7 million for the first lease year, \$33.7 million for the second lease year and increases by 3% each year thereafter. In connection with the lease modifications, we also obtained the right to terminate any and all of our leases with Hearthstone at any time without cause. We believe that the agreed upon rent reductions will be sufficient to enable Hearthstone to satisfy its future payment obligations to us, but there can be no assurance in this regard. We hold a \$6.0 million letter of credit that secures Hearthstone's payment obligations to us. However, it is possible that the letter of credit may not be sufficient to compensate us for any future losses or expenses that may arise if Hearthstone defaults under its leases with us. Other terms of our modified arrangements with Hearthstone include:

We have eliminated supplemental rent obligations, except for supplemental rent accrued prior to February 1, 2011, which totals \$6.0 million and becomes payable (i) in full upon an event of default by Hearthstone for which NHP chooses to exercise its remedies, (ii) in full upon a sale of Hearthstone and (iii) in part, if we exercise our right to terminate the leases with Hearthstone without cause.

We will be entitled to receive revenue participation rent, payable monthly and calculated as 20% of incremental gross revenue over the base month of February 2011, commencing February 1, 2012 and capped in any one year at \$6.4 million (subject to annual increases of 3%).

Upon exercise of our right to terminate the leases without cause, Hearthstone must enter into an operations transfer agreement with a successor operator to allow for an efficient transfer of operations to our designee.

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If we exercise the right to terminate the Hearthstone leases without cause, upon transition of the facilities to a licensed replacement operator we must release to Hearthstone a portion of the \$6.0 million letter of credit. The amount released is \$3.0 million if the transition occurs prior to September 1, 2011, and increases by \$1 million for every six month period thereafter.

The Chief Executive Officer of Hearthstone has executed a guaranty in our favor that would obligate him to reimburse us the amount of any (i) distributions in excess of permitted amounts, (ii) compensation paid to him in excess of permitted amounts, and (iii) losses arising from customary "bad boy" acts such as fraud, misappropriation of funds, rents or insurance proceeds.

Critical Accounting Policies and Estimates

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, it is possible that different accounting would have been applied, resulting in different presentation of our financial statements. On an ongoing basis, we evaluate our estimates and assumptions, including those that impact our most critical accounting policies. We base our estimates and assumptions on historical experience and on various other factors that we believe are reasonable under the circumstances. Actual results may differ from these estimates. We believe the following are our most critical accounting estimates.

Principles of Consolidation

Our consolidated financial statements include the accounts of NHP, its wholly owned subsidiaries and its joint ventures that are controlled through voting rights or other means. We apply the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, Consolidation (ASC 810), for arrangements with variable interest entities (VIEs) and would consolidate those VIEs where we are the primary beneficiary. All material intercompany accounts and transactions have been eliminated.

Our judgment with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a VIE involves the consideration of various factors including, but not limited to, the form of our ownership interest, our representation on the entity's governing body, the size of our investment, estimates of future cash flows, our ability to participate in policy-making decisions and the rights of the other investors to participate in the decision-making process and to replace us as manager and/or liquidate the venture, if applicable. Our ability to correctly assess our influence or control over an entity or determine the primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements.

We apply the provisions of ASC Topic 323, Investments—Equity Method and Joint Ventures, to investments in joint ventures. Investments in entities that we do not consolidate but for which we have the ability to exercise significant influence over operating and financial policies are reported under the equity method. Under the equity method of accounting, our share of the entity's earnings or losses is included in our operating results.

Revenue Recognition

We derive the majority of our revenue from leases related to our real estate investments and a much smaller portion of our revenue from mortgage loans, other financing activities and other miscellaneous income. Revenue is recognized

when it is realized or is realizable and earned.

Rental income from operating leases is recognized in accordance with the provisions of ASC Topic 840, Leases, and ASC Topic 605, Revenue Recognition. Our leases generally contain annual rent escalators. Many of our leases contain non-contingent rent escalators for which we recognize income on a straight-line basis over the lease term.

Recognizing income on a straight-line basis requires us to calculate the total non-contingent rent to be paid over the life of a lease and to recognize the revenue evenly over that life. This method results in rental income in the early years of a lease being higher than actual cash received, creating a straight-line rent receivable asset included in

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the caption "Other assets" on our consolidated balance sheets. At some point during the lease, depending on its terms, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. Certain leases contain rent escalators contingent on revenues or other factors, including increases based on changes in the Consumer Price Index. Such revenue increases are recognized as the related contingencies are met.

We assess the collectability of straight-line rent in accordance with the applicable accounting standards and our reserve policy and defer recognition of straight-line rent if its collectability is not reasonably assured. Our assessment of the collectability of straight-line rent is based on several factors, including the financial strength of the tenant and any guarantors, the historical operations and operating trends of the facility, the historical payment pattern of the tenant and the type of facility, among others. If our evaluation of these factors indicates we may not receive the rent payments due in the future, we defer recognition of the straight-line rental income and, depending on the circumstances, we will provide a reserve against the previously recognized straight-line rent receivable asset for a portion, up to its full value, that we estimate may not be recoverable. If we change our assumptions or estimates regarding the collectability of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized, and/or to increase or reduce the reserve against the existing straight-line rent receivable balance.

We evaluate the collectability of the straight-line rent receivable balances on an ongoing basis and provide reserves against receivables we believe may not be fully recoverable. The ultimate amount of straight-line rent we realize could vary from the amounts currently recorded.

Interest income from loans, including discounts and premiums, is recognized using the effective interest method when collectability is reasonably assured. The effective interest method is applied on a loan-by-loan basis, and discounts and premiums are recognized as yield adjustments over the term of the related loans. We recognize interest income on impaired loans to the extent our estimate of the fair value of the collateral is sufficient to support the balance of the loans, other receivables and all related accrued interest. Once the total of the loans, other receivables and all related accrued interest is equal to our estimate of the fair value of the collateral, we recognize interest income on a cash basis. We provide reserves against impaired loans to the extent our total investment exceeds our estimate of the fair value of the loan collateral.

Investments in Real Estate

We record properties at cost and use the straight-line method of depreciation for buildings and improvements over their estimated remaining useful lives of up to 40 years, generally 20 to 40 years depending on factors including building type, age, quality and location. We review and adjust useful lives periodically.

We allocate purchase prices of properties in accordance with the provisions of ASC Topic 805, Business Combinations (ASC 805), which require that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. ASC 805 also establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. Certain transaction costs that have historically been capitalized as acquisition costs are expensed for business combinations completed on or after January 1, 2009, which may have a significant impact on our future results of operations and financial position based on historical acquisition costs and activity levels.

The allocation of the cost between land, building and, if applicable, equipment and intangible assets and liabilities, and the determination of the useful life of a property are based on management's estimates, which are based in part on independent appraisals or other consultants' reports. For our triple-net leased facilities, the allocation is made as if the

property was vacant, and a significant portion of the cost of each property is allocated to buildings. This amount generally approximates 90% of the total property value. Historically, we have generally acquired properties and simultaneously entered into a new market rate lease for the entire property with one tenant. For our multi-tenant medical office buildings, the percentage allocated to buildings may be substantially lower as allocations are made to assets such as lease-up intangible assets, above market tenant and ground lease intangible assets and in-place lease intangible assets (collectively, Intangible assets) included on our consolidated balance

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sheets and/or below market tenant and ground lease intangible liabilities included in the caption Accounts payable and accrued liabilities on our consolidated balance sheets.

We calculate depreciation and amortization on equipment and lease costs using the straight-line method based on estimated useful lives of up to five years or the lease term, whichever is appropriate. We amortize intangible assets and liabilities over the remaining lease terms of the respective leases to real estate amortization expense or medical office building operating rent, as appropriate. We review and adjust useful lives periodically. If we do not allocate appropriately between land and building or we incorrectly estimate the useful lives of our assets, our computation of depreciation and amortization will not appropriately reflect the usage of the assets over future periods. If we overestimate the useful life of an asset, the depreciation expense related to the asset will be understated, which could result in a loss if the asset is sold in the future.

Asset Impairment

We review our long-lived assets individually on a quarterly basis to determine if there are indicators of impairment in accordance with the provisions of ASC Topic 360, Property, Plant and Equipment. Indicators may include, among others, a tenant's inability to make rent payments, operating losses or negative operating trends at the facility level, notification by a tenant that it will not renew its lease, or a decision to dispose of an asset or adverse changes in the fair value of any of our properties. For operating assets, if indicators of impairment exist, we compare the undiscounted cash flows from the expected use of the property to its net book value to determine if impairment exists. The evaluation of the undiscounted cash flows from the expected use of the property is highly subjective and is based in part on various factors and assumptions, including, but not limited to, historical operating results, available market information and known trends and market/economic conditions that may affect the property, as well as estimates of future operating income, occupancy, rental rates, leasing demand and competition. If the sum of the future estimated undiscounted cash flows is higher than the current net book value, we conclude no impairment exists. If the sum of the future estimated undiscounted cash flows is lower than its current net book value, we recognize an impairment loss for the difference between the net book value of the asset and its estimated fair value. To the extent we decide to sell an asset, we recognize an impairment loss if the current net book value of the asset exceeds its fair value less selling costs.

We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investment in an unconsolidated joint venture may exceed the fair value. If it is determined that a decline in the fair value of our investment in an unconsolidated joint venture is other-than-temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. The determination of the fair value of investments in unconsolidated joint ventures involves significant judgment. Our estimates consider all available evidence including, as appropriate, the present value of the expected future cash flows discounted at market rates, general economic conditions and trends and other relevant factors.

The above analyses require us to determine whether there are indicators of impairment for individual assets or investments in unconsolidated joint ventures, to estimate the most likely stream of cash flows from operating assets and to determine the fair value of assets that are impaired or held for sale. If our assumptions, projections or estimates regarding an asset change in the future, we may have to record an impairment charge to reduce or further reduce the net book value of such individual asset or investment in unconsolidated joint venture.

Collectability of Receivables

We evaluate the collectability of our rent, mortgage and other loans and other receivables on a regular basis based on factors including, among others, payment history, the financial strength of the borrower and any guarantors, the value of the underlying collateral, the operations and operating trends of the underlying collateral, if any, the asset type and

current economic conditions. If our evaluation of these factors indicates we may not recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. This analysis requires us to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. If our assumptions or estimates regarding the collectability of a receivable change in the future, we may have to record a reserve to reduce or further reduce the carrying value of the receivable.

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For our mortgage loans, the evaluation emphasizes the operations, operating trends, financial performance and value of the underlying collateral, and for our other loans, the evaluation emphasizes the financial strength of the borrower and any guarantors. Based on this evaluation, our mortgage and other loans are grouped into three classes – good standing, watch list and special monitoring. For loans classified as good standing, the likelihood of loss is remote, and while borrowers may be current on all required payments for loans classified as watch list or special monitoring, there are other factors considered in our evaluation which cause the likelihood of loss to be reasonably possible.

Income Taxes

We intend to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and accordingly, no provision has been made for federal income taxes. However, we are subject to certain state and local taxes on our income and/or property, and these amounts are included in the expense caption – General and administrative – on our consolidated income statements.

As part of the process of preparing our consolidated financial statements, significant management judgment is required to estimate our compliance with REIT requirements. Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of i) audits conducted by federal and state tax authorities; ii) our ability to qualify as a REIT; iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations; and iv) changes in tax laws. Adjustments required in any given period are included in income, other than adjustments to income tax liabilities acquired in business combinations, which would be adjusted through goodwill.

Impact of New Accounting Pronouncements

In June 2009, the FASB updated ASC 810 to require ongoing analyses to determine whether an entity’s variable interest gives it a controlling financial interest in a variable interest entity (VIE), making it the primary beneficiary, based on whether the entity (i) has the power to direct activities of the VIE that most significantly impact its economic performance, including whether it has an implicit financial responsibility to ensure the VIE operates as designed, and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Enhanced disclosures regarding an entity’s involvement with variable interest entities are also required under the provisions of ASC 810. These requirements became effective January 1, 2010. The adoption of these requirements did not have a material impact on our results of operations or financial position.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, Improving Disclosures About Fair Value Measurements (ASU 2010-06). ASU 2010-06 adds new requirements for disclosures of significant transfers into and out of Levels 1, 2 and 3 of the fair value hierarchy, the reasons for the transfers and the policy for determining when transfers are recognized. ASU 2010-06 also adds new requirements for disclosures about purchases, sales, issuances and settlements on a gross rather than net basis relating to the reconciliation of the beginning and ending balances of Level 3 recurring fair value measurements. It also clarifies the level of disaggregation to require disclosures by class rather than by major category of assets and liabilities and clarifies that a description of inputs and valuation techniques used to measure fair value is required for both recurring and nonrecurring fair value measurements classified as Level 2 or 3. ASU 2010-06 became effective January 1, 2010 except for the requirements to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which are effective January 1, 2011. The adoption of ASU 2010-06 has not and is not expected to have a material impact on our results of operations or financial position.

In February 2010, the FASB issued ASU 2010-09, Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). ASU 2010-09 amends ASC Topic 855, Subsequent Events, to require Securities and Exchange Commission (SEC) registrants and conduit bond obligors to evaluate subsequent events through the date that the

financial statements are issued, however, SEC registrants are exempt from disclosing the date through which subsequent events have been evaluated. All other entities are required to evaluate subsequent events through the date that the financial statements are available to be issued and must disclose the date through which subsequent events have been evaluated. ASU 2010-09 was effective upon issuance for all entities except conduit

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debt obligors. The adoption of ASU 2010-09 did not have an impact on our results of operations or financial position.

In July 2010, the FASB issued ASU 2010-20, Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). ASU 2010-20 amends ASC Topic 310, Receivables, to require additional disclosures regarding credit quality and the allowance for credit losses related to financing receivables, including credit quality indicators and past due and modification information. Disclosures must be disaggregated by segment and class. The disclosures as of the end of a reporting period became effective December 31, 2010, and the disclosures about activity that occurs during a reporting period are effective January 1, 2011. The adoption of these requirements did not have an impact on our results of operations or financial position.

Operating Results***Year Ended December 31, 2010 Compared to Year Ended December 31, 2009***

	2010	2009	\$ Change	% Change
	(Dollars in thousands)			
Revenue:				
Triple-net lease rent	\$ 307,567	\$ 287,379	\$ 20,188	7%
Medical office building operating rent	102,287	70,054	32,233	46%
	409,854	357,433	52,421	15%
Interest and other income	29,397	26,420	2,977	11%
	439,251	383,853	55,398	14%
Expenses:				
Interest expense	95,761	93,630	2,131	2%
Depreciation and amortization	134,540	121,032	13,508	11%
General and administrative	30,836	27,320	3,516	13%
Acquisition costs	5,118	830	4,288	517%
Medical office building operating expenses	41,325	28,906	12,419	43%
	307,580	271,718	35,862	13%
Operating income	131,671	112,135	19,536	17%
Income from unconsolidated joint ventures	5,478	5,101	377	7%
Gain on debt extinguishment	75	4,564	(4,489)	(98)%
Income from continuing operations	137,224	121,800	15,424	13%
Discontinued operations:				
Gain on sale of facilities, net	16,948	23,908	(6,960)	(29)%
Impairments	(15,006)		(15,006)	(100)%
Income from discontinued operations	2,957	3,350	(393)	(12)%
	4,899	27,258	(22,359)	(82)%

Net income	142,123	149,058	(6,935)	(5)%
Net loss (income) attributable to noncontrolling interests	1,643	(668)	2,311	346%
Net income attributable to NHP	143,766	148,390	(4,624)	(3)%
Preferred stock dividends		(5,350)	5,350	100%
Net income attributable to NHP common stockholders	\$ 143,766	\$ 143,040	\$ 726	1%

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Triple-net lease rental income increased primarily due to rental income from 49 facilities (including majority interests in 15 of the facilities) acquired during 2010, increased straight-line rental income and rent increases at existing facilities, offset in part by reserves.

Medical office building operating rent increased primarily due to operating rent from our 2010 acquisition of 22 multi-tenant medical office buildings (including majority interests in five of the multi-tenant medical office buildings) and operating rent growth at existing facilities.

Interest and other income increased primarily due to the funding of four new mortgage loans, additional fundings on an existing mortgage loan and the acquisition of one mortgage loan during 2010 and a net gain recognized upon acquisition of the controlling interest in an unconsolidated joint venture during 2010, offset in part by the retirement of our \$47.5 million mortgage loan receivable from a related party as a result of the acquisition of the multi-tenant medical office building serving as collateral during 2010 and reserves.

Interest expense increased primarily due to the assumption of \$125.3 million of secured debt during 2010 at a higher weighted average rate than the \$185.5 million and \$2.7 million of secured debt repaid during 2010 and 2009, respectively, and increased deferred financing cost amortization related to costs incurred in connection with the one-year extension of our unsecured senior credit facility and the prepayment of secured debt during 2010, offset in part by the repayment of \$64.6 million of senior notes during 2009.

Depreciation and amortization increased primarily due to the acquisition of 71 facilities during 2010, including 22 multi-tenant medical office buildings.

General and administrative expenses increased primarily due to increased employee related costs, state tax expense and other general corporate expenses, offset in part by decreased expenses for third party advisors.

Acquisition costs increased primarily due to the acquisition of 71 facilities during 2010, including 22 multi-tenant medical office buildings. No acquisitions were completed during 2009.

Medical office building operating expenses increased primarily due to operating expenses resulting from our 2010 acquisition of 22 multi-tenant medical office buildings (including majority interests in five of the multi-tenant medical office buildings).

Income from unconsolidated joint ventures increased primarily due to increased income from our unconsolidated joint venture with a state pension fund investor.

In connection with our acquisition of one multi-tenant medical office building through a consolidated joint venture in 2010, we provided funding that was concurrently used to prepay existing debt, and as a result the consolidated joint venture recognized a gain on debt extinguishment. During 2009, we retired \$30.0 million of senior notes due in 2013 for \$25.4 million, resulting in a net gain on debt extinguishment of \$4.6 million.

Discontinued operations income of \$4.9 million for 2010 was primarily comprised of gains on sale of \$16.9 million and rental income of \$5.3 million, offset in part by depreciation and amortization expense of \$2.3 million and an impairment charge of \$15.0 million related to a medical office building included in assets held for sale at December 31, 2010 based on broker estimates of fair value, comparable sales in the local submarket and an unsolicited cash offer received during 2010. Discontinued operations income of \$27.3 million for 2009 was primarily comprised of gains on sale of \$23.9 million and rental income of \$7.5 million, offset in part by depreciation and amortization of \$4.1 million. We expect to have future sales of facilities or reclassifications of facilities to assets held for sale, and the related income or loss would be included in discontinued operations unless the facilities were

transferred to an entity in which we maintain an interest.

Net loss (income) attributable to noncontrolling interests increased primarily due to losses from certain multi-tenant medical office building consolidated joint ventures entered into during 2010.

Preferred stock dividends decreased due to the redemption of all outstanding shares of our 7.75% Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock) in January 2010.

Table of Contents**Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

	2009	2008	\$ Change	% Change
	(Dollars in thousands)			
Revenue:				
Triple-net lease rent	\$ 287,379	\$ 275,351	\$ 12,028	4%
Medical office building operating rent	70,054	60,576	9,478	16%
	357,433	335,927	21,506	6%
Interest and other income	26,420	24,942	1,478	6%
	383,853	360,869	22,984	6%
Expenses:				
Interest expense	93,630	100,956	(7,326)	(7)%
Depreciation and amortization	121,032	113,422	7,610	7%
General and administrative	27,320	25,981	1,339	5%
Acquisition costs	830	830		100%
Medical office building operating expenses	28,906	26,631	2,275	9%
	271,718	266,990	4,728	2%
Operating income	112,135	93,879	18,256	19%
Income from unconsolidated joint ventures	5,101	3,903	1,198	31%
Gain on debt extinguishment	4,564	4,641	(77)	(2)%
Income from continuing operations	121,800	102,423	19,377	19%
Discontinued operations:				
Gain on sale of facilities, net	23,908	154,995	(131,087)	(85)%
Income from discontinued operations	3,350	10,589	(7,239)	(68)%
	27,258	165,584	(138,326)	(84)%
Net income	149,058	268,007	(118,949)	(44)%
Net (income) loss attributable to noncontrolling interests	(668)	131	(799)	(610)%
Net income attributable to NHP	148,390	268,138	(119,748)	(45)%
Preferred stock dividends	(5,350)	(7,637)	2,287	30%
Net income attributable to NHP common stockholders	\$ 143,040	\$ 260,501	\$ (117,461)	(45)%

Triple-net lease rental income increased primarily due to rental income from 42 facilities acquired during 2008 and rent increases at existing facilities, offset in part by reserves and decreased straight-line rental income.

Medical office building operating rent increased primarily due to operating rent from 10 multi-tenant medical office buildings acquired during 2008, including nine medical office buildings acquired through consolidated joint ventures.

Interest and other income increased primarily due to six loans funded during 2008 and four loans funded during 2009, offset in part by lower short-term investment interest income resulting from lower interest rates and by loan repayments.

Interest expense decreased primarily due to the repayment of \$110.3 million of senior notes during 2008 and \$64.6 million during 2009 and the repayment of the outstanding balance on our credit facility during 2008 using a portion of the net proceeds from the issuance of common stock and the sale of 23 assisted and independent living

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facilities to Emeritus, the tenant of the facilities, offset in part by the assumption of \$120.8 million of secured debt during 2008 and the addition of \$35.8 million and \$6.9 million of secured debt in 2008 and 2009, respectively.

Depreciation and amortization increased primarily due to the acquisition of 52 facilities during 2008, including 10 multi-tenant medical office buildings.

General and administrative expenses increased primarily due to increased expenses for employee related costs, offset in part by a decrease in state tax expense.

Acquisition costs represent costs related to acquisition transactions. Prior to January 1, 2009, these costs were capitalized. Acquisition costs were \$0.8 million in 2009.

Medical office building operating expenses increased primarily due to operating expenses from 10 multi-tenant medical office buildings acquired during 2008, including nine medical office buildings acquired through consolidated joint ventures.

Income from unconsolidated joint ventures increased primarily due to increased income from our unconsolidated joint venture with a state pension fund investor, primarily resulting from a gain on debt extinguishment, and decreased losses from PMB Real Estate Services LLC (PMBRES), a full service property management company, in which we acquired a 50% interest in 2008, and income in 2009 as compared to a loss in 2008 from PMB SB 399-401 East Highland LLC (PMB SB), an entity that owns two multi-tenant medical office buildings, in which we acquired a 44.95% interest in 2008 and the remaining 55.05% interest in 2010.

Gain on debt extinguishment represents the gains recognized in connection with the prepayment of \$30.0 million and \$49.7 million of senior notes in 2009 and 2008, respectively.

Discontinued operations income of \$27.3 million for 2009 was primarily comprised of gains on sale of \$23.9 million and rental income of \$7.5 million, offset in part by depreciation and amortization of \$4.1 million. Discontinued operations income of \$165.6 million for 2008 was primarily comprised of gains on sale of \$155.0 million and rental income of \$17.4 million, offset in part by depreciation and amortization of \$5.7 million and interest expense of \$1.1 million. We expect to have future sales of facilities or reclassifications of facilities to assets held for sale, and the related income or loss would be included in discontinued operations unless the facilities were transferred to an entity in which we maintain an interest.

Net (income) loss attributable to noncontrolling interests decreased primarily due to increased income from certain consolidated partnerships.

Preferred stock dividends decreased due to the conversion of approximately 235,000 and 315,000 shares of Series B Preferred Stock into shares of common stock during 2009 and 2008, respectively.

Table of Contents***Funds From Operations and Funds Available for Distribution***

	2010	2009	2008
	(In thousands except per share amounts)		
Funds From Operations (FFO):			
Net income	\$ 142,123	\$ 149,058	\$ 268,007
Net loss (income) attributable to noncontrolling interests	1,643	(668)	131
Preferred stock dividends		(5,350)	(7,637)
Real estate related depreciation and amortization	135,245	123,666	118,603
Depreciation in income from unconsolidated joint ventures	4,793	5,209	4,768
Gains on sale of facilities, net	(16,948)	(23,908)	(154,995)
FFO available to NHP common stockholders	266,856	248,007	228,877
Series B preferred stock dividends add-back		5,350	7,637
Diluted FFO	266,856	253,357	236,514
Acquisition costs	5,118	830	
Gain on re-measurement of equity interest upon acquisition, net	(620)		
Gain on debt extinguishment, net	(75)	(4,564)	(4,641)
Gain on debt extinguishment, net from unconsolidated joint ventures		(332)	
Impairments	15,006		
Adjusted diluted FFO	\$ 286,285	\$ 249,291	\$ 231,873
Funds Available for Distribution (FAD):			
Net income	\$ 142,123	\$ 149,058	\$ 268,007
Net loss (income) attributable to noncontrolling interests	1,643	(668)	131
Preferred stock dividends		(5,350)	(7,637)
Real estate related depreciation and amortization	135,245	123,666	118,603
Gains on sale of facilities, net	(16,948)	(23,908)	(154,995)
Straight-lined rent	(11,970)	(6,275)	(10,263)
Amortization of intangible assets and liabilities	341	(564)	(559)
Non-cash stock-based compensation expense	6,939	7,007	5,800
Deferred financing cost amortization	3,808	3,101	3,173
Lease commissions and tenant and capital improvements	(4,931)	(4,733)	(3,715)
NHP's share of FAD reconciling items from unconsolidated joint ventures:			
Real estate related depreciation and amortization	4,793	5,209	4,768
Straight-lined rent	16	(26)	(66)
Amortization of intangible assets and liabilities		5	
Deferred financing cost amortization	93	84	84
FAD available to NHP common stockholders	261,152	246,606	223,331
Series B preferred stock dividends add-back		5,350	7,637
Diluted FAD	261,152	251,956	230,968
Acquisition costs	5,118	830	

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Gain on re-measurement of equity interest upon acquisition, net	(620)		
Gain on debt extinguishment, net	(75)	(4,564)	(4,641)
Gain on debt extinguishment, net from unconsolidated joint ventures		(332)	
Impairments	15,006		
Adjusted diluted FAD	\$ 280,581	\$ 247,890	\$ 226,327
Weighted average shares outstanding for FFO:			
Diluted weighted average shares outstanding(1)	124,438	108,621	98,855
Series B preferred stock add-back if not converted	76	3,154	4,526
Fully diluted weighted average shares outstanding	124,514	111,775	103,381
Diluted per share amounts FFO:			
FFO	\$ 2.14	\$ 2.27	\$ 2.29
Adjusted FFO	\$ 2.30	\$ 2.23	\$ 2.24

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- (1) Diluted weighted average shares outstanding includes the effect of all participating and non-participating share-based payment awards which for us consists of stock options and other share-based payment awards if the effect is dilutive. The dilutive effect of all share-based payment awards is calculated using the treasury stock method. Additionally, our redeemable OP units are included as if converted to common stock on a one-for-one basis.

While net income and its related per share amounts, as defined by accounting principles generally accepted in the United States (GAAP), are the most appropriate earnings measures, we believe that FFO and FAD and the related FFO per share amounts are important non-GAAP supplemental measures of operating performance. GAAP requires the use of straight-line depreciation of historical costs and implies that real estate values diminish predictably and ratably over time. However, real estate values have historically risen and fallen based on various market conditions and other factors. FFO was developed as a supplemental measure of operating performance primarily in order to exclude historical cost-based depreciation and amortization and its effects as it does not generally reflect the actual change in value of real estate over time. We calculate FFO in accordance with the definition used by NAREIT. FFO is defined as net income (computed in accordance with GAAP) excluding gains and losses from the sale of real estate plus real estate related depreciation and amortization. The same adjustments are made to reflect our share of these same items from unconsolidated joint ventures. Adjusted FFO is defined as FFO excluding impairments of assets, acquisition costs and gains and losses other than those from the sale of real estate.

FAD was developed as a supplemental measure of operating performance primarily to exclude non-cash revenues and expenses that are included in FFO. FAD is defined as net income (computed in accordance with GAAP) excluding gains and losses from the sale of real estate plus real estate related depreciation and amortization, plus or minus straight-lined rent (plus cash in excess of rent or minus rent in excess of cash), plus or minus amortization of above or below market lease intangibles, plus non-cash stock based compensation, plus deferred financing cost amortization plus any impairments minus lease commissions, tenant improvements and capital improvements paid. The same adjustments are made to reflect our share of these same items from unconsolidated joint ventures. Adjusted FAD is defined as FAD excluding acquisition costs and gains and losses other than those from the sale of real estate.

We believe that the use of FFO, adjusted FFO and the related per share amounts, and FAD and adjusted FAD in conjunction with the required GAAP disclosures provides investors with a more comprehensive understanding of the operating results of a REIT and enables investors to compare the operating results between REITs without having to account for differences caused by different depreciation assumptions and different non-cash revenues and expenses. Additionally, FFO and FAD are used by us and widely used by industry analysts as a measure of operating performance for equity REITs.

Our calculations of FFO, adjusted FFO and the related per share amounts, and FAD and adjusted FAD presented herein may not be comparable to similar measures reported by other REITs that do not define FFO in accordance with the NAREIT definition, interpret that definition differently than we do or that do not use the same definitions as we do for such terms. These supplemental reporting measures should not be considered as alternatives to net income (a GAAP measure) as primary indicators of our financial performance or as alternatives to cash flow from operating activities (a GAAP measure) as primary measures of our liquidity, nor are these measures necessarily indicative of sufficient cash flow to satisfy all of our liquidity requirements. We believe that these supplemental reporting measures should be examined in conjunction with net income as presented in our consolidated financial statements and data included elsewhere in this Annual Report on Form 10-K in order to facilitate a clear understanding of our consolidated operating results.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities during 2010 increased \$48.6 million, or 20%, as compared to 2009. This was primarily due to increased operating income from our owned facilities as a result of acquisitions during 2010. There have been no significant changes in the underlying sources and uses of cash provided by operating activities.

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Investing Activities

Our investing activities primarily consist of investments in and sales of real estate and related assets and liabilities, investments in and principal payments on mortgage and other loans receivable and contributions to and distributions from unconsolidated joint ventures.

Investments in and Sales of Real Estate and Related Assets and Liabilities

In addition to the transactions with Pacific Medical Buildings LLC and certain of its affiliates described below, during 2010, we acquired 21 skilled nursing facilities, 20 assisted and independent living facilities, seven medical office buildings and one continuing care retirement community subject to triple-net leases and 15 multi-tenant medical office buildings in 17 separate transactions for an aggregate investment of \$437.2 million. The transactions included the acquisition of equity interests ranging from 91% to 96% in ten of the skilled nursing facilities, four of the assisted and independent living facilities and the continuing care retirement community.

During 2010, we completed the following transactions related to our February 2008 agreement (the Contribution Agreement) with Pacific Medical Buildings LLC and certain of its affiliates (see Note 5 to our condensed consolidated financial statements):

Three multi-tenant medical office buildings with an aggregate value of \$223.2 million that had previously been eliminated from the Contribution Agreement were reinstated, and the majority interests therein were acquired through our consolidated joint venture NHP/PMB L.P (NHP/PMB). NHP/PMB acquired a 100% interest in one of the three multi-tenant medical office buildings and, through two consolidated joint ventures, acquired a 65% and a 69% interest in the other two multi-tenant medical office buildings. The acquisitions were paid in a combination of cash, the retirement of our \$47.5 million mortgage loan from a related party to which one of the multi-tenant medical office buildings had served as collateral, the assumption of \$98.3 million of mortgage financing and the issuance of Class A limited partnership units in NHP/PMB (OP Units) with a fair value at the date of issuance of \$19.0 million.

One of the two multi-tenant medical office buildings which remained under the Contribution Agreement at December 31, 2009 was eliminated from the Contribution Agreement and acquired through NHP/PMB Pasadena LLC (Pasadena JV), a new consolidated joint venture with an entity affiliated with Pacific Medical Buildings LLC in which we have a 71% equity interest. Our joint venture partner contributed the multi-tenant medical office building, and we contributed \$13.5 million in cash. Additionally, we provided Pasadena JV with a \$56.5 million mortgage loan, of which \$49.8 million has been funded, and a \$3.0 million mezzanine loan.

As a result of the elimination of the above property from the Contribution Agreement, NHP/PMB became obligated to pay \$2.1 million (which had previously been accrued), of which \$2.0 million was paid in cash and the remaining \$0.1 million through the issuance of OP Units. Under the Contribution Agreement, if the agreement is terminated with respect to the remaining development property, NHP/PMB will become obligated to pay approximately \$2.4 million.

During 2010, we also completed the following transactions with certain affiliates of Pacific Medical Buildings LLC:

One multi-tenant medical office building was acquired through NHP/PMB Gilbert LLC (Gilbert JV), a new consolidated joint venture with an entity affiliated with Pacific Medical Buildings LLC in which we have a 71.17% equity interest. Our joint venture partner contributed a multi-tenant medical office building, and we contributed \$6.3 million in cash. Additionally, we agreed to loan Gilbert JV up to \$8.8 million as project financing, including \$6.8 million that was disbursed initially.

We acquired the remaining 55.05% interest in PMB SB, an entity affiliated with Pacific Medical Buildings LLC that owns two multi-tenant medical office buildings. PMB SB was valued at \$17.4 million at the date of acquisition, and the acquisition was paid in a combination of cash and the assumption of \$11.2 million of mortgage financing (of which \$6.2 million was previously attributable to the controlling interest in PMB

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SB). In connection with the acquisition, we re-measured our previously held equity interest at the acquisition date fair value and recognized a gain on the re-measurement of \$0.6 million.

Additionally, we have entered into an agreement (the Pipeline Agreement) with NHP/PMB, PMB LLC and PMBRES pursuant to which we or NHP/PMB currently have the right, but not the obligation, to acquire up to approximately \$1.3 billion of multi-tenant medical office buildings developed by PMB LLC through April 2019. As of February 1, 2010, the Pipeline Agreement was amended and restated to provide NHP/PMB with the option to acquire medical office buildings developed in the future through a joint venture between NHP and PMB LLC, obligate us to provide or arrange financing for approved developments and provide us with improved terms, including preferred returns, a reduction in PMB LLC's promote interest and acquisition pricing determined at the time of acquisition rather than at the pre-development stage. During 2010, we completed the following transaction with an affiliate of Pacific Medical Buildings LLC related to our Pipeline Agreement:

We entered into a consolidated joint venture called PDP Mission Hills 1 LLC (Mission Hills JV) to develop a medical office building with a total budget of \$53.0 million and concurrently entered into an agreement with NHP/PMB, PMB LLC and PMB Mission Hills 1 LLC under which the interests in Mission Hills JV will be contributed to NHP/PMB subsequent to completion of development in accordance with the terms of the Pipeline Agreement. We have an 89.1% equity interest in Mission Hills JV. We contributed \$14.7 million in cash, and our joint venture partner contributed \$1.8 million in cash. During 2010, Mission Hills JV incurred development costs of \$16.6 million, including the acquisition of the land on which the medical office building is to be developed for \$15.5 million. Construction is expected to commence in early 2011.

During 2010, we also entered into an agreement to develop an assisted and independent living facility and incurred costs of \$1.2 million. As of December 31, 2010, we had committed to fund an additional \$41.8 million under existing development agreements, of which \$36.4 million relates to Mission Hills JV and is expected to be funded through a third party construction loan.

During 2010, we funded \$21.0 million in expansions, construction and capital improvements at certain facilities in accordance with existing lease provisions. Such expansions, construction and capital improvements generally result in an increase in the minimum rents earned by us on these facilities either at the time of funding or upon completion of the project. As of December 31, 2010, we had committed to fund additional expansions, construction and capital improvements of \$14.5 million. During 2010, we also funded, directly and through our consolidated joint ventures, \$4.2 million in capital and tenant improvements at certain multi-tenant medical office buildings.

During 2010, we sold nine skilled nursing facilities and three assisted and independent living facilities for net cash proceeds of \$43.6 million that resulted in a total gain of \$16.9 million which is included in the caption Gain on sale of facilities, net in Discontinued operations on our consolidated income statements.

Investments in and Principal Payments on Mortgage and Other Loans Receivable

During 2010, we funded four mortgage loans secured by 27 medical office buildings, one assisted and independent living facility and four skilled nursing facilities in the amount of \$155.3 million. In connection with the funding of a mortgage loan secured by one of the skilled nursing facilities, we agreed to fund up to \$10.9 million to expand the facility and funded \$1.9 million as of December 31, 2010. During 2010, we also acquired one mortgage loan secured by one assisted and independent living facility for \$6.1 million, net of a \$0.8 million discount, and funded \$59.6 million to Pasadena JV and Gilbert JV as described above.

During 2010, we sold the assisted living portion of a continuing care retirement community, for which we had an existing mortgage loan secured by the skilled nursing portion of such continuing care retirement community, to the

tenant of the facility. For facility count purposes, this was previously accounted for in real estate properties as a continuing care retirement community. We provided financing of \$6.5 million related to the sale, including the concurrent repayment of a \$0.7 million unsecured loan which had previously been included in the caption Other assets on our consolidated balance sheets, and funded an additional \$0.4 million subsequent to the sale.

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In connection with the acquisition of five of the assisted and independent living facilities and one of the skilled nursing facilities described above, we funded two unsecured loans totaling \$5.5 million and funded an additional \$0.4 million subsequent to acquisition during 2010.

During 2010, we also funded \$5.6 million on other loans. As of December 31, 2010, we had committed to fund additional amounts under other loan agreements of \$7.5 million.

During 2010, we received payments of \$4.9 million on other mortgage and other loans and retired our \$47.5 million loan from a related party as a result of the acquisition of the multi-tenant medical office building serving as collateral by NHP/PMB as described above.

Contributions to and Distributions from Unconsolidated Joint Ventures

During 2010, we received distributions of \$5.2 million and \$0.1 million from our unconsolidated joint venture with a state pension fund investor and PMB SB, respectively.

Financing Activities

Our financing activities primarily consist of the issuance of and principal payments on debt instruments, the issuance of and redemption of equity instruments and distributions.

Issuance of and Principal Payments on Debt Instruments

During 2010, we borrowed \$175.0 million under our revolving unsecured senior credit facility which remained outstanding at December 31, 2010.

During 2010, we repaid at maturity \$67.2 million of secured debt with a weighted average interest rate of 5.24%, prepaid \$118.3 million of secured debt with a weighted average interest rate of 4.73% and made payments of \$8.6 million on other notes and bonds payable.

During 2010, we exercised a 12-month extension option on a \$32.4 million loan that was scheduled to mature in April 2010 and subsequently prepaid the loan.

During 2010, we paid \$1.5 million of deferred financing costs in connection with our one-year extension of our \$700.0 million revolving unsecured senior credit facility.

Our \$700.0 million revolving unsecured senior credit facility requires us to maintain, among other things, the financial covenants detailed below:

	Requirement	Actual
	(Dollar amounts in thousands)	
Minimum net asset value	\$ 820,000	\$ 3,242,217
Maximum total indebtedness to capitalization value	60%	33%
Minimum fixed charge coverage ratio	1.75x	3.35x
Maximum secured indebtedness ratio	30%	9%
Maximum unencumbered asset value ratio	60%	26%

Minimum net asset value generally calculated by applying stated capitalization rates to EBITDA (earnings before interest, taxes, depreciation and amortization) by asset type to determine capitalization value and subtracting total indebtedness from the capitalization value.

Maximum total indebtedness to capitalization value comparison of total indebtedness to capitalization value (see above).

Minimum fixed charge coverage ratio comparison of EBITDA (see above) to fixed charges which include interest expense, deferred finance cost amortization, debt principal payments and preferred dividends.

Maximum secured indebtedness ratio comparison of total secured indebtedness to capitalization value (see above).

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Maximum unencumbered asset value ratio comparison of total unsecured indebtedness to unencumbered asset capitalization value, generally calculated by applying stated capitalization rates to EBITDA (see above) from unencumbered assets by asset type.

Our revolving unsecured senior credit facility allows us to exceed the 60% requirements, up to a maximum of 65%, on the maximum total indebtedness to capitalization value and maximum unencumbered asset value ratio for up to two consecutive fiscal quarters. As of December 31, 2010, we were in compliance with all of the above covenants, and we expect to remain in compliance throughout 2011. We estimate that, as of December 31, 2010, we could have borrowed up to \$2.4 billion of additional debt, and incurred additional annual interest expense of up to \$100.4 million, and remained in compliance with our existing debt covenants.

Issuance and Redemption of Equity Instruments

On January 18, 2010, we redeemed all outstanding shares of our 7.75% Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock) at a redemption price of \$103.875 per share plus an amount equal to accumulated and unpaid dividends thereon to the redemption date (\$0.3875), for a total redemption price of \$104.2625 per share, payable only in cash. As a result of the redemption, each share of Series B Preferred Stock was convertible until January 14, 2010 into 4.5150 shares of common stock. During that time, 512,727 shares were converted into approximately 2,315,000 shares of common stock. On January 18, 2010, we redeemed 917 shares that remained outstanding.

During 2010, we issued and sold approximately 9,141,000 shares of common stock through our at-the-market equity offering program at a weighted average price of \$37.04 per share, resulting in net proceeds of approximately \$335.1 million after sales agent fees.

During 2010, we issued approximately 150,000 shares of common stock through our dividend reinvestment plan at an average price of \$33.26 per share, resulting in proceeds of approximately \$5.0 million.

Distributions

We paid \$223.5 million, or \$1.82 per common share, in dividends to our common stockholders during 2010.

During 2010, cash distributions of \$3.6 million and \$2.0 million were made to OP unitholders and noncontrolling interests, respectively.

Sources and Uses of Capital

Sources of Capital

Financing for operating expenses, the repayment of our obligations and commitments, dividend distributions and future investments may be provided by cash on hand, cash from operations, borrowings under our credit facility, the sale of debt or equity securities in private placements or public offerings, which may be made through our at-the-market equity offering program or otherwise under our current shelf registration statement or under new registration statements, proceeds from asset sales or mortgage and other loan receivable repayments, the assumption of secured indebtedness, mortgage financing on a portion of our owned portfolio or through joint ventures.

Our plans for growth require regular access to the capital and credit markets. If capital is not available at an acceptable cost, it will significantly impair our ability to make future investments and make acquisitions and development

projects difficult or impractical to pursue.

We invest in various short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. These investments may include (either directly or indirectly) obligations of the U.S. government or its agencies, obligations (including certificates of deposit) of banks, commercial paper, money market funds and other highly rated short-term securities. We monitor our investments on a daily basis and do not believe our cash and cash equivalents are exposed to any material risk of loss. However, given the recent market volatility, there can be no assurances that future losses of principal will not occur.

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Our leases and mortgages generally contain provisions under which rents or interest income increase with increases in facility revenues and/or increases in the Consumer Price Index. If facility revenues and/or the Consumer Price Index do not increase, our revenues may not increase. Rent levels under renewed leases will also impact revenues. Excluding multi-tenant medical office buildings and assets held for sale, as of December 31, 2010, we had leases on 20 facilities expiring during 2011.

We evaluate the collectability of our rent, mortgage and other loans and other receivables on a regular basis and record reserves when collectability is not reasonably assured. As of December 31, 2010, we had reserves included in the caption Receivables, net on our consolidated balance sheets of \$14.9 million. Of the related \$23.2 million gross receivable balance, 48% is due from two tenants. One of the tenants has a gross receivable balance of \$6.3 million which is fully reserved as a result of non-payment when contractually due, and the related lease terms have been subsequently amended to provide for payment ratably over time beginning in 2012. The other tenant has filed bankruptcy and has a gross receivable balance of \$4.9 million, of which \$4.1 million is reserved. Additionally, the related facility was transferred to assets held for sale, and an impairment charge of \$15.0 million was recognized in discontinued operations based on broker estimates of fair value, comparable sales in the local submarket and an unsolicited cash offer received during 2010. We will continue to evaluate the collectability of our receivables, and if our assumptions or estimates regarding the collectability of a receivable change in the future, it may result in an adjustment to the existing reserve balance.

As of December 31, 2010, we had \$525.0 million available under our \$700.0 million revolving unsecured senior credit facility. At our option, borrowings under the credit facility bear interest at the prime rate (3.25% at December 31, 2010) or applicable LIBOR plus 0.70% (1.01% at December 31, 2010). We pay a facility fee of 0.15% per annum on the total commitment under the agreement. Effective June 25, 2010, we exercised our option to extend the maturity date by one year to December 15, 2011.

During August 2010, we entered into six 12-month forward-starting interest rate swap agreements for an aggregate notional amount of \$250.0 million at a weighted average rate of 3.16%. We entered into these swap agreements in order to hedge the expected interest payments associated with fixed rate debt forecasted to be issued in 2011. The swap agreements each have an effective date of August 1, 2011 and a termination date of August 1, 2021. We expect to settle the swap agreements when the forecasted debt is issued. We assessed the effectiveness of these swap agreements as hedges at inception and on December 31, 2010 and consider these swap agreements to be highly effective cash flow hedges. The swap agreements are recorded under the caption Other assets on our consolidated balance sheets at their aggregate estimated fair value of \$11.2 million at December 31, 2010.

On January 15, 2010, we filed a new shelf registration statement with the Securities and Exchange Commission under which we may issue securities including debt, convertible debt, common and preferred stock and warrants to purchase any of these securities. Our senior notes have been investment grade rated since 1994. Our credit ratings at December 31, 2010 were BBB from Fitch Ratings, Baa2 from Moody's Investors Service and BBB from Standard & Poor's Ratings Services (upgraded to BBB from BBB- on March 8, 2010).

We enter into sales agreements from time to time with agents to sell shares of our common stock through an at-the-market equity offering program. On January 15, 2010, we entered into two sales agreements to sell up to an aggregate of 5,000,000 shares of our common stock from time to time. When that program was completed, we entered into two additional sales agreements on July 2, 2010 to sell up to an aggregate of an additional 5,000,000 shares of our common stock from time to time. As of December 31, 2010, approximately 1,322,000 shares of common stock were available to be sold pursuant to our at-the-market equity offering program.

We sponsor a dividend reinvestment plan that enables existing stockholders to purchase additional shares of common stock by automatically reinvesting all or part of the cash dividends paid on their shares of common stock at a discount

ranging from 0% to 5%, determined by us from time to time in accordance with the plan. The discount at December 31, 2010 was 2%.

We anticipate the possible sale of certain facilities, primarily due to purchase option exercises. In addition, mortgage and other loans receivable might be prepaid. We anticipate using the proceeds from any asset sales or mortgage and other loan receivable repayments to provide capital for future investments, to reduce any outstanding balance on our credit facility or to repay other borrowings as they mature. Any such future investments would increase

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revenues, and any such reduction in debt levels would result in reduced interest expense that we believe would partially offset any decrease in revenues from asset sales or mortgage or other loan receivable repayments. During January 2011, one mortgage loan with a principal balance of \$33.0 million was prepaid. We believe our tenants may exercise purchase options on assets with option prices totaling approximately \$35.1 million during 2011.

Uses of Capital

From January 1, 2011 to February 28, 2011, we completed approximately \$102 million of investments. We may make additional acquisitions during 2011, although we cannot predict the quantity or timing of any such acquisitions as we continue to be confronted with uncertainty surrounding the future of the capital markets and general economic conditions. If we make additional investments in facilities, interest expense would likely increase. We expect any such increases to be at least partially offset by associated rental or interest income.

Assuming certain conditions are met under our Contribution Agreement with Pacific Medical Buildings LLC and certain of its affiliates, we would expect to finance the acquisition of the remaining building subject to the Contribution Agreement with a combination of assumed debt, the issuance of OP Units, cash on hand/cash from operations and/or equity issuances through our at-the-market equity offering program and borrowings under our credit facility.

As of December 31, 2010, we had \$514.0 million of debt that matures in 2011. Additionally, \$75.4 million of our senior notes can be put to us prior to the stated maturity date; however, there are no such senior notes that we may be required to repay in 2011. We anticipate repaying senior notes and notes and bonds payable at or prior to maturity with a combination of proceeds from borrowings on our credit facility and cash on hand/cash from operations. Borrowings on our credit facility could be repaid by cash on hand and cash from operations, the issuance of debt or equity securities under our shelf registration statement or proceeds from asset sales or mortgage and other loan receivable repayments.

We expect that our current common stock dividend policy will continue, but it is subject to regular review by our board of directors. Common stock dividends are paid at the discretion of our board of directors and are dependent upon various factors, including our future earnings, our financial condition and liquidity, our capital requirements and applicable legal and contractual restrictions. On February 8, 2011, our board of directors declared a quarterly cash dividend of \$0.48 per share of common stock. This dividend will be paid on March 4, 2011 to stockholders of record on February 18, 2011.

Outlook

Recent market and economic conditions have been unprecedented and challenging with tighter credit conditions and slow growth. While there are current signs of a strengthening and stabilizing economy and more liquid and attractive capital markets, there is continued uncertainty over whether our economy will again be adversely impacted by inflation, deflation or stagflation, and the systemic impact of high unemployment, energy costs, geopolitical issues, the availability and cost of capital, the U.S. mortgage market and a declining real estate market in the U.S., resulting in a return to illiquid credit markets and widening credit spreads. We had \$525.0 million available under our credit facility at December 31, 2010, and we currently have no reason to believe that we will be unable to access the facility in the future or renew the facility upon its expiration in 2011. However, continued concern about the stability of the markets generally and the strength of borrowers specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide, funding to borrowers. If we were unable to access our credit facility, it could result in an adverse effect on our liquidity and financial condition. In addition, continued turbulence in market conditions may adversely affect the liquidity and financial condition of our tenants.

If the adverse market conditions the U.S. recently experienced return, they may limit our ability, and the ability of our tenants, to timely refinance maturing liabilities and access the capital markets to meet liquidity needs, resulting in a material adverse effect on our financial condition and results of operations. Additionally, certain of our debt obligations are floating-rate obligations with interest rate and related payments that vary with the movement of LIBOR or other indexes. If the recent market turbulence continues, there could be a rise in interest rates which could reduce our profitability or adversely affect our ability to meet our obligations.

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We believe the combination of cash on hand/cash from operations, the ability to draw on our \$700.0 million credit facility and the ability to sell securities under our shelf registration statement, as well as our unconsolidated joint venture with a state pension fund investor, provide sufficient liquidity and financing capability to finance anticipated future investments, maintain our current dividend level and repay borrowings at or prior to their maturity, for at least the next 12 months.

Off-Balance Sheet Arrangements

We have interests in the unconsolidated joint ventures discussed in Note 6 to our consolidated financial statements. Our risk of loss is limited to our investment carrying amount. We have no other material off-balance sheet arrangements that we expect would have a material effect on our liquidity, capital resources or results of operations.

Contractual Obligations and Cash Requirements

As of December 31, 2010, our contractual obligations and commitments were as follows:

	2011	2012-2013	2014-2015 (In thousands)	Thereafter	Total
Contractual Obligations:					
Long-term debt	\$ 514,040	\$ 419,284	\$ 307,335	\$ 288,598	\$ 1,529,257
Interest expense	\$ 75,927	\$ 94,543	\$ 56,155	\$ 160,092	\$ 386,717
Ground leases	\$ 1,716	\$ 3,471	\$ 3,524	\$ 91,941	\$ 100,652
Operating leases	\$ 562	\$ 93	\$	\$	\$ 655
Commitments:					
Capital expenditures	\$ 13,575	\$ 283	\$ 25	\$ 574	\$ 14,457
Development projects	\$ 29,781	\$ 12,017	\$	\$	\$ 41,798
Loan fundings	\$ 16,504	\$	\$	\$	\$ 16,504

The long-term debt amount shown above includes our senior notes, notes and bonds payable and the balance outstanding on our revolving unsecured senior credit facility.

Interest expense shown above is estimated assuming the balance outstanding on credit facility remains constant until its maturity in 2011 and that the interest rates in effect at December 31, 2010 remain constant for the credit facility and the \$29.4 million of variable rate notes and bonds payable. Maturities of our senior notes range from 2011 to 2038 (although certain notes may be put back to us at their face amount at the option of the holders at earlier dates) and maturities of our notes and bonds payable range from 2012 to 2037.

Statement Regarding Forward-Looking Disclosure

Certain information contained in this report includes statements that may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements regarding our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are not statements of historical facts. These statements may be identified, without limitation, by the use of forward-looking terminology such as may, will, anticipates, expects, believes, intends, should or comparable terms or the negative thereof. All forward-looking statements included in this report are based on information available to us on the date hereof. These statements speak only as of the date hereof and we assume no obligation to update such forward-looking statements. These statements

involve risks and uncertainties that could cause actual results to differ materially from those described in the statements. Risks and uncertainties associated with our business include (without limitation) the following:

risks related to the proposed merger with Ventas;

deterioration in the operating results or financial condition, including bankruptcies, of our tenants or other significant operators in the healthcare industry;

non-payment or late payment of rent, interest or loan principal amounts by our tenants;

the ability of our tenants to pay contractual rent and/or interest escalations in future periods;

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the ability of our tenants to obtain and maintain adequate liability and other insurance and potential underinsured or uninsured losses;

occupancy levels at certain facilities;

our reliance on one tenant for a significant percentage of our revenues;

risks associated with real estate ownership, including the illiquid nature of real estate and the real estate market, maintenance and repair costs, potential liability under environmental laws, leases that are not renewed or are renewed at lower rates, our ability to attract new tenants for certain facilities, purchase option exercises that reduce revenue and our ability to sell certain facilities for their book value;

the amount and yield of any additional investments and risks associated with acquisitions, including our ability to identify and complete favorable transactions, delays or failures in obtaining third party consents or approvals, the failure to achieve perceived benefits, unexpected costs or liabilities and potential litigation;

risks associated with development, including our ability to obtain financing, delays or failures in obtaining necessary permits and authorizations, the failure to achieve original project estimates and our limited history in conducting ground-up development projects;

access to the capital markets and the cost and availability of capital;

changes in the ratings of our debt securities;

our level of indebtedness;

the effect of economic and market conditions and changes in interest rates;

maintaining compliance with our debt covenants and restrictions imposed by such covenants;

the possibility that we could be required to repurchase some of our senior notes;

increased competition in our business sector;

adverse trends in the healthcare industry;

tenant regulatory and licensing requirements and the effect of healthcare reform legislation or government regulations, including changes in the reimbursement levels under the Medicare and Medicaid programs;

our ability to retain key personnel;

changes in or inadvertent violations of tax laws and regulations and other factors that can affect our status as a real estate investment trust (REIT); and

the risk factors set forth under the caption Risk Factors in Item 1A and other factors discussed from time to time in our news releases, public statements and/or filings with the SEC, including any subsequent Quarterly Reports on Form 10-Q.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to market risks related to fluctuations in interest rates on our mortgage loans receivable and debt. We may hold derivative instruments to manage our exposure to these risks, and all derivative instruments are matched against specific debt obligations. Readers are cautioned that many of the statements contained in these paragraphs are forward-looking and should be read in conjunction with our disclosures under the heading *Statement Regarding Forward-Looking Disclosure* set forth above.

We provide mortgage loans to tenants of healthcare facilities as part of our normal operations, which generally have fixed rates, and all mortgage loans receivable are treated as fixed rate notes in the table and analysis below.

We utilize debt financing primarily for the purpose of making additional investments in healthcare facilities. Historically, we have made short-term borrowings on our variable rate unsecured credit facility to fund our acquisitions until market conditions were appropriate, based on management's judgment, to issue stock or fixed rate debt to provide long-term financing.

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During 2010, we borrowed \$175.0 million under our credit facility. There was no balance outstanding under our credit facility as of December 31, 2009. At our option, borrowings under our revolving unsecured senior credit facility bear interest at the prime rate (3.25% at December 31, 2010) or applicable LIBOR plus 0.70% (1.01% at December 31, 2010). Additionally, a portion of our secured debt has variable rates.

For fixed rate debt, changes in interest rates generally affect the fair market value, but do not impact earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact fair market value, but do affect the future earnings and cash flows. We generally cannot prepay fixed rate debt prior to maturity. Therefore, interest rate risk and changes in fair market value should not have a significant impact on the fixed rate debt until we would be required to refinance such debt. Any future interest rate increases will increase the cost of borrowings on our credit facility and any borrowings to refinance long-term debt as it matures or to finance future acquisitions. Holding the variable rate debt balance at December 31, 2010 constant, including the balance outstanding under our credit facility, each one percentage point increase in interest rates would result in an increase in interest expense for the coming year of approximately \$2.0 million.

The table below details the principal amounts and the average interest rates for the mortgage loans receivable and debt for each category based on the final maturity dates as of December 31, 2010. Certain of the mortgage loans receivable and certain items in the various categories of debt require periodic principal payments prior to the final maturity date. The fair value estimates for the mortgage loans receivable are based on the estimates of management and on rates currently prevailing for comparable loans. The fair market value estimates for debt securities are based on discounting future cash flows utilizing rates we would expect to pay for debt of a similar type and remaining maturity.

	Maturity Date						Total Book Value	Fair Value
	2011	2012	2013	2014	2015	Thereafter		
Assets								
Mortgage loans receivable(1)	\$ 92,543	\$ 692	\$ 25,166	\$	\$ 3,041	\$ 167,745	\$ 289,187	\$ 314,534
Average interest rate	11.56%	9.00%	8.96%		10.89%	7.92%	9.21%	
Liabilities								
Debt:								
Fixed rate	\$ 339,040	\$ 107,382	\$ 307,950	\$ 37,596	\$ 269,739	\$ 263,128	\$ 1,324,835	\$ 1,414,168
Average interest rate	6.50%	7.98%	6.21%	5.88%	6.00%	6.00%	6.34%	
Variable rate	\$	\$ 3,952	\$	\$	\$	\$ 25,470	\$ 29,422	\$ 29,422
Average interest rate		2.11%				1.45%	1.50%	
Unsecured senior credit facility	\$ 175,000	\$	\$	\$	\$	\$	\$ 175,000	\$ 175,000
Average interest rate	1.01%						1.01%	

- (1) Total book value of mortgage loans excludes deferred gains and discounts of \$21.0 million, and the 2011 maturities include one mortgage loan to Brookdale with a carrying value of \$28.3 million (net of a deferred gain of \$4.7 million) that was repaid in January 2011 and a \$6.6 million loan which matured during 2010 and is expected to be repaid during the first quarter of 2011.

Any future interest rate increases will increase the cost of borrowings on our credit facility and any borrowings to refinance long-term debt as it matures or to finance future acquisitions.

During August 2010, we entered into six 12-month forward-starting interest rate swap agreements for an aggregate notional amount of \$250.0 million at a weighted average rate of 3.16%. We entered into these swap agreements in order to hedge the expected interest payments associated with fixed rate debt forecasted to be issued in 2011. The swap agreements each have an effective date of August 1, 2011 and a termination date of August 1, 2021. We expect to settle the swap agreements when the forecasted debt is issued. We assessed the effectiveness of these swap agreements as hedges at inception and on December 31, 2010 and consider these swap agreements to be highly effective cash flow hedges. The swap agreements are recorded under the caption Other assets on our consolidated balance sheets at their aggregate estimated fair value of \$11.2 million at December 31, 2010.

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Item 8. *Financial Statements and Supplementary Data.*

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Nationwide Health Properties, Inc.

We have audited the accompanying consolidated balance sheets of Nationwide Health Properties, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, equity and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nationwide Health Properties, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Nationwide Health Properties, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Irvine, California
March 1, 2011

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2010	2009
	(Dollars in thousands)	
ASSETS		
Investments in real estate:		
Land	\$ 339,534	\$ 318,457
Buildings and improvements	3,679,745	3,088,183
Development in progress	17,827	
	4,037,106	3,406,640
Less accumulated depreciation	(670,601)	(585,294)
	3,366,505	2,821,346
Mortgage loans receivable, net	289,187	110,613
Mortgage loan receivable from related party		47,500
Investment in unconsolidated joint ventures	42,582	51,924
	3,698,274	3,031,383
Cash and cash equivalents	59,591	382,278
Receivables, net	8,336	6,605
Asset held for sale	5,150	
Intangible assets	163,238	93,657
Other assets	158,035	133,152
	\$ 4,092,624	\$ 3,647,075
LIABILITIES AND EQUITY		
Unsecured senior credit facility	\$ 175,000	\$
Senior notes	991,633	991,633
Notes and bonds payable	362,624	431,456
Accounts payable and accrued liabilities	151,069	132,915
Total liabilities	1,680,326	1,556,004
Redeemable OP unitholder interests	79,188	57,335
Commitments and contingencies		
Equity:		
NHP stockholders' equity:		
Preferred stock \$1.00 par value; 5,000,000 shares authorized;		
7.750% Series B Convertible, none and 513,644 shares issued and outstanding at		
December 31, 2010 and 2009, respectively, stated at liquidation preference of		
\$100 per share		51,364

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Common stock \$0.10 par value; 200,000,000 shares authorized; issued and outstanding: 126,253,858 and 114,320,786 at December 31, 2010 and 2009, respectively	12,625	11,432
Capital in excess of par value	2,516,397	2,128,843
Cumulative net income	1,849,045	1,705,279
Accumulated other comprehensive income (loss)	8,614	(823)
Cumulative dividends	(2,086,854)	(1,862,996)
Total NHP stockholders equity	2,299,827	2,033,099
Noncontrolling interests	33,283	637
Total equity	2,333,110	2,033,736
	\$ 4,092,624	\$ 3,647,075

See accompanying notes.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****CONSOLIDATED INCOME STATEMENTS**

	Years Ended December 31,		
	2010	2009	2008
	(In thousands, except per share amounts)		
Revenue:			
Triple-net lease rent	\$ 307,567	\$ 287,379	\$ 275,351
Medical office building operating rent	102,287	70,054	60,576
	409,854	357,433	335,927
Interest and other income	29,397	26,420	24,942
	439,251	383,853	360,869
Expenses:			
Interest expense	95,761	93,630	100,956
Depreciation and amortization	134,540	121,032	113,422
General and administrative	30,836	27,320	25,981
Acquisition costs	5,118	830	
Medical office building operating expenses	41,325	28,906	26,631
	307,580	271,718	266,990
Operating income	131,671	112,135	93,879
Income from unconsolidated joint ventures	5,478	5,101	3,903
Gain on debt extinguishment	75	4,564	4,641
Income from continuing operations	137,224	121,800	102,423
Discontinued operations:			
Gain on sale of facilities, net	16,948	23,908	154,995
Impairments	(15,006)		
Income from discontinued operations	2,957	3,350	10,589
	4,899	27,258	165,584
Net income	142,123	149,058	268,007
Net loss (income) attributable to noncontrolling interests	1,643	(668)	131
Net income attributable to NHP	143,766	148,390	268,138
Preferred stock dividends		(5,350)	(7,637)
Net income attributable to NHP common stockholders	\$ 143,766	\$ 143,040	\$ 260,501

Basic earnings per share amounts:

Income from continuing operations attributable to NHP common stockholders	\$ 1.13	\$ 1.08	\$ 0.97
Discontinued operations attributable to NHP common stockholders	0.04	0.26	1.70
Net income attributable to NHP common stockholders	\$ 1.17	\$ 1.34	\$ 2.67
Basic weighted average shares outstanding	121,687	106,329	97,246

Diluted earnings per share amounts:

Income from continuing operations attributable to NHP common stockholders	\$ 1.11	\$ 1.06	\$ 0.95
Discontinued operations attributable to NHP common stockholders	0.04	0.25	1.68
Net income attributable to NHP common stockholders	\$ 1.15	\$ 1.31	\$ 2.63
Diluted weighted average shares outstanding	124,339	108,547	98,763

See accompanying notes.

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**NATIONWIDE HEALTH PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF EQUITY**

	NHP Stockholders Equity					Accumulated Other Comprehensive		Cumulative Dividends	Noncontrolling Interests
	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Capital in Excess of par Value (In thousands)	Cumulative Net Income	Income (Loss)		
2007	1,064	\$ 106,445	94,806	\$ 9,481	\$ 1,565,249	\$ 1,288,751	\$ 2,561	\$ (1,489,794)	\$ 6,166
Income:						268,138			(131)
Gain on									
							(511)		
Pension							(204)		
Loss									
Income									
Preferred	(315)	(31,527)	1,406	140	31,387				
Common			6,068	607	183,757				
					5,800			(7,637)	
Dividends								(171,976)	
Dividends									
From									620
Interests									
									(1,973)
2008	749	74,918	102,280	10,228	1,786,193	1,556,889	1,846	(1,669,407)	4,682
Income:						148,390			668
Gain on									
							(610)		
							(2,051)		
Loss from									

oint									
pension l loss							(8)		
income ferred	(235)	(23,554)	1,061	106	23,448				
mon			10,778	1,078	317,067				
P sts to			202	20	6,057				
					7,007				
nds								(5,350)	
nds								(188,239)	
le OP									
sts to									
on value					(9,523)				
interests					(1,406)				(2,831)
interests									(1,882)
009	514	51,364	114,321	11,432	2,128,843	1,705,279	(823)	(1,862,996)	637
income:						143,766			(1,643)
rate							11,157		
s									
gain on									
							(519)		
er									
loss from									
oint							(1,147)		
pension l loss							(54)		
income mption	(514)	(51,364)	2,315	231	51,041				
k			9,588	959	337,072				
mon									
P sts to			30	3	846				

				6,939				(223,858)	
nds									
ble OP									
sts to									
on value				(7,274)					
ition/									
nterests				(1,070)					1,727
butions									
ling									25,289
om									
nterests									9,271
nterests									(1,998)
010	\$	126,254	\$ 12,625	\$ 2,516,397	\$ 1,849,045	\$ 8,614	\$ (2,086,854)	\$ 33,283	

See accompanying notes.

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NATIONWIDE HEALTH PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2010	2009	2008
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 142,123	\$ 149,058	\$ 268,007
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	136,892	125,129	119,107
Stock-based compensation	6,939	7,007	5,800
Gain on re-measurement of equity interest upon acquisition, net	(620)		
Gain on debt extinguishment	(75)	(4,564)	(4,641)
Gain on sale of facilities, net	(16,948)	(23,908)	(154,995)
Straight-line rent	(12,285)	(6,355)	(10,263)
Amortization of above/below market lease intangibles, net	342	(585)	(559)
Mortgage and other loan premium and discount amortization	(104)	49	145
Amortization of deferred financing costs	3,289	2,515	2,662
Equity in earnings from unconsolidated joint ventures	(1,001)	(974)	37
Distributions of income from unconsolidated joint ventures	1,045	987	236
Impairments	15,006		
Changes in operating assets and liabilities:			
Receivables	(1,088)	(445)	(2,258)
Intangible and other assets	5,645	4,666	(5,313)
Accounts payable and accrued liabilities	16,581	(5,435)	25,873
Net cash provided by operating activities	295,741	247,145	243,838
Cash flows from investing activities:			
Investment in real estate and related assets and liabilities	(532,660)	(42,733)	(325,216)
Proceeds from sale of real estate facilities	43,623	43,533	288,639
Investment in mortgage and other loans receivable	(229,474)	(15,738)	(91,357)
Principal payments on mortgage and other loans receivable	4,874	12,691	18,781
Contributions to unconsolidated joint ventures	(136)	(2,244)	(6,678)
Distributions from unconsolidated joint ventures	5,319	2,591	4,743
Net cash used in investing activities	(708,454)	(1,900)	(111,088)
Cash flows from financing activities:			
Borrowings under unsecured senior credit facility	175,000		169,000
Repayment of borrowings under unsecured senior credit facility			(210,000)
Repayments of senior notes		(60,036)	(105,626)
Issuance of notes and bonds payable		6,862	36,461
Principal payments on notes and bonds payable	(194,107)	(10,605)	(18,522)

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Redemption of preferred stock	(92)		
Issuance of common stock, net	336,972	316,729	183,819
Dividends paid	(223,452)	(193,149)	(179,133)
Contributions from redeemable OP unitholders			58,435
Distributions to redeemable OP unitholders	(3,629)	(3,102)	(1,506)
Contributions from noncontrolling interests	3,016		620
Distributions to noncontrolling interests	(1,998)	(1,777)	(1,973)
Payment of deferred financing costs	(1,684)	(139)	(1,482)
Net cash provided by (used in) financing activities	90,026	54,783	(69,907)
(Decrease) increase in cash and cash equivalents	(322,687)	300,028	62,843
Cash and cash equivalents, beginning of year	382,278	82,250	19,407
Cash and cash equivalents, end of year	\$ 59,591	\$ 382,278	\$ 82,250
Supplemental schedule of cash flow information:			
Non-cash investing activities:			
Assumption of debt upon acquisition of real estate	\$ 125,350	\$	\$
Retirement of mortgage loan receivable upon acquisition of real estate	\$ 47,500	\$	\$
Capital contributions from noncontrolling interests upon acquisition of real estate	\$ 25,289	\$	\$
Issuance of redeemable OP unitholder interests upon acquisition of real estate	\$ 18,986	\$	\$
Issuance of mortgage loan receivables upon sale of real estate/disposition of noncontrolling interest	\$ 10,495	\$	\$
Acquisition/disposition of noncontrolling interests	\$ 1,727	\$	\$
Foreclosure of facility securing mortgage loan receivable	\$	\$	\$ 2,945
Non-cash financing activities:			
Conversion of preferred stock to common stock	\$ 51,272	\$ 23,554	\$ 31,527
Adjust redeemable OP unitholder interests to current redemption value	\$ 7,274	\$ 9,523	\$
Conversion of redeemable OP unitholder interests to common stock	\$ 849	\$ 6,077	\$
Interest paid	\$ 91,938	\$ 92,038	\$ 98,028

See accompanying notes.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2010****1. Organization**

Nationwide Health Properties, Inc., a Maryland corporation, is a real estate investment trust (REIT) that invests in healthcare related real estate, primarily senior housing, long-term care properties and medical office buildings. Whenever we refer herein to NHP or to us or use the terms we or our, we are referring to Nationwide Health Properties, Inc. and its subsidiaries, unless the context otherwise requires.

We primarily make our investments by acquiring an ownership interest in senior housing and long-term care facilities and leasing them to unaffiliated tenants under triple-net master leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. We also invest in medical office buildings which are not generally subject to triple-net leases and generally have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). Some of the medical office buildings are subject to triple-net leases. In addition, but to a much lesser extent because we view the risks of this activity to be greater due to less favorable bankruptcy treatment and other factors, from time to time, we extend mortgage loans and other financing to operators. For the twelve months ended December 31, 2010, approximately 93% of our revenues were derived from leases, with the remaining 7% from mortgage loans, other financing activities and other miscellaneous income.

We believe we have operated in such a manner as to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). We intend to continue to qualify as such and therefore distribute at least 90% of our REIT taxable income (computed without regard to the dividends paid deduction and excluding capital gain) to our stockholders. If we qualify for taxation as a REIT, and we distribute 100% of our taxable income to our stockholders, we will generally not be subject to U.S. federal income taxes on our income that is distributed to stockholders. Accordingly, no provision has been made for federal income taxes.

As of December 31, 2010, we had investments in 663 healthcare facilities, one land parcel, two development projects and two assets held for sale located in 42 states, consisting of:

	Consolidated Facilities	Unconsolidated Facilities	Facilities and Land Parcel Securing Mortgage Loans	Total
Assisted and independent living facilities	267	19	12	298
Skilled nursing facilities	178	14	20	212
Continuing care retirement communities	10	1	1	12
Specialty hospitals	7			7
Triple-net medical office buildings	24		27	51
Multi-tenant medical office buildings	83			83
Land parcel			1	1
Development projects	2			2
Assets held for sale	2			2

573

34

61

668

73

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

As of December 31, 2010, our directly owned facilities, other than our multi-tenant medical office buildings, were operated by 88 different healthcare providers, including the following publicly traded companies:

	Facilities Operated
Assisted Living Concepts, Inc	4
Brookdale Senior Living, Inc.	93
Emeritus Corporation	6
Extendicare, Inc.	1
HealthSouth Corporation	2
Kindred Healthcare, Inc.	1
Sun Healthcare Group, Inc.	4

One of our triple-net lease tenants accounted for more than 10% of our revenues at December 31, 2010, as follows:

Brookdale Senior Living, Inc	12.2%
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2. Summary of Significant Accounting Policies***Basis of Presentation***

Certain items in prior period financial statements have been reclassified to conform to current year presentation, including those required by the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, *Property, Plant and Equipment* (ASC 360), which require the operating results of any assets with their own identifiable cash flows that are disposed of or held for sale and in which we have no continuing interest to be removed from income from continuing operations and reported as discontinued operations for all periods presented.

We have evaluated events subsequent to December 31, 2010 for their impact on our consolidated financial statements (see Note 24).

Principles of Consolidation

The consolidated financial statements include our accounts, the accounts of our wholly owned subsidiaries and the accounts of our joint ventures that are controlled through voting rights or other means. We apply the provisions of ASC Topic 810, *Consolidation* (ASC 810), for arrangements with variable interest entities (VIEs) and would consolidate those VIEs where we are the primary beneficiary. All material intercompany accounts and transactions have been eliminated.

Our judgment with respect to our level of influence or control of an entity and whether we are the primary beneficiary of a VIE involves the consideration of various factors including, but not limited to, the form of our ownership interest,

our representation on the entity's governing body, the size of our investment, estimates of future cash flows, our ability to participate in policy-making decisions and the rights of the other investors to participate in the decision-making process and to replace us as manager and/or liquidate the venture, if applicable. Our ability to correctly assess our influence or control over an entity or determine the primary beneficiary of a VIE affects the presentation of these entities in our consolidated financial statements.

As of December 31, 2010, we leased ten facilities under triple-net leases with fixed price purchase options through eight wholly owned, consolidated subsidiaries that have been identified as VIEs and for which we have been identified as the primary beneficiary. The carrying value of the facilities was \$108.5 million as of December 31, 2010, and the purchase options are exercisable between 2011 and 2021.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

We apply the provisions of ASC Topic 323, *Investments – Equity Method and Joint Ventures* (ASC 323), to investments in joint ventures. Investments in entities that we do not consolidate but for which we have the ability to exercise significant influence over operating and financial policies are reported under the equity method. Under the equity method of accounting, our share of the entity's earnings or losses is included in our operating results.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Segment Reporting

We report our consolidated financial statements in accordance with the provisions of ASC Topic 280, *Segment Reporting*. We operate in two segments based on our investment and leasing activities: triple-net leases and multi-tenant leases (see Note 20).

Revenue Recognition

We derive the majority of our revenue from leases related to our real estate investments and a much smaller portion of our revenue from mortgage loans, other financing activities and other miscellaneous income. Revenue is recognized when it is realized or is realizable and earned.

Rental income from operating leases is recognized in accordance with the provisions of ASC Topic 840, *Leases*, and ASC Topic 605, *Revenue Recognition*. Our leases generally contain annual rent escalators. Many of our leases contain non-contingent rent escalators for which we recognize income on a straight-line basis over the lease term.

Recognizing income on a straight-line basis requires us to calculate the total non-contingent rent to be paid over the life of a lease and to recognize the revenue evenly over that life. This method results in rental income in the early years of a lease being higher than actual cash received, creating a straight-line rent receivable asset included in the caption Other assets on our consolidated balance sheets. At some point during the lease, depending on its terms, the cash rent payments eventually exceed the straight-line rent which results in the straight-line rent receivable asset decreasing to zero over the remainder of the lease term. Certain leases contain rent escalators contingent on revenues or other factors, including increases based on changes in the Consumer Price Index. Such revenue increases are recognized as the related contingencies are met.

We assess the collectability of straight-line rent in accordance with the applicable accounting standards and our reserve policy and defer recognition of straight-line rent if its collectability is not reasonably assured. Our assessment of the collectability of straight-line rent is based on several factors, including the financial strength of the tenant and any guarantors, the historical operations and operating trends of the facility, the historical payment pattern of the tenant and the type of facility, among others. If our evaluation of these factors indicates we may not receive the rent payments due in the future, we defer recognition of the straight-line rental income and, depending on the circumstances, we will provide a reserve against the previously recognized straight-line rent receivable asset for a

portion, up to its full value, that we estimate may not be recoverable. If we change our assumptions or estimates regarding the collectability of future rent payments required by a lease, we may adjust our reserve to increase or reduce the rental revenue recognized, and/or to increase or reduce the reserve against the existing straight-line rent receivable balance.

We recorded \$12.3 million of revenues in excess of cash received during 2010, \$6.4 million of revenues in excess of cash received during 2009 and \$10.3 million of revenues in excess of cash received during 2008. We had

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

straight-line rent receivables, net of reserves, recorded under the caption *Other assets* on our consolidated balance sheets of \$39.3 million as of December 31, 2010 and \$27.5 million as of December 31, 2009, net of reserves of \$114.7 million and \$108.3 million, respectively. We evaluate the collectability of the straight-line rent receivable balances on an ongoing basis and provide reserves against receivables we believe may not be fully recoverable. The ultimate amount of straight-line rent we realize could vary from the amounts currently recorded.

Interest income from loans, including discounts and premiums, is recognized using the effective interest method when collectability is reasonably assured. The effective interest method is applied on a loan-by-loan basis, and discounts and premiums are recognized as yield adjustments over the term of the related loans. We recognize interest income on impaired loans to the extent our estimate of the fair value of the collateral is sufficient to support the balance of the loans, other receivables and all related accrued interest. Once the total of the loans, other receivables and all related accrued interest is equal to our estimate of the fair value of the collateral, we recognize interest income on a cash basis. We provide reserves against impaired loans to the extent our total investment exceeds our estimate of the fair value of the loan collateral.

We recognize sales of facilities upon closing. Payments received from purchasers prior to closing are recorded as deposits. Gains on facilities sold are recognized using the full accrual method upon closing when the requirements of gain recognition on sale of real estate under the provisions of ASC 360 are met, including: the collectability of the sales price is reasonably assured; we have received adequate initial investment from the buyer; we are not obligated to perform significant activities after the sale to earn the gain; and other profit recognition criteria have been satisfied. Gains may be deferred in whole or in part until the sales satisfy these requirements. We had \$20.3 million and \$19.3 million of deferred gains included in the caption *Mortgage loans receivable, net* on our consolidated balance sheets as of December 31, 2010 and December 31, 2009, respectively.

Gains on facilities sold to unconsolidated joint ventures in which we maintain an ownership interest are included in income from continuing operations, and the portion of the gain representing our retained ownership interest in the joint venture is deferred and included in the caption *Accounts payable and accrued liabilities* on our consolidated balance sheets. We had \$15.3 million of such deferred gains as of December 31, 2010 and December 31, 2009. All other gains are included in discontinued operations.

Investments in Real Estate

We record properties at cost and use the straight-line method of depreciation for buildings and improvements over their estimated remaining useful lives of up to 40 years, generally 20 to 40 years depending on factors including building type, age, quality and location. We review and adjust useful lives periodically. Depreciation expense from continuing operations was \$117.2 million in 2010, \$105.7 million in 2009 and \$100.9 million in 2008.

We allocate purchase prices of properties in accordance with the provisions of ASC Topic 805, *Business Combinations* (ASC 805), which require that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. ASC 805 also establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree. Certain transaction costs that have historically been capitalized as acquisition costs are expensed for business combinations completed on or after January 1, 2009, which may have a significant impact on our future results of operations and financial position based

on historical acquisition costs and activity levels. We incurred \$5.1 million and \$0.8 million of acquisition costs during 2010 and 2009, respectively, that are included on our consolidated income statements.

The allocation of the cost between land, building and, if applicable, equipment and intangible assets and liabilities, and the determination of the useful life of a property are based on management's estimates, which are based in part on independent appraisals or other consultants' reports. For our triple-net leased facilities, the allocation is made as if the property was vacant, and a significant portion of the cost of each property is allocated to

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buildings. This amount generally approximates 90% of the total property value. Historically, we have generally acquired properties and simultaneously entered into a new market rate lease for the entire property with one tenant. For our multi-tenant medical office buildings, the percentage allocated to buildings may be substantially lower as allocations are made to assets such as lease-up intangible assets, above market tenant and ground lease intangible assets and in-place lease intangible assets (collectively, Intangible assets) included on our consolidated balance sheets and/or below market tenant and ground lease intangible liabilities included in the caption Accounts payable and accrued liabilities on our consolidated balance sheets.

We calculate depreciation and amortization on equipment and lease costs using the straight-line method based on estimated useful lives of up to five years or the lease term, whichever is appropriate. We amortize intangible assets and liabilities over the remaining lease terms of the respective leases to real estate amortization expense or medical office building operating rent, as appropriate. We review and adjust useful lives periodically.

We capitalize direct costs, including interest costs, associated with the development and construction of real estate assets while substantive activities are ongoing to prepare the assets for their intended use.

Asset Impairment

We review our long-lived assets individually on a quarterly basis to determine if there are indicators of impairment in accordance with the provisions of ASC 360. Indicators may include, among others, a tenant's inability to make rent payments, operating losses or negative operating trends at the facility level, notification by a tenant that it will not renew its lease, or a decision to dispose of an asset or adverse changes in the fair value of any of our properties. For operating assets, if indicators of impairment exist, we compare the undiscounted cash flows from the expected use of the property to its net book value to determine if impairment exists. The evaluation of the undiscounted cash flows from the related lease agreement and expected use of the property is highly subjective and is based in part on various factors and assumptions, including, but not limited to, historical operating results, available market information and known trends and market/economic conditions that may affect the property, as well as estimates of future operating income, occupancy, rental rates, leasing demand and competition. If the sum of the future estimated undiscounted cash flows is higher than the current net book value, we conclude no impairment exists. If the sum of the future estimated undiscounted cash flows is lower than its current net book value, we recognize an impairment loss for the difference between the net book value of the asset and its estimated fair value. To the extent we decide to sell an asset, we recognize an impairment loss if the current net book value of the asset exceeds its fair value less selling costs.

We evaluate our equity method investments for impairment whenever events or changes in circumstances indicate that the carrying value of our investment in an unconsolidated joint venture may exceed the fair value. If it is determined that a decline in the fair value of our investment in an unconsolidated joint venture is other-than-temporary, and if such reduced fair value is below its carrying value, an impairment is recorded. The determination of the fair value of investments in unconsolidated joint ventures involves significant judgment. Our estimates consider all available evidence including, as appropriate, the present value of the expected future cash flows discounted at market rates, general economic conditions and trends and other relevant factors.

The above analyses require us to determine whether there are indicators of impairment for individual assets or investments in unconsolidated joint ventures, to estimate the most likely stream of cash flows from operating assets and to determine the fair value of assets that are impaired or held for sale. If our assumptions, projections or estimates

regarding an asset change in the future, we may have to record an impairment charge to reduce or further reduce the net book value of such individual asset or investment in unconsolidated joint venture.

We recognized an impairment charge of \$15.0 million related to one asset held for sale during 2010 (see Note 7). No impairments were recognized during 2009 or 2008.

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Collectability of Receivables

We evaluate the collectability of our rent, mortgage and other loans and other receivables on a regular basis based on factors including, among others, payment history, the financial strength of the borrower and any guarantors, the value of the underlying collateral, the operations and operating trends of the underlying collateral, if any, the asset type and current economic conditions. If our evaluation of these factors indicates we may not recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. This analysis requires us to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. We had reserves related to rent receivables included in the caption *Receivables, net* on our consolidated balance sheets of \$14.9 million as of December 31, 2010 and \$12.7 million as of December 31, 2009.

For our mortgage loans, the evaluation emphasizes the operations, operating trends, financial performance and value of the underlying collateral, and for our other loans, the evaluation emphasizes the financial strength of the borrower and any guarantors. Our year-end evaluation was performed using operating and financial information as of November 30, 2010, and based on this evaluation, our mortgage and other loans are grouped into three classes – good standing, watch list and special monitoring. For loans classified as good standing, the likelihood of loss is remote, and while borrowers may be current on all required payments for loans classified as watch list or special monitoring, there are other factors considered in our evaluation which cause the likelihood of loss to be reasonably possible. Our analysis did not identify any mortgage loans for which we believe we may not recover the full value of the receivable, and as such, no reserves for mortgage loans receivable have been recorded as of December 31, 2010. Our analysis identified certain other loans for which we believe we may not recover the full value of the receivable, and we have recorded \$6.1 million of reserves for other loans receivable as of December 31, 2010. The balances of mortgage and other loans by class as of December 31, 2010 were as follow:

	Principal	Deferred Gains and Discounts	Reserves	Carrying Amount
	(In thousands)			
Mortgage loans receivable:				
Good standing	\$ 298,387	\$ (20,042)	\$	\$ 278,345
Watch list	5,229	(992)		4,237
Special monitoring	6,605			6,605
	\$ 310,221	\$ (21,034)	\$	\$ 289,187

Principal	Reserves	Carrying Amount
(In thousands)		

Other loans receivable:			
Good standing	\$ 64,209	\$	\$ 64,209
Watch list	4,821	(1,411)	3,410
Special monitoring	5,227	(4,646)	581
	\$ 74,257	\$ (6,057)	\$ 68,200

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of three months or less when purchased.

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Capital Raising Costs

Deferred financing costs are included in the caption *Other assets* on our consolidated balance sheets and are amortized as a component of interest expense over the terms of the related borrowings using a method that approximates a level yield. Deferred financing cost amortization is included in the caption *Interest expense* on our consolidated income statements. Costs incurred in connection with the issuance of common stock are recorded as a reduction of capital in excess of par value.

Derivatives

In the normal course of business, we are exposed to financial market risks, including interest rate risk on our interest-bearing liabilities. We endeavor to limit these risks by following established risk management policies, procedures and strategies, including, on occasion, the use of derivative instruments. We do not use derivative instruments for trading or speculative purposes.

Derivative instruments are recorded on our consolidated balance sheets as assets or liabilities based on each instrument's fair value. Changes in the fair value of derivative instruments are recognized currently in earnings, unless the derivative instrument meets the criteria for hedge accounting contained in ASC Topic 815, *Derivatives and Hedging* (ASC 815). If the derivative instruments meet the criteria for a cash flow hedge, the gains and losses recognized upon changes in the fair value of the derivative instrument are recorded in other comprehensive income. Gains and losses on a cash flow hedge are reclassified into earnings when the forecasted transaction affects earnings. A contract that is designated as a hedge of an anticipated transaction which is no longer likely to occur is immediately recognized in earnings.

For investments in entities reported under the equity method of accounting, we record our pro rata share of the entity's derivative instruments' fair value, other comprehensive income or loss and gains and losses determined in accordance with ASC 323 and ASC 815 as applicable.

Redeemable Limited Partnership Unitholder Interests

NHP/PMB L.P. (NHP/PMB) is a limited partnership that we formed in February 2008 to acquire properties from entities affiliated with Pacific Medical Buildings LLC (see Note 5). We consolidate NHP/PMB consistent with the provisions of ASC 810, as our wholly owned subsidiary is the general partner and exercises control. As of December 31, 2010 and December 31, 2009, third party investors owned 2,176,700 and 1,629,752 Class A limited partnership units in NHP/PMB (OP Units), respectively, which represented 32.0% and 52.4% of the total units outstanding as of December 31, 2010 and December 31, 2009, respectively. As of December 31, 2010 and December 31, 2009, 4,619,330 and 1,482,713 Class B limited partnership units in NHP/PMB were outstanding, respectively, all of which were held by our subsidiaries. During 2010, 577,114 OP Units were issued by NHP/PMB in connection with acquisitions and under terms of an agreement with Pacific Medical Buildings and certain of its affiliates (see Note 5). After a one year holding period, the OP Units are exchangeable for cash or, at our option, shares of our common stock equal to the REIT Shares Amount per OP Unit. As of December 31, 2010, the REIT Shares Amount was 1.000. We have entered into a registration rights agreement with the holders of the OP Units which, subject to the terms and conditions set forth therein, obligates us to register the shares of common stock that we may issue in exchange for such OP Units. As registration rights are outside of our control, the redeemable OP

unitholder interests are classified outside of permanent equity on our consolidated balance sheets. During 2010, 30,166 OP Units were converted into 30,166 shares of our common stock. During 2009, 202,361 OP Units were exchanged for 202,361 shares of our common stock. We applied the provisions of ASC Topic 480, *Distinguishing Liabilities from Equity*, to reflect the redeemable OP unitholder interests at the greater of cost or fair value. As of December 31, 2010, the fair value of the OP Units exceeded the cost basis by \$16.8 million, and the adjustment was recorded through capital in excess of par value. The value of the OP Units held by redeemable OP unitholder interests was \$79.2 million and \$57.3 million as of December 31, 2010 and December 31, 2009, respectively.

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Noncontrolling Interests

We have four consolidated joint ventures in which we have equity interests, ranging from 71% to 95%, in nine multi-tenant medical office buildings and one development project (see Note 5).

NHP/PMB has equity interests, ranging from 50% to 69%, in three joint ventures which each own one multi-tenant medical office building (see Note 5). The joint ventures are consolidated by NHP/PMB, and we consolidate NHP/PMB in our consolidated financial statements.

We also have six partnerships in which we have equity interests, ranging from 51% to 96%, in 11 skilled nursing facilities, five assisted and independent living facilities, one continuing care retirement community and one specialty hospital (see Note 3). We consolidate the partnerships in our consolidated financial statements.

Stock-Based Compensation

We account for stock-based compensation in accordance with the provisions of ASC Topic 718, *Compensation-Stock Compensation*, which require stock-based compensation awards to be valued at the fair value on the date of grant and amortized as an expense over the vesting period and require any dividend equivalents earned to be treated as dividends for financial reporting purposes. Net income reflects stock-based compensation expense of \$6.9 million in 2010, \$7.0 million in 2009 and \$5.8 million in 2008.

Income Taxes

We intend to continue to qualify as a REIT under Sections 856 through 860 of the Code, and accordingly, no provision has been made for federal income taxes. However, we are subject to certain state and local taxes on our income and/or property, and these amounts are included in the expense caption *General and administrative* on our consolidated income statements.

As part of the process of preparing our consolidated financial statements, significant management judgment is required to estimate our compliance with REIT requirements. Our determinations are based on interpretation of tax laws, and our conclusions may have an impact on the income tax expense recognized. Adjustments to income tax expense may be required as a result of (i) audits conducted by federal and state tax authorities; (ii) our ability to qualify as a REIT; (iii) the potential for built-in-gain recognized related to prior-tax-free acquisitions of C corporations; and (iv) changes in tax laws. Adjustments required in any given period are included in income, other than adjustments to income tax liabilities acquired in business combinations, which would be adjusted through goodwill.

Earnings per Share (EPS)

Basic EPS is computed by dividing income from continuing operations available to common stockholders by the weighted average common shares outstanding. Income from continuing operations available to common stockholders is calculated by deducting amounts attributable to noncontrolling interests, amounts attributable to participating securities and dividends declared on preferred stock from income from continuing operations.

We apply the provisions of ASC Topic 260, *Earnings per Share*, which require that the two-class method of computing basic earnings per share be applied when there are unvested share-based payment awards that contain rights to nonforfeitable dividends outstanding during a reporting period. These participating securities share in undistributed earnings with common stockholders for purposes of calculating basic earnings per share.

Diluted EPS includes the effect of any potential shares outstanding, which for us is comprised of dilutive stock options, other share-settled compensation plans and, if the effect is dilutive, our 7.75% Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock), which was redeemed on January 18, 2010 (see Note 11) and/or OP Units. The dilutive effect of stock options and other share-settled compensation plans that

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do not contain rights to nonforfeitable dividends is calculated using the treasury stock method with an offset from expected proceeds upon exercise of the stock options and unrecognized compensation expense.

Fair Value

We apply the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) to our financial assets and liabilities measured at fair value on a recurring basis and to our nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 also specifies a three-level hierarchy of valuation techniques based upon whether the inputs reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect our own assumptions of market participant valuation (unobservable inputs) and requires the use of observable inputs if such data is available without undue cost and effort. The hierarchy is as follows:

Level 1 quoted prices for identical instruments in active markets.

Level 2 observable inputs other than Level 1 inputs, including quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and other derived valuations with significant inputs or value drivers that are observable or can be corroborated by observable inputs in active markets.

Level 3 unobservable inputs or derived valuations with significant inputs or value drivers that are unobservable.

Fair value measurements as of December 31, 2010 are as follow:

	Fair Value	Level 1	Level 2	Level 3
		(In thousands)		
Financial assets	\$ 5,282	\$ 5,282	\$	\$
Financial liabilities	(5,282)	(5,282)		
Interest rate swaps	11,157		11,157	
Redeemable OP unitholder interests	79,188		79,188	
	\$ 90,345	\$	\$ 90,345	\$

Amounts related to our deferred compensation plan are invested in various financial assets, and the fair value of the corresponding assets and liabilities is based on market quotes. Interest rate swaps are valued using standard derivative pricing models that consider forward yield curves and discount rates. OP Units are exchangeable for cash or, at our

option, shares of our common stock equal to the REIT Shares Amount. As such, the fair value of OP Units outstanding as of December 31, 2010 is based on the closing price of our common stock on December 31, 2010, which was \$36.38 per share.

The provisions of ASC Topic 825, *Financial Instruments*, provide companies with an option to report selected financial assets and liabilities at fair value and establish presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. We have not elected to apply the fair value option to any specific financial assets or liabilities.

The carrying amount of cash and cash equivalents approximates fair value because of the short maturities of these instruments. The fair value of mortgage and other loans receivable are based upon the estimates of management and on rates currently prevailing for comparable loans. The fair value of long-term debt is estimated

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based on discounting future cash flows utilizing current rates offered to us for debt of a similar type and remaining maturity.

The table below details the fair values and book values for mortgage and other loans receivable and the components of long-term debt as of December 31, 2010. These fair value estimates are not necessarily indicative of the amounts that would be realized upon disposition of these financial instruments.

	Book Value	Fair Value
	(In thousands)	
Mortgage loans receivable	\$ 310,221	\$ 314,534
Other loans receivable	\$ 74,258	\$ 66,461
Unsecured senior credit facility	\$ 175,000	\$ 175,000
Senior notes	\$ 991,633	\$ 1,090,446
Notes and bonds payable	\$ 362,624	\$ 353,144

During 2010, we acquired one mortgage loan (see Note 4) and assumed secured debt as part of certain acquisitions (see Note 10). The valuations were determined using Level 2 inputs of rates prevailing for comparable loans at the time of acquisition. During 2010, we recognized an impairment charge related to one asset held for sale, the fair value for which was determined using Level 2 and 3 inputs (see Note 7).

Impact of New Accounting Pronouncements

In June 2009, the FASB updated ASC 810 to require ongoing analyses to determine whether an entity's variable interest gives it a controlling financial interest in a variable interest entity (VIE), making it the primary beneficiary, based on whether the entity (i) has the power to direct activities of the VIE that most significantly impact its economic performance, including whether it has an implicit financial responsibility to ensure the VIE operates as designed, and (ii) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Enhanced disclosures regarding an entity's involvement with VIEs are also required under the provisions of ASC 810. These requirements became effective January 1, 2010. The adoption of these requirements did not have a material impact on our results of operations or financial position.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures About Fair Value Measurements* (ASU 2010-06). ASU 2010-06 adds new requirements for disclosures of significant transfers into and out of Levels 1, 2 and 3 of the fair value hierarchy, the reasons for the transfers and the policy for determining when transfers are recognized. ASU 2010-06 also adds new requirements for disclosures about purchases, sales, issuances and settlements on a gross rather than net basis relating to the reconciliation of the beginning and ending balances of Level 3 recurring fair value measurements. It also clarifies the level of disaggregation to require disclosures by class rather than by major category of assets and liabilities and clarifies that a description of inputs and valuation techniques used to measure fair value is required for both recurring and nonrecurring fair value measurements classified as Level 2 or 3. ASU 2010-06 became effective January 1, 2010 except for the requirements to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis, which are effective January 1, 2011. The adoption of ASU 2010-06 has not and is not expected to have a material impact on our results of

operations or financial position.

In February 2010, the FASB issued ASU 2010-09, *Amendments to Certain Recognition and Disclosure Requirements* (ASU 2010-09). ASU 2010-09 amends ASC Topic 855, *Subsequent Events*, to require SEC registrants and conduit bond obligors to evaluate subsequent events through the date that the financial statements are issued, however, SEC registrants are exempt from disclosing the date through which subsequent events have been evaluated. All other entities are required to evaluate subsequent events through the date that the financial statements are available to be issued and must disclose the date through which subsequent events have been

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evaluated. ASU 2010-09 was effective upon issuance for all entities except conduit debt obligors. The adoption of ASU 2010-09 did not have an impact on our results of operations or financial position.

In July 2010, the FASB issued ASU 2010-20, *Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20). ASU 2010-20 amends ASC Topic 310, *Receivables*, to require additional disclosures regarding credit quality and the allowance for credit losses related to financing receivables, including credit quality indicators and past due and modification information. Disclosures must be disaggregated by segment and class. The disclosures as of the end of a reporting period became effective December 31, 2010, and the disclosures about activity that occurs during a reporting period are effective January 1, 2011. The adoption of these requirements did not have an impact on our results of operations or financial position.

3. Real Estate Properties

As of December 31, 2010, we had direct ownership of:

Assisted and independent living facilities	267
Skilled nursing facilities	178
Continuing care retirement communities	10
Specialty hospitals	7
Triple-net medical office buildings	24
Multi-tenant medical office buildings, including 21 owned by consolidated joint ventures (see Note 5)	83
Development projects, including one owned by a consolidated joint venture (see Note 5)	2
Assets held for sale (see Note 7)	2
	573

We lease our owned senior housing and long-term care facilities and certain medical office buildings to single tenants under triple-net, and in most cases, master leases that are accounted for as operating leases. These leases generally have an initial term of up to 20 years and generally have two or more multiple-year renewal options. As of December 31, 2010, approximately 88% of these facilities were leased under master leases. In addition, the majority of these leases contain cross-collateralization and cross-default provisions tied to other leases with the same tenant, as well as grouped lease renewals and grouped purchase options. As of December 31, 2010, leases covering 417 triple-net leased facilities were backed by security deposits consisting of irrevocable letters of credit or cash totaling \$78.8 million. Under terms of the leases, the tenant is responsible for all maintenance, repairs, taxes, insurance and capital expenditures on the leased properties. As of December 31, 2010, leases covering 386 facilities contained provisions for property tax impounds, and leases covering 274 facilities contained provisions for capital expenditure impounds. We generally lease medical office buildings to multiple tenants under separate non-triple-net leases, where we are responsible for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). However, some of the medical office buildings are subject to triple-net leases, where the lessees are responsible for the associated operating expenses.

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The following table lists our owned real estate properties, excluding assets held for sale, as of December 31, 2010:

	Number of Facilities	Land	Buildings and Improvements (Dollar amounts in thousands)	Total Real Estate Investment	Accumulated Depreciation	Notes and Bonds Payable
Assisted and independent living facilities	267	\$ 165,453	\$ 1,645,881	\$ 1,811,334	\$ 316,024	\$ 115,670
Skilled nursing facilities	178	90,732	1,007,133	1,097,865	255,793	
Continuing care retirement communities	10	8,452	119,639	128,091	26,352	
Specialty hospitals	7	6,114	70,089	76,203	19,147	
Medical office buildings triple-net	24	24,956	93,790	118,746	5,901	13,422
Medical office buildings multi-tenant	83	43,827	743,213	787,040	47,384	233,532
	569	\$ 339,534	\$ 3,679,745	\$ 4,019,279	\$ 670,601	\$ 362,624

Future minimum rentals on non-cancelable leases, including medical office building leases, as of December 31, 2010 are as follows:

Year	Rentals (In thousands)
2011	\$ 412,709
2012	\$ 394,002
2013	\$ 370,128
2014	\$ 344,834
2015	\$ 324,514
Thereafter	\$ 1,631,980

In addition to the transactions with Pacific Medical Buildings LLC described below and in Note 5, during 2010, we acquired 21 skilled nursing facilities, 20 assisted and independent living facilities, seven medical office buildings and one continuing care retirement community subject to triple-net leases and 15 multi-tenant medical office buildings in 17 separate transactions for an aggregate investment of \$437.2 million, including the assumption of \$15.8 million of mortgage financing. The transactions included the acquisition of equity interests ranging from 91% to 96% in ten of the skilled nursing facilities, four of the assisted and independent living facilities and the continuing care retirement community. In connection with the acquisition of five of the assisted and independent living facilities and one of the

skilled nursing facilities described above, we funded two unsecured loans totaling \$5.5 million and funded an additional \$0.4 million subsequent to acquisition during 2010.

During 2010, we acquired the remaining 55.05% interest in PMB SB 399-401 East Highland LLC (PMB SB), an entity affiliated with Pacific Medical Buildings LLC that owns two multi-tenant medical office buildings. PMB SB was valued at \$17.4 million at the date of acquisition, and the acquisition was paid in a combination of cash and the assumption of \$11.2 million of mortgage financing (of which \$6.2 million was previously attributable to the controlling interest in PMB SB) (see Note 6).

During 2010, we also entered into an agreement to develop an assisted and independent living facility. The total budget for the project is \$6.6 million. Costs of \$1.2 million were incurred as of December 31, 2010 and are included in the caption Development in progress on our consolidated balance sheets.

During 2010, we funded \$21.0 million in expansions, construction and capital improvements at certain facilities in our triple-net leases segment in accordance with existing lease provisions. Such expansions,

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construction and capital improvements generally result in an increase in the minimum rents earned by us on these facilities either at the time of funding or upon completion of the project. As of December 31, 2010, we had committed to fund additional expansions, construction and capital improvements of \$14.5 million. During 2010, we also funded \$2.0 million in capital and tenant improvements at certain multi-tenant medical office buildings.

During 2010, we sold nine skilled nursing facilities and three assisted and independent living facilities for net cash proceeds of \$43.6 million that resulted in a total gain of \$16.9 million which is included in the caption "Gain on sale of facilities, net in Discontinued operations" on our consolidated income statements.

During 2010, we sold the assisted living portion of a continuing care retirement community, for which we had an existing mortgage loan secured by the skilled nursing portion of such continuing care retirement community (see Note 4) to the tenant of the facility. We provided financing of \$6.5 million related to the sale, including the concurrent repayment of a \$0.7 million unsecured loan which had previously been included in the caption "Other assets" on our consolidated balance sheets (see Note 4). As we have a continuing interest in the facility, operating results from the facility are included in income from continuing operations on our consolidated income statements.

During 2010, we transferred and assigned our controlling interest in one consolidated partnership which owned one assisted and independent living facility ("Partnership A") to our partner in exchange for our partner's noncontrolling interest in a second consolidated partnership which owned one assisted and independent living facility ("Partnership B"). We had previously provided a mortgage loan to Partnership A which was assigned to our partner as part of the exchange transaction (see Note 4). Upon exchange of the ownership interests, the remaining \$1.7 million of noncontrolling interests in the partnerships was eliminated.

During 2010, we transferred one skilled nursing facility and one medical office building to assets held for sale (see Note 7).

On August 21, 2009, we acquired the remaining outside interests in the two consolidated joint ventures we had with Broe for \$4.3 million (see Note 5). As a result of this acquisition, we now have direct ownership of the 36 multi-tenant medical office buildings located in nine states previously owned by the joint ventures.

During 2009, we funded \$34.4 million in expansions, construction and capital improvements at certain facilities in our triple-net leases segment in accordance with existing lease provisions. Such expansions, construction and capital improvements generally result in an increase in the minimum rents earned by us on these facilities either at the time of funding or upon completion of the project.

During 2009, we sold five skilled nursing facilities for a gross purchase price of \$23.3 million that resulted in a total gain of \$9.5 million which is included in the caption "Gain on sale of facilities, net in Discontinued operations" on our consolidated income statements.

We recognized an impairment charge of \$15.0 million related to one asset held for sale during 2010 (see Note 7). No impairments were recognized during 2009 or 2008.

4. Mortgage Loans Receivable

As of December 31, 2010, we held 20 mortgage loans receivable secured by:

Multi-tenant medical office buildings	27
Skilled nursing facilities	20
Assisted and independent living facilities	12
Continuing care retirement communities	1
Land parcel	1
	61

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

As of December 31, 2010, the mortgage loans receivable had an aggregate principal balance of \$310.2 million and are reflected in our consolidated balance sheets net of aggregate deferred gains and discounts totaling \$21.0 million, with individual outstanding balances ranging from \$0.7 million to \$83.1 million and maturities ranging from 2010 to 2031. We had a \$6.6 million mortgage loan which matured during 2010 and is expected to be repaid during the first quarter of 2011. The borrower was current on all interest payments as of December 31, 2010, and the loan is included in the 2011 maturities in the table below. The principal balances of mortgage loans receivable as of December 31, 2010 mature as follows:

Year	Maturities (In thousands)
2011	\$ 111,889
2012	1,414
2013	8,366
2014	2,742
2015	3,145
Thereafter	182,665
	310,221
Less: deferred gains and discounts	(21,034)
	\$ 289,187

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

The following table lists our mortgage loans receivable as of December 31, 2010:

	Facilities and Land Parcel	Interest Rate	Final Maturity Date (Dollar amounts in thousands)	Estimated Balloon Payment(1)	Original Face Amount of Mortgages	Carrying Amount of Mortgages
<i>Skilled Nursing Facilities:</i>						
California	7	12.25%	12/11	\$ 57,477	\$ 57,477	\$ 47,575
California	1	12.09%	01/22	10,589	10,589	10,589
Florida	1	9.75%	12/18	5,358	5,630	5,484
Florida	1	11.59%	05/17	4,996	5,409	5,297
Illinois	1	9.00%	01/24		9,500	7,030
Indiana	1	10.40%	06/13	6,750	6,750	6,750
Kansas	2	11.58%	01/13	896	1,148	569
		6.80%	10/14	1,934	2,000	2,000
Louisiana	1	10.89%	04/15	2,453	3,850	3,041
Michigan	4	15.00%	06/10	6,604	6,671	6,604
Pennsylvania	1	10.82%	06/17	12,403	12,403	12,403
Subtotal	20			109,460	121,427	107,342
<i>Assisted and Independent Living Facilities:</i>						
Delaware	1	10.50%	06/11	5,280	5,280	4,533
Florida	1	9.00%	11/11	6,220	6,220	4,415
Louisiana	1	10.50%	06/11	7,260	7,260	6,232
Massachusetts	1	9.52%	06/23	8,500	8,500	8,500
Ohio	1	10.50%	06/11	6,270	6,270	5,382
Tennessee	1	10.50%	06/11	5,280	5,280	4,533
Tennessee	1	9.00%	11/11	3,252	3,252	2,308
Virginia	1	10.50%	06/11	8,910	8,910	7,649
Virginia	1	9.00%	11/11	4,665	4,665	3,311
Washington	1	6.00%	07/17	6,030	6,856	6,098
Washington	1	8.00%	08/20	25,000	25,000	25,000
Washington	1	9.06%	03/31	5,229	5,229	4,237
Subtotal	12			91,896	92,722	82,198
<i>Continuing Care Retirement Community:</i>						

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Florida	1	9.38%	01/20	15,848	15,848	15,848
Subtotal	1			15,848	15,848	15,848
<i>Medical Office Building:</i>						
Arizona	5	8.25%	03/17	16,792	16,792	16,792
California	4	8.25%	03/17	15,175	15,175	15,175
Florida	13	8.25%	03/17	42,884	42,884	42,884
Kentucky	1	8.25%	03/17	620	620	620
New Jersey	1	8.25%	03/17	1,787	1,787	1,787
Nevada	2	8.25%	03/17	4,734	4,734	4,734
West Virginia	1	8.25%	03/17	1,115	1,115	1,115
Subtotal	27			83,107	83,107	83,107
<i>Land Parcel:</i>						
Texas	1	9.00%	09/12	692	692	692
Subtotal	1			692	692	692
	61			\$ 301,003	\$ 313,796	\$ 289,187

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

- (1) Certain mortgage loans receivable require monthly principal and interest payments at level amounts over life to maturity and others require monthly interest only payments until maturity. Some mortgage loans receivable have interest rates which periodically adjust, but cannot decrease, which results in varying principal and interest payments over the life of the loan, in which case the balloon payments reflected are an estimate. Most mortgage loans receivable require a prepayment penalty based on a percentage of principal outstanding or a penalty based upon a calculation maintaining the yield we would have earned if prepayment had not occurred.

During 2010, we funded four mortgage loans secured by 27 medical office buildings, one assisted and independent living facility and four skilled nursing facilities in the amount of \$155.3 million. In connection with the funding of a mortgage loan secured by one of the skilled nursing facilities, we agreed to fund up to \$10.9 million to expand the facility and funded \$1.9 million as of December 31, 2010. During 2010, we also acquired one mortgage loan secured by one assisted and independent living facility with an effective interest rate of 8.27% for \$6.1 million, net of a \$0.8 million discount, and secured a \$2.0 million unsecured loan which had previously been included in the caption Other assets on our consolidated balance sheets with two skilled nursing facilities.

During 2010, we also funded \$6.8 million and \$52.8 million under loans to our consolidated joint ventures with PMB Gilbert LLC and PMB Pasadena LLC, respectively (see Note 5). As we consolidate these joint ventures, these balances have been eliminated for purposes of our consolidated financial statements.

During 2010, we sold the assisted living portion of a continuing care retirement community, for which we had an existing mortgage loan secured by the skilled nursing portion of such continuing care retirement community to the tenant of the facility. For facility count purposes, this was previously accounted for in real estate properties as a continuing care retirement community (see Note 3). We provided financing of \$6.5 million related to the sale, including the concurrent repayment of a \$0.7 million unsecured loan which had previously been included in the caption Other assets on our consolidated balance sheets, and funded an additional \$0.4 million subsequent to the sale.

During 2010, we transferred and assigned our controlling interest in Partnership A to our partner in exchange for our partner's noncontrolling interest in Partnership B (see Note 3). We had previously provided a mortgage loan in the amount of \$5.2 million to Partnership A which was assigned to our partner as part of the exchange transaction. Fair value at the exchange transaction date was determined based on estimates considering factors and assumptions including historical operating results, available market information and known trends and market/economic conditions. The exchange transaction resulted in a \$1.0 million gain which was deferred.

During 2010, we also funded \$2.5 million on existing loans.

As of February 1, 2010, we acquired the multi-tenant medical office building which served as collateral for our \$47.5 million mortgage loan from a related party, and as a result, the loan was retired (see Notes 5 and 22).

In 2009, we entered into an agreement with one of our triple-net tenants, Brookdale Senior Living, Inc. (Brookdale), under which we became a lender with an initial commitment of \$8.8 million under their \$230.0 million revolving loan facility. During 2009, we funded \$7.5 million which was subsequently repaid. As of December 31, 2009, there was no balance outstanding. The revolving loan facility was terminated as of February 23, 2010. There was no balance outstanding at the date of termination.

During 2009, we also funded an additional \$2.5 million on existing mortgage loans.

During 2009, one mortgage loan totaling \$3.7 million (including \$0.7 million funded during 2009) was prepaid.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
December 31, 2010

The following table summarizes the changes in mortgage loans receivable, net during 2010 and 2009:

	Year Ended December 31,	
	2010	2009
	(In thousands)	
Balance at January 1	\$ 158,113	\$ 159,899
New mortgage loans	164,722	7,461
Issuance of mortgage loan receivables upon sale of real estate/disposition of noncontrolling interest	11,487	
Additional fundings on existing mortgage loans	2,500	2,521
Securitization of previously unsecured loan	2,000	
Deferred gains	(993)	
Discount	(758)	
Amortization of deferred gains, premiums and discounts, net	159	(58)
Collection of principal	(543)	(11,710)
Retirement of mortgage loan upon acquisition of real estate	(47,500)	
Balance at December 31	\$ 289,187	\$ 158,113

As of December 31, 2010 we had one mortgage loan to Brookdale secured by five assisted and independent living facilities with a carrying value of \$28.3 million (net of a deferred gain of \$4.7 million). The loan had a stated maturity date of June 2011 and was prepaid during January 2011 (see Notes 14 and 24).

5. Medical Office Building Joint Ventures***NHP/PMB L.P.***

In February 2008, we entered into an agreement (the *Contribution Agreement*) with Pacific Medical Buildings LLC and certain of its affiliates to acquire up to 18 multi-tenant medical office buildings, including six that were in development, for \$747.6 million, including the assumption of approximately \$282.6 million of mortgage financing. Under the *Contribution Agreement*, in 2008, NHP/PMB acquired interests in nine of the 18 medical office buildings, one of which consisted of a 50% interest through a joint venture which is consolidated by NHP/PMB. During 2008, we also acquired one of the 18 medical office buildings directly (not through NHP/PMB). During 2009, we elected to terminate the *Contribution Agreement* with respect to six properties after the conditions for us to close on such properties were not satisfied. As a result of the elimination of these six properties, under the *Contribution Agreement*, NHP/PMB became obligated to pay \$3.0 million (the *2009 Premium Adjustment*), of which \$2.7 million was payable to Pacific Medical Buildings LLC. The portion of the *2009 Premium Adjustment* not payable to Pacific Medical Buildings LLC was paid in the form of \$0.2 million in cash and the issuance of 2,551 additional OP Units with an aggregate cost basis of \$0.1 million. As a result of the cash and stock paid with respect to the *Current Premium Adjustment*, we received an additional 6,481 Class B limited partnership units in NHP/PMB.

As of February 1, 2010, we entered into an amendment to the Contribution Agreement which reinstated one of the six properties that were previously eliminated from the Contribution Agreement. NHP/PMB acquired this multi-tenant medical office building for \$74.0 million, which was paid in a combination of cash and the issuance of 301,599 OP Units with a fair value at the date of issuance of \$10.0 million. As a result of such acquisition, we retired our \$47.5 million mortgage loan from a related party to which such acquired medical office building had served as collateral (see Note 22). Additionally, as of February 1, 2010, we acquired a majority ownership interest in a joint venture which owns one multi-tenant medical office building (see *NHP/PMB Gilbert LLC* below), amended and restated our agreement with NHP/PMB, PMB LLC and PMB Real Estate Services LLC (*PMBRES*) as described

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

below and amended our agreement with PMB Pomona LLC to provide for the future acquisition by NHP/PMB of a medical office building currently in development (see Note 22). In connection with these transactions, NHP/PMB entered into a Third Amendment to the Amended and Restated Agreement of Limited Partnership of NHP/PMB, which, among other things, authorized NHP/PMB to acquire properties affiliated with Pacific Medical Buildings LLC pursuant to agreements other than the Contribution Agreement.

As of March 1, 2010, we entered into an amendment to the Contribution Agreement which reinstated another two of the six properties that were previously eliminated from the Contribution Agreement. NHP/PMB acquired a 65% interest in a joint venture which is consolidated by NHP/PMB that owns one of the two multi-tenant medical office buildings valued at \$79.9 million. The acquisition was paid in a combination of cash, the assumption of \$48.1 million of mortgage financing and the issuance of 152,238 OP Units with a fair value at the date of issuance of \$5.0 million. NHP/PMB acquired a 69% interest in a joint venture which is consolidated by NHP/PMB that owns the second multi-tenant medical office building valued at \$69.3 million. The acquisition was paid in a combination of cash, the assumption of \$50.2 million of mortgage financing and the issuance of 121,489 OP Units with a fair value at the date of issuance of \$4.0 million. Additionally, as of March 1, 2010, we acquired the remaining interest in PMB SB (see Note 6).

The amendment to the Contribution Agreement dated as of March 1, 2010 also eliminated one of the two remaining properties from the Contribution Agreement, however, we concurrently entered into a joint venture with PMB Pasadena LLC (an entity affiliated with Pacific Medical Buildings LLC) to acquire this property (see *NHP/PMB Pasadena LLC* below). As a result of the elimination of this property from the Contribution Agreement, NHP/PMB became obligated to pay \$2.1 million (the 2010 Premium Adjustment), of which \$1.9 million was payable to Pacific Medical Buildings LLC in cash. The portion of the 2010 Premium Adjustment not payable to Pacific Medical Buildings LLC was paid in the form of \$0.1 million in cash and the issuance of 1,788 additional OP Units with an aggregate value of \$57,000. As a result of the payment, we received an additional 4,514 Class B limited partnership units in NHP/PMB. Under the Contribution Agreement, if the agreement is terminated with respect to the remaining development property, NHP/PMB will become obligated to pay approximately \$2.4 million (the Future Premium Adjustment) which has been accrued as of December 31, 2010 and of which a portion would be payable to Pacific Medical Buildings LLC.

Under the terms of the Contribution Agreement, a portion of the consideration for the multi-tenant medical office buildings is paid in the form of OP Units. After a one-year holding period, the OP Units are exchangeable for cash or, at our option, shares of our common stock equal to the REIT Shares Amount. During 2010, 30,166 OP Units were converted into 30,166 shares of our common stock. During 2009, 202,361 OP Units were converted into 202,361 shares of our common stock. As of December 31, 2010, 1,599,586 of the remaining OP Units had been outstanding for one year or longer and were exchangeable for cash of \$58.2 million. During 2010 and 2009, cash distributions from NHP/PMB of \$3.6 million and \$3.1 million, respectively, were made to OP unitholders.

Additionally, we have entered into an agreement (the Pipeline Agreement) with NHP/PMB, PMB LLC and PMBRES (see Note 6) pursuant to which we or NHP/PMB currently have the right, but not the obligation, to acquire up to approximately \$1.3 billion of multi-tenant medical office buildings developed by PMB LLC through April 2019. As of February 1, 2010, the Pipeline Agreement was amended and restated to provide NHP/PMB with the option to acquire medical office buildings developed in the future through a joint venture between NHP and PMB LLC, obligate us to provide or arrange financing for approved developments and provide us with improved terms, including

preferred returns, a reduction in PMB LLC's promote interest and acquisition pricing determined at the time of acquisition rather than at the pre-development stage. As of September 23, 2010, we entered into a joint venture with PMB Mission Hills 1 LLC (an entity affiliated with Pacific Medical Buildings LLC) to develop a medical office building with a total budget of \$53.0 million (see *PDP Mission Hills 1 LLC* below) in accordance with the terms of the Pipeline Agreement. We concurrently entered into an agreement with NHP/PMB, PMB LLC

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

and PMB Mission Hills 1 LLC under which the interests in the joint venture will be contributed to NHP/PMB subsequent to completion of development in accordance with the terms of the Pipeline Agreement.

During 2010 and 2009, NHP/PMB funded \$0.7 million and \$0.2 million, respectively, in capital and tenant improvements at certain facilities.

All intercompany balances with NHP/PMB have been eliminated for purposes of our consolidated financial statements.

NHP/PMB Gilbert LLC

As of February 1, 2010, we entered into a joint venture with PMB Gilbert LLC (an entity affiliated with Pacific Medical Buildings LLC) called NHP/PMB Gilbert LLC (Gilbert JV) to acquire a multi-tenant medical office building. PMB Gilbert LLC contributed the multi-tenant medical office building to Gilbert JV, and we contributed \$6.3 million in cash. Additionally, we agreed to loan Gilbert JV up to \$8.8 million as project financing at an interest rate of 7.00%, including \$6.8 million that was disbursed initially and remains outstanding as of December 31, 2010. We hold a 71.17% equity interest in the joint venture and PMB Gilbert LLC holds a 28.83% equity interest. PMB Gilbert LLC is the managing member of Gilbert JV, but we consolidate the joint venture in our consolidated financial statements. The accounting policies of the joint venture are consistent with our accounting policies. Pursuant to a contribution agreement dated as of February 1, 2010, among us, NHP/PMB, Pacific Medical Buildings LLC and PMB Gilbert LLC, NHP/PMB may in the future acquire Gilbert JV if certain conditions are met.

Net income or loss is allocated between the partners in the joint venture based on the hypothetical liquidation at book value method (the HLBV method). Under the HLBV method, net income or loss is allocated between the partners based on the difference between each partner's claim on the net assets of the partnership at the end and beginning of the period, after taking into account contributions and distributions. Each partner's share of the net assets of the partnership is calculated as the amount that the partner would receive if the partnership were to liquidate all of its assets at net book value and distribute the resulting cash to creditors and partners in accordance with their respective priorities. Under this method, in any given period, we could be recording more or less income than the joint venture has generated or more or less income than actual cash distributions received and more or less than what we may receive in the event of an actual liquidation. During 2010, operating cash distributions from Gilbert JV of \$0.2 million and \$4,000 were made to us and to PMB Gilbert LLC, respectively.

During 2010, Gilbert JV funded \$0.1 million in capital and tenant improvements at certain facilities.

All intercompany balances with Gilbert JV have been eliminated for purposes of our consolidated financial statements.

NHP/PMB Pasadena LLC

As of March 1, 2010, we entered into a joint venture with PMB Pasadena LLC (an entity affiliated with Pacific Medical Buildings LLC) called NHP/PMB Pasadena LLC (Pasadena JV) to acquire a multi-tenant medical office building. PMB Pasadena LLC contributed the multi-tenant medical office building to Pasadena JV, and we contributed \$13.5 million in cash. Additionally, we provided Pasadena JV with a \$56.5 million mortgage loan at an

initial interest rate equal to the greater of 3.50% or LIBOR plus 165 basis points (increasing to the greater of 5.125% or LIBOR plus 375 basis points as of April 1, 2010), of which \$49.8 million has been funded, and a \$3.0 million mezzanine loan at an interest rate of 15.00%, both of which remain outstanding as of December 31, 2010. We hold a 71% equity interest in the joint venture and PMB Pasadena LLC holds a 29% equity interest. PMB Pasadena LLC is the managing member of Pasadena JV, but we consolidate the joint venture in our consolidated financial statements. The accounting policies of the joint venture are consistent with our accounting policies. Pursuant to a contribution agreement dated as of March 1, 2010, among us, NHP/PMB, Pacific Medical Buildings LLC and PMB Pasadena LLC, NHP/PMB may in the future acquire Pasadena JV if certain conditions are met.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

Net income or loss is allocated between the partners in the joint venture based on the HLBV method. During 2010, operating cash distributions from Pasadena JV of \$0.1 million were made to us.

During 2010, Pasadena JV funded \$0.3 million in capital and tenant improvements at certain facilities.

All intercompany balances with Pasadena JV have been eliminated for purposes of our consolidated financial statements.

PDP Mission Hills 1 LLC

As of September 23, 2010, we entered into a joint venture with PMB Mission Hills 1 LLC (an entity affiliated with Pacific Medical Buildings LLC) called PDP Mission Hills 1 LLC (Mission Hills JV) to develop a medical office building. We contributed \$14.7 million in cash, and PMB Mission Hills 1 LLC contributed \$1.8 million in cash, and the joint venture acquired the land on which the medical office building is to be developed for \$15.5 million. The total budget for the project is \$53.0 million, and construction is expected to commence in early 2011. We hold an 89.1% equity interest in the joint venture and PMB Mission Hills 1 LLC holds a 10.9% equity interest. PMB Mission Hills 1 LLC is the managing member of Mission Hills JV, but we consolidate the joint venture in our consolidated financial statements. The accounting policies of the joint venture are consistent with our accounting policies. Pursuant to a contribution agreement dated as of September 23, 2010, among us, NHP/PMB, PMB LLC and PMB Mission Hills 1 LLC, the interests in the joint venture will be contributed to NHP/PMB subsequent to completion of development in accordance with the terms of the Pipeline Agreement.

During 2010, Mission Hills JV incurred costs of \$16.6 million (including the land acquisition) which is included in the caption Development in progress on our consolidated balance sheets.

Net income or loss is allocated between the partners in the joint venture based on the HLBV method. No cash distributions were made during 2010.

All intercompany balances with Mission Hills JV have been eliminated for purposes of our consolidated financial statements.

McShane/NHP JV, LLC

In December 2007, we entered into a joint venture with McShane called McShane/NHP JV, LLC (McShane/NHP) to invest in multi-tenant medical office buildings. We hold a 95% equity interest in the joint venture and McShane holds a 5% equity interest. McShane is the managing member of McShane/NHP, but we consolidate the joint venture in our consolidated financial statements. The accounting policies of the joint venture are consistent with our accounting policies.

As of December 31, 2010, McShane/NHP owned seven multi-tenant medical office buildings located in one state.

Cash distributions from McShane/NHP are made in accordance with the members' ownership interests and will continue to be made until specified returns are achieved. As the specified returns are achieved, McShane will receive an increasing percentage of the cash distributions from the joint venture. During 2010, operating cash distributions

from McShane/NHP of \$1.1 million and \$0.1 million were made to us and to McShane, respectively. During 2009, operating cash distributions from McShane/NHP of \$0.9 million and \$0.1 million were made to us and to McShane, respectively.

During 2010 and 2009, McShane/NHP funded \$1.0 million and \$1.4 million, respectively, in capital and tenant improvements at certain facilities.

All intercompany balances with McShane/NHP have been eliminated for purposes of our consolidated financial statements.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010*****NHP/Broe, LLC and NHP/Broe II, LLC***

On August 21, 2009, we acquired for \$4.3 million the 10% and 5% noncontrolling interests held by The Broe Companies in NHP/Broe, LLC (Broe I) and NHP/Broe II, LLC (Broe II), respectively. As a result of this acquisition, we now have direct ownership of the 36 multi-tenant medical office buildings located in nine states previously owned by Broe I and Broe II. Activity subsequent to August 21, 2009 related to these facilities is included in our consolidated activity for wholly owned real estate properties (see Note 3). Prior to our acquisition of Broe s interests, we consolidated both joint ventures in our consolidated financial statements in accordance with ASC 810.

During the period from January 1, 2009 through August 21, 2009, Broe I and Broe II funded \$1.5 million and \$0.4 million, respectively, in capital and tenant improvements at certain facilities.

During the period from January 1, 2009 through August 21, 2009, Broe I exercised the first of two available 12-month extension options on a \$32.9 million loan that was scheduled to mature in April 2009 and refinanced one additional \$6.4 million loan that was scheduled to mature in February 2009, extending its maturity to February 2012. Both loans were prepaid during 2010.

During the period from January 1, 2009 through August 21, 2009, an additional \$6.6 million was funded on an existing loan secured by a portion of the Broe II portfolio, resulting in distributions of \$6.3 million and \$0.3 million to us and to Broe, respectively.

During the period from January 1, 2009 through August 21, 2009, operating cash distributions from Broe I of \$0.9 million and \$0.1 million were made to us and to Broe, respectively, and operating cash distributions from Broe II of \$1.7 million and \$0.1 million were made to us and to Broe, respectively.

6. Investment in Unconsolidated Joint Ventures

The following table sets forth the amounts from our unconsolidated joint ventures included in the caption Income from unconsolidated joint ventures on our consolidated income statements for the periods presented:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Management fees:			
State pension fund investor	\$ 4,477	\$ 4,128	\$ 3,940
NHP share of net income (loss):			
State pension fund investor	1,033	969	250
PMBRES	(44)	(13)	(273)
PMB SB	12	17	(14)
	\$ 5,478	\$ 5,101	\$ 3,903

State Pension Fund Investor

In January 2007, we entered into a joint venture with a state pension fund investor. The purpose of the joint venture is to acquire and develop assisted living, independent living and skilled nursing facilities. We manage and own 25% of the joint venture, which will fund its investments with approximately 40% equity contributions and 60% debt. The original approved investment target was \$475.0 million, but we exceeded that amount in 2007, and the total potential investment amount has been increased to \$975.0 million. The financial statements of the joint venture are not consolidated in our financial statements as our joint venture partner has substantive participating rights, and accordingly our investment is accounted for using the equity method.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

As of December 31, 2010, the joint venture owned 19 assisted and independent living facilities, 14 skilled nursing facilities and one continuing care retirement community located in nine states.

During 2010, the joint venture prepaid two loans totaling \$4.3 million with a weighted average rate of 9.16%, and placed \$12.0 million of mortgage financing on a portion of its portfolio resulting in net cash distributions of \$5.5 million and \$1.8 million to our joint venture partner and to us, respectively.

During 2009, the joint venture retired three loans totaling \$8.8 million with a weighted average rate of 6.37%, secured by six facilities, for \$7.5 million, resulting in a net gain of \$1.3 million which is reflected as gain on debt extinguishment, net on the joint venture's income statements. In connection with the debt retirement, we made contributions of \$1.9 million to the joint venture.

During 2008, the joint venture entered into an interest rate swap contract that is designated as effectively hedging the variability of expected cash flows related to variable rate debt placed on a portion of its portfolio. The cash flow hedge has a fixed rate of 4.235%, a notional amount of \$126.1 million and expires on January 1, 2015. The fair value of this contract as of December 31, 2010 and 2009 was \$12.8 million and \$8.2 million, respectively, which is included as a liability on the joint venture's balance sheets.

During 2010 and 2009, we made additional contributions of \$0.1 million and \$0.2 million, respectively, to the joint venture. Cash distributions from the joint venture are made in accordance with the members' ownership interests until specified returns are achieved. As the specified returns are achieved, we will receive an increasing percentage of the cash distributions from the joint venture. During 2010 and 2009, we received additional distributions of \$3.5 million and \$2.3 million, respectively, from the joint venture. In addition to our share of the income, we receive a monthly management fee calculated as a percentage of the equity investment in the joint venture. This fee is included in our income from unconsolidated joint ventures and in the general and administrative expenses on the joint venture's income statement.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

The unaudited condensed balance sheet and income statement for the joint venture below present its financial position as of December 31, 2010 and 2009 and its results of operations for the years ended December 31, 2010, 2009 and 2008.

BALANCE SHEET

	Year Ended December 31, 2010 2009 (In thousands)	
ASSETS		
Investments in real estate:		
Land	\$ 38,892	\$ 38,892
Buildings and improvements	535,529	532,470
	574,421	571,362
Less accumulated depreciation	(61,780)	(42,878)
	512,641	528,484
Cash and cash equivalents	4,769	3,689
Other assets	7,306	6,823
	\$ 524,716	\$ 538,996
LIABILITIES AND EQUITY		
Notes and bonds payable	\$ 340,924	\$ 334,066
Accounts payable and accrued liabilities	17,488	13,524
Equity	166,304	191,406
	\$ 524,716	\$ 538,996

INCOME STATEMENT

	Year Ended December 31, 2010 2009 2008 (In thousands)		
Revenue:			
Rent	\$ 48,173	\$ 46,502	\$ 45,541

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Interest and other income	248	135	101
	48,421	46,637	45,642
Expenses:			
Interest expense	20,593	20,665	19,939
Depreciation and amortization	18,913	18,740	18,359
General and administrative	4,769	4,667	6,345
	44,275	44,072	44,643
Operating income	4,146	2,565	999
Gain on debt extinguishment, net		1,327	
Net income	4,146	3,892	999
Net income attributable to noncontrolling interests	(13)	(13)	
Net income available to joint venture members	\$ 4,133	\$ 3,879	\$ 999

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

PMB Real Estate Services LLC

In February 2008, we entered into an agreement with Pacific Medical Buildings LLC to acquire a 50% interest in PMBRES, a full service property management company. The transaction closed on April 1, 2008. In consideration for the 50% interest, we paid \$1.0 million at closing, and we will make an additional payment on or before March 31, 2011 equal to six times the normalized net operating profit of PMBRES for 2010 (less the amount of all prior payments). An additional payment equal to six times the Normalized Net Operating Profit, as defined, of PMBRES for 2009 was to be made on or before March 31, 2010. During 2009, PMBRES had a net operating loss, and as such, no additional payment was made on or before March 31, 2010. PMBRES provides property management services for 33 multi-tenant medical office buildings that we own or in which we have an ownership interest.

PMB SB 399-401 East Highland LLC

In August 2008, we acquired from PMB SB (an entity affiliated with Pacific Medical Buildings LLC) a 44.95% interest in an entity that owned two multi-tenant medical office buildings for \$3.5 million. As of March 1, 2010, we acquired the remaining 55.05% interest in PMB SB. PMB SB was valued at \$17.4 million at the date of acquisition, and the acquisition was paid in a combination of cash and the assumption of \$11.2 million of mortgage financing (of which \$6.2 million was previously attributable to the controlling interest in PMB SB). Prior to the acquisition, our investment in PMB SB was \$3.0 million which was accounted for under the equity method. In connection with the acquisition, we re-measured our previously held equity interest at the acquisition date fair value based on an independent consultant's report and recognized a net gain on the re-measurement of \$0.6 million which is included in the caption Interest and other income on our consolidated income statements. Subsequent activity related to these facilities is included in our consolidated activity for wholly owned real estate properties (see Note 3). During the period from January 1, 2010 to February 28, 2010, we received distributions of \$0.1 million from PMB SB.

7. Assets Held for Sale

During 2010, we transferred one skilled nursing facility and one medical office building to assets held for sale. The skilled nursing facility was sold in January 2011 for net cash proceeds of \$0.8 million (see Note 24). The tenant of the medical office building has filed bankruptcy, and an impairment charge of \$15.0 million was recognized in discontinued operations based on broker estimates of fair value, comparable sales in the local submarket and an unsolicited cash offer received during 2010. We intend to sell the medical office building within one year.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

8. Intangible Assets and Liabilities

Intangible assets include items such as lease-up intangible assets, above market tenant and ground lease intangible assets and in-place lease intangible assets. Intangible liabilities include below market tenant and ground lease intangible liabilities and are included in the caption Accounts payable and accrued liabilities on our consolidated balance sheets. As of December 31, 2010 and 2009, intangible assets and liabilities consisted of:

	December 31,	
	2010	2009
	(Dollars in thousands)	
Gross intangible assets	\$ 211,134	\$ 129,979
Accumulated amortization	(47,896)	(36,322)
Weighted average amortization period in years	\$ 163,238	\$ 93,657
	24.8	23.4
Gross intangible liabilities	\$ 18,643	\$ 18,268
Accumulated amortization	(5,398)	(3,890)
	\$ 13,245	\$ 14,378
Weighted average amortization period in years	30.4	33.5

The amortization of above/below market lease intangibles is included in the caption Medical office building operating rent on our consolidated income statements. The amortization of other intangible assets and liabilities is included in the caption Depreciation and amortization on our consolidated income statements. The following table sets forth amounts included on our consolidated income statements related to the amortization of intangible assets and liabilities for the periods presented:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Amortization:			
Above/below market lease intangibles	\$ 342	\$ (585)	\$ (559)
Other intangible assets and liabilities	16,548	14,662	11,912
	\$ 16,890	\$ 14,077	\$ 11,353

As of December 31, 2010, the future estimated aggregate amortization related to intangible assets and liabilities is as follows:

	Intangible Assets	Intangible Liabilities (In thousands)	Net Intangible Amortization
2011	\$ 20,355	\$ 1,269	\$ 19,086
2012	17,646	1,139	16,507
2013	15,335	1,081	14,254
2014	5,663	912	4,751
2015	10,878	788	10,090
Thereafter	93,361	8,056	85,305
	\$ 163,238	\$ 13,245	\$ 149,993

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010****9. Other Assets**

As of December 31, 2010 and 2009, other assets consisted of:

	December 31,	
	2010	2009
	(In thousands)	
Other receivables, net of reserves of \$6.1 million and \$4.2 million at December 31, 2010 and 2009, respectively	\$ 68,200	\$ 68,535
Straight-line rent receivables, net of reserves of \$114.7 million and \$108.3 million at December 31, 2010 and 2009, respectively	39,331	27,450
Prepaid ground leases	12,804	10,051
Investments and restricted funds	12,567	9,545
Interest rate swaps	11,157	
Deferred financing costs	8,566	11,366
Capitalized lease and loan origination costs	1,910	2,418
Other	3,500	3,787
	\$ 158,035	\$ 133,152

Included in other receivables at both December 31, 2010 and 2009, are two unsecured loans to Emeritus Corporation in the amount of \$21.4 million and \$30.0 million. The loans mature in March 2017.

10. Debt***Unsecured Senior Credit Facility***

As of December 31, 2010, we had \$175.0 million outstanding on our \$700.0 million revolving unsecured senior credit facility. There was no balance outstanding as of December 31, 2009. At our option, borrowings under the credit facility bear interest at the prime rate (3.25% at December 31, 2010) or applicable LIBOR plus 0.70% (1.01% at December 31, 2010). On March 12, 2009, our credit rating from Fitch Ratings was upgraded to BBB from BBB-, and on April 1, 2009, our credit rating from Moody's was upgraded to Baa2 from Baa3. As a result, the spread over LIBOR decreased from 0.85% to 0.70%. We pay a facility fee of 0.15% per annum on the total commitment under the agreement. Effective June 25, 2010, we exercised our option to extend the maturity date by one year to December 15, 2011.

Our credit facility requires us to maintain, among other things, the financial covenants detailed below. As of December 31, 2010, we were in compliance with these covenants:

Requirement	Actual
--------------------	---------------

**(Dollar amounts in
thousands)**

Minimum net asset value	\$ 820,000	\$ 3,242,217
Maximum total indebtedness to capitalization value	60%	33%
Minimum fixed charge coverage ratio	1.75x	3.35x
Maximum secured indebtedness ratio	30%	9%
Maximum unencumbered asset value ratio	60%	26%

Our credit facility allows us to exceed the 60% requirements, up to a maximum of 65%, on the maximum total indebtedness to capitalization value and maximum unencumbered asset value ratio for up to two consecutive fiscal quarters.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

Senior Notes

The aggregate principal amount of notes outstanding at each of December 31, 2010 and 2009 was \$991.6 million, and the weighted average interest rate on the notes was 6.47%. The weighted average maturity was 4.0 years and 5.0 years as of December 31, 2010 and 2009, respectively.

During 2009, we repaid at maturity \$32.0 million of senior notes with a weighted average interest rate of 7.76%, and \$2.6 million of senior notes with an interest rate of 6.90% and final maturity in 2037 were put to us for payment.

During 2009, we retired \$30.0 million of senior notes with an interest rate of 6.25% due in February 2013 for \$25.4 million, resulting in a net gain of \$4.6 million which is reflected on our consolidated income statements as gain on debt extinguishment.

Notes and Bonds Payable

The aggregate principal amount of notes and bonds payable at December 31, 2010 was \$362.6 million. Notes and bonds payable are due through the year 2037, at interest rates ranging from 1.00% to 8.63% and are secured by real estate properties with an aggregate net book value as of December 31, 2010 of \$512.9 million. As of December 31, 2010, the weighted average interest rate on the notes and bonds payable was 5.59% and the weighted average maturity was 7.2 years. As of December 31, 2009, the aggregate amount of notes and bonds payable was \$431.5 million, and the notes and bonds payable had a weighted average interest rate of 5.34% and a weighted average maturity of 6.9 years.

During 2010, we assumed mortgages as part of certain acquisitions totaling \$125.3 million.

During 2010, we repaid at maturity \$67.2 million of secured debt with a weighted average interest rate of 5.24% and prepaid \$118.3 million of secured debt with a weighted average interest rate of 4.73%.

During 2010, we exercised a 12-month extension option on a \$32.4 million loan that was scheduled to mature in April 2010 and subsequently prepaid the loan.

During 2009, prior to our acquisition of Broe's interests in two consolidated joint ventures we had with them (see Note 5), an additional \$6.9 million was funded on existing loans secured by a portion of the Broe I and Broe II portfolios. Additionally, Broe I exercised the first of two available 12-month extension options on a \$32.9 million loan that was scheduled to mature in April 2009 and refinanced one additional \$6.4 million loan that was scheduled to mature in February 2009, extending its maturity to February 2012. Both loans were prepaid during 2010.

During 2009, we prepaid \$2.7 million of fixed rate secured debt with an interest rate of 8.75%.

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

Debt Maturities

The principal balances of our debt as of December 31, 2010 mature as follows:

	Credit Facility	Senior Notes	Notes and Bonds Payable	Total
	(In thousands)			
2011	\$ 175,000	\$ 339,040	\$	\$ 514,040
2012		72,950	38,384	111,334
2013		269,850	38,100	307,950
2014			37,596	37,596
2015		234,420	35,319	269,739
Thereafter(1)		75,373	213,225	288,598
	\$ 175,000	\$ 991,633	\$ 362,624	\$ 1,529,257

- (1) There are \$52.4 million of senior notes due in 2037 which may be put back to us at their face amount at the option of the holder on October 1 of any of the following years: 2012, 2017 or 2027. There are \$23.0 million of senior notes due in 2038 which may be put back to us at their face amount at the option of the holder on July 7 of any of the following years: 2013, 2018, 2023 or 2028.

11. Stockholders Equity*Preferred Stock*

During 2004, we issued 7.75% Series B Cumulative Convertible Preferred Stock (Series B Preferred Stock) with a liquidation preference of \$100 per share. The Series B Preferred Stock was convertible upon the occurrence of certain events.

During 2009, the Series B Preferred Stock was convertible from October 1, 2009 to December 31, 2009, and during that time, approximately 235,000 shares were converted into approximately 1,061,000 shares of common stock at a weighted average conversion price of \$22.20 per share (equivalent to 4.5054 shares of common stock per share of Series B Preferred Stock).

There were 513,644 shares of Series B Preferred Stock outstanding as of December 31, 2009. As of December 31, 2009, if all of the Series B Preferred Stock were to have converted, it would have resulted in the issuance of approximately 2,319,000 common shares.

On January 18, 2010, we redeemed all outstanding shares of our Series B Preferred Stock at a redemption price of \$103.875 per share plus an amount equal to accumulated and unpaid dividends thereon to the redemption date (\$0.3875), for a total redemption price of \$104.2625 per share, payable only in cash. As a result of the redemption, each share of Series B Preferred Stock was convertible until January 14, 2010 into 4.5150 shares of common stock. During that time, 512,727 shares were converted into approximately 2,315,000 shares of common stock. On January 18, 2010, we redeemed 917 shares that remained outstanding.

Common Stock

We enter into sales agreements from time to time with agents to sell shares of our common stock through an at-the-market equity offering program. On January 15, 2010, we entered into two sales agreements to sell up to an aggregate of 5,000,000 shares of our common stock from time to time. When that program was completed, we entered into two additional sales agreements on July 2, 2010 to sell up to an aggregate of an additional 5,000,000 shares of our common stock from time to time. During 2010, we issued and sold approximately

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

9,141,000 shares of common stock at a weighted average price of \$37.04 per share, resulting in net proceeds of approximately \$335.1 million after sales agent fees. During 2009, we issued and sold approximately 9,537,000 shares of common stock at a weighted average price of \$30.34 per share, resulting in net proceeds of approximately \$286.3 million after sales agent fees.

We sponsor a dividend reinvestment and stock purchase plan that enables existing stockholders to purchase additional shares of common stock by automatically reinvesting all or part of the cash dividends paid on their shares of common stock. Prior to November 27, 2009, the plan also allowed investors to acquire shares of our common stock for cash, subject to certain limitations, including a maximum monthly investment of \$10,000, at a discount ranging from 0% to 5%, determined by us from time to time in accordance with the plan. The discount during 2010 and 2009 was 2%. During 2010, we issued approximately 150,000 shares of common stock, at an average price of \$33.26 per share, resulting in proceeds of approximately \$5.0 million. During 2009, we issued approximately 1,083,000 shares of common stock, at an average price of \$28.27 per share, resulting in proceeds of approximately \$30.6 million.

On January 18, 2010, we redeemed all outstanding shares of Series B Preferred Stock, and as a result, 512,727 shares of Series B Preferred Stock were converted into approximately 2,315,000 shares of common stock during the period from January 1, 2010 to January 14, 2010. During 2009, approximately 235,000 shares of Series B Preferred Stock were converted into approximately 1,061,000 shares of common stock.

During 2010, 30,166 OP Units issued by NHP/PMB were exchanged for 30,166 shares of common stock, and during 2009, 202,361 OP Units issued by NHP/PMB were exchanged for 202,361 shares of common stock (see Note 5).

12. Stock Incentive Plan

Under the terms of a stock incentive plan (the Plan), we reserved for issuance 6,000,000 shares of common stock. As of December 31, 2010, approximately 4.1 million shares of common stock remained available for issuance under the Plan. Under the Plan, as amended, we may issue stock options, restricted stock, restricted stock units, performance shares, stock appreciation rights and dividend equivalents.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

Summaries of the status of stock options granted to officers, restricted stock and restricted stock units granted to directors and restricted stock, restricted stock units, performance shares and stock appreciation rights granted to employees as of December 31, 2010, 2009 and 2008 and changes during the years then ended are as follow:

	2010		2009		2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Stock Options:						
Outstanding at beginning of year	525,125	\$ 21.37	387,972	\$ 17.82	569,749	\$ 18.80
Granted	270,100	31.97	242,900	25.40		
Exercised	(207,593)	19.39	(101,347)	17.25	(181,777)	20.91
Forfeited			(4,400)	25.40		
Expired						
Outstanding at end of year	587,632	\$ 26.94	525,125	\$ 21.37	387,972	\$ 17.82
Exercisable at end of year	158,532	\$ 19.93	286,625	\$ 18.02	387,972	\$ 17.82
Intrinsic value exercised	\$ 3,310		\$ 1,438		\$ 2,472	
Intrinsic value outstanding	\$ 5,546					
Intrinsic value exercisable	\$ 2,609					
Restricted Stock and Restricted Stock Units:						
Outstanding at beginning of year	385,786	\$ 28.17	386,687	\$ 28.47	402,152	\$ 27.30
Awarded	63,218	34.14	35,650	26.24	55,917	33.95
Dividend equivalents	28,269	36.04	55,377	26.96	51,167	29.47
Vested	(99,349)	29.94	(88,848)	27.84	(108,573)	27.16
Cancelled	(250)	32.70				
Forfeited	(4,627)	30.23	(3,080)	30.59	(13,976)	30.78
Outstanding at end of year	373,047	\$ 29.28	385,786	\$ 28.17	386,687	\$ 28.47
Fair value vested	\$ 2,975		\$ 2,473		\$ 2,949	
Performance Shares:						
Outstanding at beginning of year	278,302	\$ 22.79	228,002	\$ 24.27	78,300	\$ 30.95
Awarded	147,600	25.51	127,300	24.62	175,002	21.28

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Vested	(153,302)	21.30	(68,900)	31.02		
Forfeited			(8,100)	23.15	(25,300)	24.26
Outstanding at end of year	272,600	\$ 25.10	278,302	\$ 22.79	228,002	\$ 24.27
Stock Appreciation Rights:						
Outstanding at beginning of year	521,934	\$ 6.96	538,034	\$ 6.94	268,000	\$ 7.44
Awarded					329,434	6.54
Vested(1)	(233,000)	7.47	(8,000)	6.39	(9,033)	7.47
Forfeited			(8,100)	6.45	(50,367)	6.85
Outstanding at end of year	288,934	\$ 6.54	521,934	\$ 6.96	538,034	\$ 6.94

(1) Some SARs were vested and settled in 2009 and 2008. At the time of settlement, the market price of the stock was below the exercise price of the SAR.

Stock options granted under the Plan become exercisable each year following the date of grant in annual increments of one-third, are exercisable at the market price of our common stock on the date of grant and have a 10 year life. The fair value per share of the options granted during 2010 and 2009 was estimated on the date of grant

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

using a Black-Scholes option valuation model using the assumptions in the table below. The risk free rate of return was based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility was based on historical volatility for a period equal to the expected life. The following table summarizes the assumptions used in estimating the fair value of options granted during 2010 and 2009:

	2010	2009
Fair value per share on date of grant	\$ 6.27	\$ 4.30
Assumptions:		
Risk-free rate of return	2.73%	2.42%
Expected life in years	6	6
Expected volatility	34.5%	36.9%
Expected dividend yield	5.51%	7.15%

We received \$4.0 million, \$1.3 million and \$3.2 million for stock option exercises in 2010, 2009 and 2008, respectively.

The following table summarizes information about stock options outstanding and exercisable as of December 31, 2010:

	Exercise Prices		Number of Shares	Outstanding		Exercisable	
				Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Shares	Weighted Average Exercise Price
	Low	High					
\$	14.20	\$ 16.23	30,047	\$ 14.68	1.3	30,047	\$ 14.68
\$	18.48	\$ 21.29	113,316	\$ 20.58	2.7	113,316	\$ 20.58
\$	25.40	\$ 31.97	444,269	\$ 29.39	8.6	15,169	\$ 25.40

The director restricted stock and restricted stock unit awards are made to non-employee directors and granted at no cost. The awards historically vested at the third anniversary of the award date or upon the date they vacate their position. However, beginning in 2006, they vest in increments of one third per year for three years and will not fully vest if they vacate their position.

In 2006 and 2007, certain employees received annual awards of restricted stock or restricted stock units with dividend equivalents that are reinvested. These grants generally vest in increments of one third per year for three years and are accompanied by awards of dividend equivalents credited in the form of stock units.

Starting in 2007, performance shares and stock appreciation rights were granted as long-term incentive compensation awards for the officers and certain employees in place of restricted stock or restricted stock units. A percentage

(ranging from 50% to 200%) of the number of performance shares granted is eligible to become earned and vested based on our total stockholder return (TSR) over a three year period, starting from the beginning of the year of grant, relative to the TSR of the companies comprising the NAREIT Index as of the end of the year prior to the year of grant, except that the percentage is capped at 100% if TSR is negative. The stock appreciation right grants vest in increments of one third per year for three years and earn dividend equivalents credited in the form of stock units.

In addition, on August 15, 2006, the President and Chief Executive Officer received a grant of approximately 120,968 restricted stock units. This grant vests with respect to 50% of the units on the fifth anniversary of the date of grant and with respect to 10% of the units each year thereafter. On April 23, 2007, the Executive Vice President and Chief Investment Officer received a grant of approximately 30,807 restricted stock units. This grant vests with respect to 50% of the units on January 23, 2014, with the remaining 50% of the units vesting in seven substantially

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

equal annual installments on each subsequent anniversary of such date. On April 23, 2007, the Executive Vice President and Chief Financial and Portfolio Officer received a grant of approximately 30,807 restricted stock units. This grant vests with respect to 50% of the units on July 23, 2012, with respect to an additional 20% of the units on each of January 23, 2013 and January 23, 2014 and with respect to the final 10% of the units on January 23, 2015. The restricted stock units earn dividend equivalents which are reinvested.

Compensation expense related to awards of stock options, restricted stock, restricted stock units, performance shares and stock appreciation rights are measured at fair value on the date of grant and amortized over the relevant service period. The fair value of restricted stock, restricted stock unit and performance share awards is based on the market price of our common stock on the date of grant. The fair value of stock appreciation right awards was estimated on the date of grant using a Black-Scholes option valuation model. Compensation expense related to director restricted stock awards was \$0.7 million in 2010, \$0.7 million in 2009 and \$0.6 million in 2008. Compensation expense related to employee stock options, restricted stock, restricted stock units, performance shares and stock appreciation rights awards was \$6.2 million in 2010, \$6.3 million in 2009 and \$5.2 million in 2008. We expect to expense \$11.4 million related to director and employee stock options, restricted stock, and employee restricted stock units, performance shares and stock appreciation rights over the remainder of the respective one to ten year service periods.

Awards of dividend equivalents accompany the stock option grants beginning in 1996 on a one-for-one basis. For stock options granted prior to 2009, such dividend equivalents are payable in cash from the time the options are fully vested until such time as the corresponding stock option is exercised, based upon a formula approved by the Compensation Committee of the board of directors. For stock options granted in 2009 and 2010, such dividend equivalents are payable in cash during the first three years after the date of grant, regardless of whether the stock options have been exercised, but dividend payments cease upon termination of employment. In addition, dividend equivalents are paid on restricted stock and restricted stock units prior to vesting. ASC 718 provides that payments related to the dividend equivalents are treated as dividends. If an employee were to leave before all restricted stock or restricted stock units had vested, any dividend equivalents previously paid on the unvested shares or units would be expensed.

13. Earnings Per Share (EPS)

Certain of our share-based payment awards are considered participating securities which requires the use of the two-class method for the computation of basic and diluted EPS.

Diluted EPS also includes the effect of any potential shares outstanding, which for us is comprised of dilutive stock options, other share-settled compensation plans and, if the effect is dilutive, Series B Preferred Stock, which was redeemed on January 18, 2010 (see Note 11) and/or OP Units. There were 270,100 stock options that would not be dilutive for 2010. The calculation below excludes 7,000 and 297,000 stock appreciation rights that would not be

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NATIONWIDE HEALTH PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2010

dilutive for 2009 and 2008, respectively. The Series B Preferred Stock is not dilutive for any period presented. The following table sets forth the components of the basic and diluted EPS calculations:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands, except per share amounts)		
Numerator:			
Income from continuing operations	\$ 137,224	\$ 121,800	\$ 102,423
Net loss (income) attributable to noncontrolling interests	1,643	(668)	131
Net income attributable to participating securities	(1,318)	(816)	(221)
Undistributed earnings attributable to participating securities			(478)
Series B preferred stock dividends		(5,350)	(7,637)
Numerator for Basic and Diluted EPS from continuing operations	\$ 137,549	\$ 114,966	\$ 94,218
Numerator for Basic and Diluted EPS from discontinued operations	\$ 4,899	\$ 27,258	\$ 165,584
Denominator:			
Basic weighted average shares outstanding	121,687	106,329	97,246
Effect of dilutive securities:			
Stock options	50	75	100
Other share-settled compensation plans	472	349	335
OP Units	2,130	1,794	1,082
Diluted weighted average shares outstanding	124,339	108,547	98,763
Basic earnings per share amounts:			
Income from continuing operations attributable to NHP common stockholders	\$ 1.13	\$ 1.08	\$ 0.97
Discontinued operations attributable to NHP common stockholders	0.04	0.26	1.70
Net income attributable to NHP common stockholders	\$ 1.17	\$ 1.34	\$ 2.67
Diluted earnings per share amounts:			
Income from continuing operations attributable to NHP common stockholders	\$ 1.11	\$ 1.06	\$ 0.95
Discontinued operations attributable to NHP common stockholders	0.04	0.25	1.68
Net income attributable to NHP common stockholders	\$ 1.15	\$ 1.31	\$ 2.63

14. Transactions with Significant Lessees

As of December 31, 2010, 93 triple-net leased facilities are leased to and operated by subsidiaries of Brookdale. Revenues from Brookdale were \$54.3 million, \$55.0 million and \$54.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, Brookdale accounted for 12.2% of our revenues.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

As of December 31, 2010 we had one mortgage loan to Brookdale secured by five assisted and independent living facilities with a carrying value of \$28.3 million (net of a deferred gain of \$4.7 million). The loan had a stated maturity date of June 2011 and was prepaid during January 2011 (see Notes 4 and 24).

In 2009, we entered into an agreement with Brookdale under which we became a lender with an initial commitment of \$8.8 million under their \$230.0 million revolving loan facility (see Note 4). During 2009, we funded \$7.5 million which was subsequently repaid. As of December 31, 2009, there was no balance outstanding. The revolving loan facility was terminated as of February 23, 2010. There was no balance outstanding at the date of termination.

15. Discontinued Operations

ASC 360 requires the operating results of any assets with their own identifiable cash flows that are disposed of or held for sale and in which we have no continuing interest be removed from income from continuing operations and reported as discontinued operations. The operating results for any such assets for any prior periods presented must also be reclassified as discontinued operations. If we have a continuing involvement, as in the sales to our unconsolidated joint venture, the operating results remain in continuing operations. The following table details the operating results reclassified to discontinued operations for the periods presented:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Rental income	\$ 5,319	\$ 7,445	\$ 17,418
Interest and other income	1	35	43
	5,320	7,480	17,461
Expenses:			
Interest expense			1,093
Depreciation and amortization	2,352	4,097	5,685
General and administrative	11	33	78
Medical office building operating expenses			16
	2,363	4,130	6,872
Income from discontinued operations	2,957	3,350	10,589
Impairments	(15,006)		
Gain on sale of facilities, net	16,948	23,908	154,995
	\$ 4,899	\$ 27,258	\$ 165,584

16. Derivatives

During August 2010, we entered into six 12-month forward-starting interest rate swap agreements for an aggregate notional amount of \$250.0 million at a weighted average rate of 3.16%. We entered into these swap agreements in order to hedge the expected interest payments associated with fixed rate debt forecasted to be issued in 2011. The swap agreements each have an effective date of August 1, 2011 and a termination date of August 1, 2021. We expect to settle the swap agreements when the forecasted debt is issued. We assessed the effectiveness of these swap agreements as hedges at inception and on December 31, 2010 and consider these swap agreements to be highly effective cash flow hedges. The swap agreements are recorded under the caption Other assets on our consolidated balance sheets at their aggregate estimated fair value of \$11.2 million at December 31, 2010.

Table of Contents**NATIONWIDE HEALTH PROPERTIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2010**

During August and September 2007, we entered into four six-month Treasury lock agreements totaling \$250.0 million at a weighted average rate of 4.212%. We entered into these Treasury lock agreements in order to hedge the expected interest payments associated with a portion of our October 2007 issuance of \$300.0 million of notes which mature in 2013. These Treasury lock agreements were settled in cash on October 17, 2007 for an amount equal to the present value of the difference between the locked Treasury rates and the unwind rate. We reassessed the effectiveness of these agreements at the settlement date and determined that they were highly effective cash flow hedges under ASC 815 for \$250.0 million of the \$300.0 million of notes as intended. The prevailing Treasury rate exceeded the rates in the Treasury lock agreements and, as a result, the counterparties to those agreements made payments to us of \$1.6 million, which was recorded as other comprehensive income. The settlement amounts are being amortized over the life of the debt as a yield reduction. During 2009, we retired \$30.0 million of the \$300.0 million of senior notes (see Note 10). In connection with the retirement, \$0.1 million of the settlement amounts was expensed and is included in the net gain of \$4.6 million which is reflected on our consolidated income statements as gain on debt extinguishment. We expect to record \$0.3 million of amortization during 2011.

In June 2006, we entered into two \$125.0 million, two-month Treasury lock agreements in order to hedge the expected interest payments associated with a portion of our July 2006 issuance of \$350.0 million of notes which mature in 2011. These Treasury lock agreements were settled in cash on July 11, 2006, concurrent with the pricing of the \$350 million of notes, for an amount equal to the present value of the difference between the locked Treasury rates and the unwind rate. We reassessed the effectiveness of these agreements at the settlement date and determined that they were highly effective cash flow hedges under ASC 815 for \$250.0 million of the \$350.0 million of notes as intended. The prevailing Treasury rate exceeded the rates in the Treasury lock agreements and, as a result, the counterparty to those agreements made payments to us of \$1.2 million, which was recorded as other comprehensive income. The settlement amounts are being amortized over the life of the debt as a yield reduction. We expect to record \$0.1 million of amortization during 2011.

During January 2008, the unconsolidated joint venture we have with a state pension fund investor entered into an interest rate swap contract (see Notes 6 and 17).

The following table sets forth amounts included on our consolidated income statements related to the amortization of the Treasury lock agreements for the periods presented:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
2007 Treasury lock agreements	\$ 263	\$ 370	\$ 279
2006 Treasury lock agreements	256	240	232
	\$ 519	\$ 610	\$ 511

17. Comprehensive Income

We recorded the August 2010 swap agreements under the caption Other assets on our consolidated balance sheets at their aggregate estimated fair value of \$11.2 million at December 31, 2010.

We recorded the August and September 2007 Treasury lock agreements on our consolidated balance sheets at their estimated fair value of \$0.1 million as of September 30, 2007. In connection with the settlement of the August and September 2007 Treasury lock agreements on October 17, 2007, we recognized a gain of \$1.6 million. The gain was recognized through other comprehensive income and is being amortized over the life of the related \$300.0 million of notes which mature in 2013 as a yield reduction. During 2009, we retired \$30.0 million of the \$300.0 million of senior notes (see Note 10). In connection with the retirement, \$0.1 million of the settlement

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amounts was expensed and is included in the net gain of \$4.6 million which is reflected on our consolidated income statements as gain on debt extinguishment. We expect to record \$0.3 million of amortization during 2011.

We recorded the June 2006 Treasury lock agreements on our consolidated balance sheets at their estimated fair value of \$1.6 million at June 30, 2006. In connection with the settlement of the June 2006 Treasury lock agreements on July 11, 2006, we recognized a gain of \$1.2 million. The gain was recognized through other comprehensive income and is being amortized over the life of the related \$350.0 million of notes which mature in 2011 as a yield reduction. We expect to record \$0.1 million of amortization during 2011.

During January 2008, the unconsolidated joint venture we have with a state pension fund investor entered into an interest rate swap contract (see Note 6). As of December 31, 2010, we had recorded our pro rata share of the unconsolidated joint venture's accumulated other comprehensive loss related to this contract of \$3.2 million.

ASC Topic 715, *Compensation - Retirement Benefits*, requires changes in the funded status of a defined benefit pension plan to be recognized through comprehensive income in the year in which they occur. During 2010, 2009 and 2008, we recognized other comprehensive loss of \$0.1 million, \$8,000 and \$0.2 million, respectively, related to the change in the funded status of our defined benefit pension plan.

The following table sets forth the computation of comprehensive income for the periods presented:

	Year Ended December, 31		
	2010	2009	2008
	(In thousands)		
Net income	\$ 142,123	\$ 149,058	\$ 268,007
Other comprehensive income:			
Gain on interest rate swap agreements	11,157		
Amortization of gains on Treasury lock agreements	(519)	(610)	(511)
Pro rata share of accumulated other comprehensive loss from unconsolidated joint venture	(1,147)	(2,051)	
Defined benefit pension plan net actuarial loss	(54)	(8)	(204)
Comprehensive income	151,560	146,389	267,292
Comprehensive loss (income) attributable to noncontrolling interests	1,643	(668)	131
	\$ 153,203	\$ 145,721	\$ 267,423

18. Income Taxes

The provisions of ASC Topic 740, *Income Taxes*, which clarify the accounting for uncertainty in income taxes recognized in financial statements and prescribe a recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return became effective January 1, 2007. No amounts have been recorded for

unrecognized tax benefits or related interest expense and penalties. The taxable periods ending December 31, 2005 through December 31, 2010 remain open to examination by the Internal Revenue Service and the tax authorities of the significant jurisdictions in which we do business.

Hearthstone Acquisition

On June 1, 2006, we acquired the stock of Hearthstone Assisted Living, Inc. (HAL), causing HAL to become a qualified REIT subsidiary. As a result of the acquisition, we succeeded to HAL s tax attributes, including HAL s tax basis in its net assets. Prior to the acquisition, HAL was a corporation subject to federal and state income taxes. In connection with the acquisition of HAL, NHP acquired approximately \$82.5 million of federal net operating

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losses (NOLs) which we can carry forward to future periods and the use of which is subject to annual limitations imposed by IRC Section 382. While we believe that these NOLs are accurate, any adjustments to HAL's tax returns for periods prior to June 1, 2006 by the Internal Revenue Service could change the amount of the NOLs that we can utilize. We have used a portion of this amount in 2007 and 2008 and anticipate using additional amounts in future years. These NOLs are set to expire between 2017 and 2025. NOLs related to various states were also acquired and are set to expire based on the various laws of the specific states.

In addition, we may be subject to a corporate-level tax on any taxable disposition of HAL's pre-acquisition assets that occurs within ten years after the June 1, 2006 acquisition. The corporate-level tax would be assessed only to the extent of the built-in gain that existed on the date of acquisition, based on the fair market value of the asset on June 1, 2006. We do not expect to dispose of any asset included in the HAL acquisition if such a disposition would result in the imposition of a material tax liability, and no such sales have taken place through December 31, 2010. Accordingly, we have not recorded a deferred tax liability associated with this corporate-level tax. Gains from asset dispositions occurring more than 10 years after the acquisition will not be subject to this corporate-level tax. However, we may dispose of HAL assets before the 10-year period if we are able to complete a tax-deferred exchange.

19. Dividends

Dividend payments per share to the common stockholders were characterized in the following manner for tax purposes:

	Year Ended December 31,		
	2010	2009	2008
Ordinary income	\$ 1.53	\$ 1.60	\$ 0.59
Return of capital	0.22	0.09	
Capital gain	0.07	0.07	1.17
Total dividends paid	\$ 1.82	\$ 1.76	\$ 1.76

20. Segment Information

Our operations are organized into two segments triple-net leases and multi-tenant leases. In the triple-net leases segment, we invest in healthcare related properties and lease the facilities to unaffiliated tenants under triple-net and generally master leases that transfer the obligation for all facility operating costs (including maintenance, repairs, taxes, insurance and capital expenditures) to the tenant. In the multi-tenant leases segment, we invest in healthcare related properties that have several tenants under separate leases in each building, thus requiring active management and responsibility for many of the associated operating expenses (although many of these are, or can effectively be, passed through to the tenants). During 2010, 2009 and 2008, the multi-tenant leases segment was comprised exclusively of medical office buildings.

Non-segment revenues primarily consist of interest income on mortgages and unsecured loans and other income. Interest expense, depreciation and amortization and other expenses not attributable to individual facilities are not allocated to individual segments for purposes of assessing segment performance. Non-segment assets primarily consist of corporate assets including mortgages and unsecured loans, investment in unconsolidated joint ventures, cash, deferred financing costs and other assets not attributable to individual facilities.

Certain items in prior period financial statements have been reclassified to conform to current period presentation, including those required by ASC 360 which require the operating results of any assets with their own identifiable cash flows that are disposed of or held for sale and in which we have no continuing interest to be

resource allocations and to assess the property level performance of our properties. Furthermore, we believe that NOI provides investors relevant and useful information because it measures the operating performance of our real estate at the property level on an unleveraged basis. We believe that net income is the GAAP measure that is most directly comparable to NOI. However, NOI should not be considered as an alternative to net income as the primary indicator of operating performance as it excludes the items described above. Additionally, NOI as presented above may not be comparable to other REITs or companies as their definitions of NOI may differ from ours.

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A reconciliation of net income, a GAAP measure, to NOI, a non-conforming GAAP measure, is as follows:

	Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Net income	\$ 142,123	\$ 149,058	\$ 268,007
Interest and other income	(29,397)	(26,420)	(24,942)
Interest expense	95,761	93,630	100,956
Depreciation and amortization expense	134,540	121,032	113,422
General and administrative expense	30,836	27,320	25,981
Acquisition costs	5,118	830	
Income from unconsolidated joint ventures	(5,478)	(5,101)	(3,903)
Gain on debt extinguishment	(75)	(4,564)	(4,641)
Gain on sale of facilities, net	(16,948)	(23,908)	(154,995)
Impairments	15,006		
Income from discontinued operations	(2,957)	(3,350)	(10,589)
Net operating income from reportable segments	\$ 368,529	\$ 328,527	\$ 309,296

21. Commitments and Contingencies***Litigation***

From time to time, we are a party to various legal proceedings, lawsuits and other claims (as to some of which we may not be insured) that arise in the normal course of our business. Regardless of their merits, these matters may require us to expend significant financial resources. Except as described herein, we are not aware of any other legal proceedings or claims that we believe may have, individually or taken together, a material adverse effect on our business, results of operations or financial position. However, we are unable to predict the ultimate outcome of pending litigation and claims, and if our assessment of our liability with respect to these actions and claims is incorrect, such actions and claims could have a material adverse effect on our business, results of operations or financial position.

Greenwood Healthcare Center

In late 2004 and early 2005, we were served with several lawsuits in connection with a fire at the Greenwood Healthcare Center in Hartford, Connecticut, that occurred on February 26, 2003. At the time of the fire, the Greenwood Healthcare Center was owned by us and leased to and operated by Lexington Healthcare Group (Lexington Healthcare). There were a total of 13 lawsuits arising from the fire. Those suits have been filed by representatives of patients who were either killed or injured in the fire. The lawsuits seek unspecified monetary damages. The complaints allege that the fire was set by a resident who had previously been diagnosed with depression. The complaints allege theories of negligent operation and premises liability against Lexington Healthcare,

as operator, and us as owner. Lexington Healthcare has filed for bankruptcy. The matters have been consolidated into one action in the Connecticut Superior Court Complex Litigation Docket at the Judicial District at Hartford and are in various stages of discovery and motion practice. We have filed a motion for summary judgment with regard to certain pending claims and will be filing additional summary judgment motions for any remaining claims. Mediation was commenced with respect to most of the claims, and a settlement has been reached in 10 of the 13 pending claims within the limits of our commercial general liability insurance. We obtained a judgment of nonsuit in one case whereby it is now dismissed, and the two remaining claims will be subject to summary judgment motions and ongoing efforts at resolution. Summary judgment rulings are not expected until the end of 2011, if not later.

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December 31, 2010

Lexington Insurance, the insurance carrier for Lexington Healthcare, which potentially owes insurance coverage for these claims to us, has filed a lawsuit against us which seeks no monetary damages, but which does seek a court order limiting its insurance coverage obligations to us. We have filed a counterclaim against Lexington Insurance demanding additional insurance coverage from Lexington Insurance in amounts up to \$10.0 million. The parties to that case, which is pending on the Complex Litigation Docket for the Judicial District of Hartford, filed cross-motions for summary judgment. Those motions have been decided, resulting in an outcome that is largely favorable for us. The court's ruling indicates \$10.0 million in aggregate coverage is available from Lexington Insurance for both the various plaintiffs' claims and our claims under the Professional Liability part of the Lexington Insurance policy. The court then found that there were 13 separate medical incidents for each of the 13 plaintiffs' claims. However, the court limited the coverage to \$500,000 per claim with a \$250,000 self insured retention per claim, which retention will not be paid due to the bankruptcy of Lexington Healthcare. Further, the court has ruled that both the various plaintiffs' claims and our claims are subject to the same policy limits. The court declined to find coverage for our claims under the comprehensive general liability portions of the Lexington Insurance policy. Lexington Insurance is pursuing an appeal of the rulings. We are currently defending the appeal by Lexington Insurance. We do not expect the appeal to be resolved before the end of 2011, if not later.

We are being defended in the matter by our commercial general liability carrier. We believe that we have substantial defenses to the claims and that we have adequate insurance to cover the risks, should liability nonetheless be imposed. However, because the remaining claims are still in the process of discovery and motion practice, it is not possible to predict the ultimate outcome of these claims.

Shareholder Litigation

On February 28, 2011, a putative class action entitled *Palma v. Nationwide Health Properties, Inc. et al.*, was filed purportedly on behalf of our stockholders in the Superior Court of the State of California, Orange County Superior Court. It names us and members of our Board of Directors as defendants. The complaint alleges, among other things, that our directors breached their fiduciary duties by approving a proposed merger transaction between us and Ventas, Inc. (Ventas) because the proposed transaction would not maximize shareholder value and would allegedly provide the directors personal benefits not shared by our shareholders. Along with other relief, the complaint seeks an injunction against the closing of the proposed merger.

Development Agreements

During 2010, we entered into Mission Hills JV to develop a medical office building (see Note 5) and entered into other agreements to develop a skilled nursing facility (see Note 3) and to fund the expansion of a skilled nursing facility securing a mortgage loan (see Note 4). As of December 31, 2010, we had committed to fund an additional \$50.8 million under these agreements, of which \$36.4 million relates to Mission Hills JV and is expected to be funded through a third party construction loan.

Revolving Loan Facility

In 2009, we entered into an agreement with Brookdale under which we became a lender with an initial commitment of \$8.8 million under their \$230.0 million revolving loan facility (see Note 4). During 2009, we funded \$7.5 million which was subsequently repaid. As of December 31, 2009, there was no balance outstanding. The revolving loan

facility was terminated as of February 23, 2010. There was no balance outstanding at the date of termination.

Lines of Credit

Under the terms of an agreement with PMB LLC, we agreed to extend to PMB LLC a \$10.0 million line of credit at an interest rate equal to LIBOR plus 175 basis points to fund certain costs of PMB LLC with respect to the proposed development of multi-tenant medical office buildings. During 2010 and 2009, we funded \$1.7 million and \$3.2 million,

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December 31, 2010

respectively, under the line of credit. As of December 31, 2010 and 2009, \$4.9 million and \$3.2 million, respectively, was outstanding and is included in the caption "Other assets" on our consolidated balance sheets.

We entered into an agreement with PMB LLC, the manager of PMB Pomona LLC, to extend up to \$3.0 million of funding at an interest rate of 7.25%, which was secured by 100% of the membership interests in PMB Pomona LLC (see Note 22). During 2010 and 2009, we funded \$0.3 million and \$1.6 million, respectively. The total \$1.9 million was repaid during 2010. No further disbursements will be made under the agreement.

As of February 1, 2010, in connection with the formation of Gilbert JV, a consolidated joint venture, we agreed to loan Gilbert JV up to \$8.8 million as project financing at an interest rate of 7.00%, including \$6.8 million that was disbursed initially and remains outstanding at December 31, 2010 (see Note 5).

As of March 1, 2010, in connection with the formation of Pasadena JV, a consolidated joint venture, we agreed to loan Pasadena JV up to \$56.5 million as project financing at an initial interest rate equal to the greater of 3.50% or LIBOR plus 165 basis points (increasing to the greater of 5.125% or LIBOR plus 375 basis points as of April 1, 2010), including \$49.8 million that was disbursed initially and remains outstanding at December 31, 2010 (see Note 5).

Indemnities

We have entered into indemnification agreements with those partners who contributed appreciated property into NHP/PMB. Under these indemnification agreements, if any of the appreciated real estate contributed by the partners is sold by NHP/PMB in a taxable transaction within a specified number of years after the property was contributed, we will reimburse the affected partners for the federal and state income taxes associated with the pre-contribution gain that is specially allocated to the affected partner under the Code. We have no current plans to sell any of these properties.

22. Related Party Transactions

In August 2008, Dr. Jeffrey Rush became a director of NHP. In August 2008, we acquired for \$3.5 million a 44.95% interest in PMB SB, an entity that owns two multi-tenant medical office buildings, and as of March 1, 2010, we acquired the remaining interest in PMB SB (see Note 6). Dr. Rush, through an unaffiliated entity, had an ownership interest in PMB SB.

In September 2008, we funded a mortgage loan secured by a multi-tenant medical office building in the amount of \$47.5 million which was outstanding as of December 31, 2009 (see Note 4). As of February 1, 2010, we acquired the multi-tenant medical office building, and as a result, the loan was retired (see Notes 4 and 5). Dr. Rush has an ownership interest in another unaffiliated entity that owned the multi-tenant medical office building that was security for this loan.

In February 2008, we entered into an agreement with Pacific Medical Buildings LLC to acquire a 50% interest in PMBRES, a full service property management company (see Note 6). Dr. Rush, through an unaffiliated entity, has an ownership interest in PMB Partners LLC which owns 50% of PMBRES.

We have also entered into an agreement with PMB Pomona LLC to acquire a medical office building currently in development for \$37.5 million upon completion which was amended as of February 1, 2010 to provide for the future acquisition of the medical office building by NHP/PMB. Dr. Rush, through an unaffiliated entity, has an ownership interest in PMB Pomona LLC. We also entered into an agreement with PMB LLC, the manager of PMB Pomona LLC, to extend up to \$3.0 million of funding at an interest rate of 7.25%, which was secured by 100% of the membership interests in PMB Pomona LLC (see Note 21).

As of March 1, 2010, NHP/PMB became obligated to pay \$2.1 million under the Contribution Agreement, of which \$1.9 million was paid to Pacific Medical Buildings LLC in cash (see Note 5). During 2009, NHP/PMB

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became obligated to pay \$3.0 million under the Contribution Agreement, of which \$2.7 million was payable to Pacific Medical Buildings LLC, 50% in cash and 50% in shares of our common stock (see Note 5). In addition, Dr. Rush and certain of his family members own or owned interests, directly and indirectly through partnerships and trusts, in the entities that contributed the five multi-tenant medical office buildings acquired by NHP/PMB, Gilbert JV and Pasadena JV during 2010 (see Note 5), in PMB Mission Hills 1 LLC (see Note 5) and/or own the remaining development property that may be acquired in the future under the Contribution Agreement.

23. Quarterly Financial Data (Unaudited)

Amounts in the tables below may not add across due to rounding differences, and certain items in prior period financial statements have been reclassified to conform to current year presentation, including those required by ASC 360 which require the operating results of any assets with their own identifiable cash flows that are disposed of or held for sale and in which we have no continuing interest to be removed from income from continuing operations and reported as discontinued operations.

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands except per share amounts)			
2010:				
Revenue	\$ 100,992	\$ 108,003	\$ 113,598	\$ 116,657
Net income attributable to NHP common stockholders	\$ 31,429	\$ 37,169	\$ 39,854	\$ 35,313
Diluted net income attributable to NHP common stockholders per share	\$ 0.26	\$ 0.30	\$ 0.31	\$ 0.27
Dividends per share	\$ 0.44	\$ 0.45	\$ 0.46	\$ 0.47
2009:				
Revenue	\$ 95,184	\$ 95,539	\$ 96,084	\$ 97,045
Net income attributable to NHP common stockholders	\$ 49,154	\$ 33,299	\$ 29,692	\$ 30,895
Diluted income available to common stockholders per share	\$ 0.47	\$ 0.31	\$ 0.27	\$ 0.27
Dividends per share	\$ 0.44	\$ 0.44	\$ 0.44	\$ 0.44

During the three months ended March 31, 2010, we recognized a net gain on the re-measurement of our equity interest in PMB SB of \$0.6 million. During the three months ended December 31, 2010, we recognized an impairment charge of \$15.0 million. During the three months ended June 30, 2009, we recognized a \$4.6 million gain on debt extinguishment.

24. Subsequent Events**Hearthstone Senior Living**

In February 2011, our tenant, Hearthstone Senior Services, L.P. (Hearthstone), notified us that it would be unable to pay the rent then due under its leases with us, and asked us to amend certain terms of the leases to make rents achievable. In order to substantially increase the ability of Hearthstone to meet its future obligations, we agreed to certain modifications of the terms of our leases with Hearthstone that include, among other things, a reduction in the aggregate rent payable by \$7.4 million for the lease year ending February 2012, and by \$6.4 million for subsequent lease years. After giving effect to these reductions, the aggregate rent payable by Hearthstone is \$31.7 million for the first lease year, \$33.7 million for the second lease year and increases by 3% each year thereafter. In connection with the lease modifications, we also obtained the right to terminate any and all of our

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December 31, 2010

leases with Hearthstone at any time without cause. We hold a \$6.0 million letter of credit that secures Hearthstone's payment obligations to us. However, it is possible that the letter of credit may not be sufficient to compensate us for any future losses or expenses that may arise if Hearthstone defaults under its leases with us. Other terms of our modified arrangements with Hearthstone include:

We have eliminated supplemental rent obligations, except for supplemental rent accrued prior to February 1, 2011, which totals \$6.0 million and becomes payable (i) in full upon an event of default by Hearthstone for which NHP chooses to exercise its remedies, (ii) in full upon a sale of Hearthstone and (iii) in part, if we exercise our right to terminate the leases with Hearthstone without cause.

We will be entitled to receive revenue participation rent, payable monthly and calculated as 20% of incremental gross revenue over the base month of February 2011, commencing February 1, 2012 and capped in any one year at \$6.4 million (subject to annual increases of 3%).

Upon exercise of our right to terminate the leases without cause, Hearthstone must enter into an operations transfer agreement with a successor operator to allow for an efficient transfer of operations to our designee.

If we exercise the right to terminate the Hearthstone leases without cause, upon transition of the facilities to a licensed replacement operator we must release to Hearthstone a portion of the \$6.0 million letter of credit. The amount released is \$3.0 million if the transition occurs prior to September 1, 2011, and increases by \$1 million for every six month period thereafter.

The Chief Executive Officer of Hearthstone has executed a guaranty in our favor that would obligate him to reimburse us the amount of any (i) distributions in excess of permitted amounts, (ii) compensation paid to him in excess of permitted amounts, and (iii) losses arising from customary bad boy acts such as fraud, misappropriation of funds, rents or insurance proceeds.

Proposed Merger with Ventas

On February 27, 2011, we entered into an Agreement and Plan of Merger (the Merger Agreement) with Ventas, a Delaware corporation, and Needles Acquisition LLC, a Delaware limited liability company and wholly owned subsidiary of Ventas (Merger Sub).

Under the terms of the Merger Agreement, NHP will be merged with and into Merger Sub (the Merger), with Merger Sub surviving the Merger as a subsidiary of Ventas. Pursuant to the Merger Agreement, at the effective time of the Merger (the Effective Time), each outstanding share of common stock, other than shares held by any wholly owned subsidiary of NHP, by Ventas or by any subsidiary of Ventas, will be cancelled and converted into the right to receive 0.7866 shares (the Exchange Ratio) of common stock of Ventas (Ventas Common Stock).

Immediately prior to the Effective Time: (i) each option to purchase common stock will, at the option of Ventas, either be cancelled in exchange for the right to receive a cash payment, or be converted into an option exercisable for a number of shares of Ventas Common Stock, in either case, calculated based on the Exchange Ratio; (ii) all of the restricted stock units will vest and will either be assumed by Ventas or converted into the right to receive a cash amount calculated based on the Exchange Ratio; (iii) each share of restricted stock will vest and will be converted into

the right to receive a number of shares of Ventas Common Stock equal to the Exchange Ratio; (iv) all dividend equivalent rights granted in connection with any other award will vest and will be paid in accordance with their terms; and (v) the performance period for any performance shares will be terminated, and the number of performance shares that vest will be determined based on NHP's actual performance for the shortened performance period, with each performance share that vests converted into the right to receive a number of shares of Ventas Common Stock equal to the Exchange Ratio.

We have made customary representations and warranties in the Merger Agreement and has agreed to customary covenants, including covenants regarding the operation of our business prior to the closing and

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December 31, 2010

covenants prohibiting us from soliciting, providing information or entering into discussions concerning proposals relating to alternative business combination transactions, except in limited circumstances relating to unsolicited proposals that constitute, or are reasonably expected to lead to, a superior proposal.

Consummation of the Merger is subject to customary closing conditions, including approval of our stockholders and Ventas's stockholders. The Merger Agreement may be terminated under certain circumstances, including by either party if the Merger has not occurred by October 31, 2011, if an order is entered prohibiting or disapproving the transaction and the order has become final and non-appealable, if our stockholders or Ventas fail to approve the transaction, or upon a material uncured breach by the other party that would cause the closing conditions not to be satisfied.

Shareholder Litigation

On February 28, 2011, a putative class action entitled *Palma v. Nationwide Health Properties, Inc. et al.*, was filed purportedly on behalf of our stockholders in the Superior Court of the State of California, Orange County Superior Court. It names us and members of our Board of Directors as defendants. The complaint alleges, among other things, that our directors breached their fiduciary duties by approving a proposed merger transaction between us and Ventas because the proposed transaction would not maximize shareholder value and would allegedly provide the directors personal benefits not shared by our shareholders. Along with other relief, the complaint seeks an injunction against the closing of the proposed merger.

Other

From January 1, 2011 to February 28, 2011, we completed approximately \$102 million of investments in seven facilities and sold one skilled nursing facility that was included in assets held for sale as of December 31, 2010 for net cash proceeds of \$0.8 million (see Note 7).

One mortgage loan to Brookdale with a carrying value of \$28.3 million (net of a deferred gain of \$4.7 million) and secured by five assisted and independent living facilities was prepaid during January 2011 (see Notes 4 and 14).

Table of Contents**SCHEDULE III**

Real Estate And Accumulated depreciation

**REAL ESTATE AND ACCUMULATED DEPRECIATION
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010**

	<i>Initial Cost to</i>	<i>Cost</i>							<i>Year</i>		
<i>Company</i>	<i>Capitalized</i>		<i>Carried at Close of Period(1)</i>					<i>Original</i>			
<i>Building and</i>	<i>Subsequent to</i>		<i>Buildings and</i>				<i>Accumulated</i>	<i>Construction Date</i>			
<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>Land</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>		
<i>(Dollar amounts in thousands)</i>											
am	AL	\$ 13,653	\$	\$ 1,050	\$	\$ 1,050	\$ 13,653	\$ 14,703	\$ (2,101)	2000	2006
	AL	1,824		1,484		1,484	1,824	3,308	(742)	1987	1996
e	AL	2,447		197		197	2,447	2,644	(876)	1996	1996
e	AL	7,092		260		260	7,092	7,352	(1,242)	1999	2006
	AL	9,124		90		90	9,124	9,214	(1,509)	2000	2006
noals	AL	5,933		314		314	5,933	6,247	(622)	1999	2007
o	AL	2,566		210		210	2,566	2,776	(189)	1998	2008
	AR	1,968	1	182		182	1,969	2,151	(708)	1990	1998
	AZ	2,753	16	505		505	2,769	3,274	(858)	1998	1998
	AZ	16,204		1,440		1,440	16,204	17,644	(2,436)	1999	2006
	AZ	6,694		560		560	6,694	7,254	(1,191)	1999	2006
el	CA	12,976	3,918	375		375	16,894	17,269	(2,164)	2004	2003
ta	CA	7,929	1,194	1,500		1,500	9,123	10,623	(4,549)	1984	1995
(3)	CA	6,281	820	950		950	7,101	8,051	(2,812)	1989	1995
	CA	5,017	666	1,000		1,000	5,683	6,683	(2,549)	1984	1995
	CA	2,784		480		480	2,784	3,264		1997	2010
Viejo(4)	CA	3,544	263	900		900	3,807	4,707	(1,633)	1985	1995
)	CA	3,658	11,160	2,500		2,500	14,818	17,318	(3,070)	1978	1995
ert	CA	6,179	8,143	1,400		1,400	14,322	15,722	(3,513)	1989	1994
	CA	3,801	1,071	1,320		1,320	4,872	6,192	(2,160)	1982	1995
ucamonga	CA	4,156	540	610		610	4,696	5,306	(1,986)	1987	1995

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Virage	CA	13,391	471	1,630	1,630	13,862	15,492	(1,531)	1999	2007
	CA	14,601		430	430	14,601	15,031		2007	2010
s	CA	3,577	776	1,700	1,700	4,353	6,053	(1,974)	1975	1995
	CA	7,252		850	850	7,252	8,102	(2,311)	1998	1996
Capistrano(3)	CA	3,834	846	1,225	1,225	4,680	5,905	(1,857)	1985	1995
Capistrano	CA	6,344	620	700	700	6,964	7,664	(2,851)	1985	1995
ria	CA	2,649	118	1,500	1,500	2,767	4,267	(1,397)	1967	1995
	CA	3,701	904	350	350	4,605	4,955	(2,003)	1980	1996
ter	CA	4,883		2,350	2,350	4,883	7,233	(845)	2001	2005

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial</i>		<i>Carried at Close of Period(1)</i>			<i>Total</i>	<i>Depreciation</i>	<i>Year</i>	<i>Original</i>	<i>Construction Date</i>	<i>Acquired Year</i>
		<i>Cost to</i>	<i>Cost</i>	<i>Land</i>	<i>Buildings and</i>	<i>Improvements</i>						
		<i>Company Capitalized</i>	<i>Subsequent</i>									
		<i>Building and</i>	<i>to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Improvements</i>	<i>Depreciation</i>	<i>Accumulated</i>	<i>Construction Date</i>	<i>Acquired Year</i>		
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>Improvements</i>	<i>Depreciation</i>	<i>Accumulated</i>	<i>Construction Date</i>	<i>Acquired Year</i>		
(Dollar amounts in thousands)												
ilder	CO	4,811	14	833	833	4,825	5,658	(1,808)	1985	1995		
ver(5)	CO	28,682		2,350	2,350	28,682	31,032	(6,982)	1987	2002		
eley	CO	4,246		690	690	4,246	4,936		1998	2010		
eley	CO	1,828		470	470	1,828	2,298		1995	2010		
nford	CT	6,709	2,645	2,000	2,000	9,354	11,354	(1,870)	1999	2005		
dison	CT	16,032	1,400	4,000	4,000	17,432	21,432	(3,261)	2002	2004		
leview	FL	4,592		360	360	4,592	4,952	(53)	1988	2010		
ntonment	FL	3,477		800	800	3,477	4,277		1999	2010		
al Springs	FL	6,985	625	915	915	7,610	8,525	(1,122)	1999	2006		
uniak Springs	FL	3,439		770	770	3,439	4,209		1999	2010		
t Myers	FL	5,206	33	415	415	5,239	5,654	(937)	1996	2005		
t Walton	FL	6,372		694	694	6,372	7,066	(668)	2000	2007		
lywood	FL	9,887		1,994	1,994	9,887	11,881	(1,208)	1972	2007		
ksonville	FL	2,770	20	226	226	2,790	3,016	(922)	1997	1997		
ksonville	FL	2,473	47	256	256	2,520	2,776	(448)	1997	2005		
sburg	FL	3,239		301	301	3,239	3,540	(552)	1999	2005		
ton	FL	3,929		990	990	3,929	4,919		1999	2010		
ala	FL	5,260		620	620	5,260	5,880	(66)	1996	2010		
ala	FL	3,516		750	750	3,516	4,266	(37)	2005	2010		
mond Beach	FL	1,649	51	480	480	1,700	2,180	(294)	1997	2005		
m Coast	FL	2,580	38	406	406	2,618	3,024	(847)	1997	1997		
asacola	FL	5,667	1,250	408	408	6,917	7,325	(1,726)	1999	1998		
ncy	FL	2,615		980	980	2,615	3,595		1999	2010		
unda West	FL	2,628	29	123	123	2,657	2,780	(861)	1997	1997		
ahassee	FL	9,218	95	696	696	9,313	10,009	(2,613)	1999	1998		
ahassee	FL	1,679	2,076	450	450	3,755	4,205	(379)	1999	2006		
marac	FL	6,921	639	967	967	7,560	8,527	(1,082)	2000	2006		

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mpa	FL	12,343		2,360	2,360	12,343	14,703	(1,735)	2001	2006	4
wares	FL	2,466	7	156	156	2,473	2,629	(844)	1997	1997	4
usville	FL	4,706		1,742	1,742	4,706	6,448	(1,412)	1987	2000	3
gusta	GA	3,820		568	568	3,820	4,388	(467)	1997	2007	3

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>					<i>Year</i>		
		<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>			<i>Original</i>			
		<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Accumulated Depreciation</i>	<i>Construction Date</i>	<i>Date Acquired</i>		
		<i>Improvements (2)</i>	<i>Acquisition Land (2)</i>	<i>Improvements and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>		
(Dollar amounts in thousands)										
ro	GA	8,776		1,320	1,320	8,776	10,096	(1,464)	2000	2006
	GA	6,002		1,350	1,350	6,002	7,352	(1,100)	2000	2006
	IN	3,861	84	805	805	3,945	4,750	(2,413)	1998	1997
Knobs	IN	8,945		740	740	8,945	9,685	(584)	2008	2008
burg	IN	1,249	1	120	120	1,250	1,370	(239)	1999	2007
opolis	IN	4,267		750	750	4,267	5,017	(788)	1998	2006
n City	IN	4,069		245	245	4,069	4,314	(695)	1998	2005
n City	IN	3,331		370	370	3,331	3,701	(567)	1999	2005
llo	IN	2,697		270	270	2,697	2,967	(380)	1999	2007
end	IN	2,602		490	490	2,602	3,092		1990	2010
	KS	1,463	57	269	269	1,520	1,789	(267)	1994	2005
ce	KS	3,822		932	932	3,822	4,754	(1,210)	1995	1998
	KS	1,921		200	200	1,921	2,121	(660)	1996	1997
	KS	2,887		329	329	2,887	3,216	(2,086)	1989	1998
	KS	2,955	87	424	424	3,042	3,466	(1,983)	1986	1998
ton	KS	1,006	56	11	11	1,062	1,073	(190)	1994	2005
n	MA	12,780	5,566	1,000	1,000	18,346	19,346	(3,230)	1996	2006
own	MD	4,664	448	533	533	5,112	5,645	(1,384)	1999	1998
own Township(6)	MI	20,513		660	660	20,513	21,173	(3,000)	2000	2006
n	MI	1,754	26	154	154	1,780	1,934	(318)	1997	2005
	MI	4,812	10	181	181	4,822	5,003	(868)	1998	2005
	MI	1,743	16	155	155	1,759	1,914	(314)	1998	2005
gton Hills	MI	1,863	86	84	84	1,949	2,033	(348)	1994	2005
gton Hills	MI	2,014		95	95	2,014	2,109	(362)	1994	2005
blanc	MI	4,135	70	375	375	4,205	4,580	(750)	1998	2005
blanc	MI	4,048	68	375	375	4,116	4,491	(734)	1998	2005
	MI	4,231	35	847	847	4,266	5,113	(750)	1998	2005

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MI	12,255		880	880	12,255	13,135	(1,725)	2001	2006
MI	7,582	68	697	697	7,650	8,347	(1,365)	1998	2005
MI	7,986	90	1,046	1,046	8,076	9,122	(1,434)	1998	2005
MI	5,102	33	245	245	5,135	5,380	(922)	1995	2005

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>					<i>Year</i>		<i>Life on which Deprecia- tion is taken in the Latest Income Statement is Computed (in thousands)</i>	
											<i>Company Capitalized</i>
		<i>Building and Improvements</i>	<i>Subsequent and to</i>	<i>Land</i>	<i>Buildings and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
(Dollar amounts in thousands)											
Austin	MN	8,893		400	400	8,893	9,293	(1,178)	2002	2006	35
Blue Earth	MN	6,339		500	500	6,339	6,839	(880)	1999	2006	35
Fairbault	MN	1,328	29	121	121	1,357	1,478	(242)	1997	2005	35
Hankato	MN	1,064	25	90	90	1,089	1,179	(194)	1996	2005	35
Watonna	MN	1,762		60	60	1,762	1,822	(312)	1996	2005	35
Watonna	MN	2,239		70	70	2,239	2,309	(383)	1999	2005	40
Wau Rapids	MN	748	49	67	67	797	864	(141)	1997	2005	35
St. Louis	MN	10,423		900	900	10,423	11,323	(1,426)	2003	2006	35
Wilmar	MN	1,977	43	57	57	2,020	2,077	(363)	1997	2005	35
Winona	MN	1,436	36	65	65	1,472	1,537	(264)	1997	2005	35
Butler	MO	200	72	103	103	272	375	(27)	1995	2007	30
Camden	MO	899	52	113	113	951	1,064	(111)	1996	2007	30
Evada	MO		136	253	253	136	389	(14)	1993	2007	35
Evada	MO		48	253	253	48	301	(2)	1996	2007	35
Greenville	MS	4,411		271	271	4,411	4,682	(462)	1999	2007	35
Shelboro	NC	7,054		200	200	7,054	7,254	(963)	1998	2006	35
Summerton	NC	13,713		300	300	13,713	14,013	(1,810)	1999	2006	35
Tarboro	NC	10,472		300	300	10,472	10,772	(1,432)	1997	2006	35
Wendersonville	NC	12,183		400	400	12,183	12,583	(1,701)	2005	2006	35
Wickory	NC	2,531	11	385	385	2,542	2,927	(809)	1997	1998	40
Willsborough	NC	12,755		400	400	12,755	13,155	(1,768)	2005	2006	35
Newton	NC	11,707	528	400	400	12,235	12,635	(1,580)	2000	2006	35
Salisbury	NC	11,902	500	300	300	12,402	12,702	(1,657)	1999	2006	35
Shelby	NC	10,377	544	300	300	10,921	11,221	(1,425)	2000	2006	35
Southport	NC	12,283		300	300	12,283	12,583	(1,713)	2005	2006	35
Warleigh	ND	5,902		400	400	5,902	6,302	(759)	1994	2006	35
Warrick	NJ	2,428		1,102	1,102	2,428	3,530	(491)	1999	2002	40

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Deptford	NJ	3,430	1	655	655	3,431	4,086	(1,051)	1998	1998	40
Albuquerque	NM	22,987		440	440	22,987	23,427	(3,324)	1998	2006	35
Parks	NV	5,119	85	505	505	5,204	5,709	(1,905)	1991	1997	35
Parks	NV	7,278	132	714	714	7,410	8,124	(2,370)	1993	1997	40

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>		<i>Cost</i>			<i>Year</i>		<i>Original</i>	<i>Construction Date</i>	<i>Acquired Year</i>
		<i>Company Capitalized</i>	<i>Subsequent and</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>			
		<i>Building and</i>	<i>to</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired Year</i>	
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired Year</i>	
<i>(Dollar amounts in thousands)</i>											
Antereach	NY	15,204	1,291	6,000	6,000	16,495	22,495	(3,963)	1973	2002	3
Canlius	NY	10,080	48	500	500	10,128	10,628	(1,818)	1994	2005	3
Castal	NY	10,394		750	750	10,394	11,144	(2,283)	1994	2004	3
Cherberton	OH	3,125	20	263	263	3,145	3,408	(562)	1997	2005	3
Cleewood	OH	2,277	25	260	260	2,302	2,562	(410)	1997	2005	3
Cleenville	OH	2,311	3,990	215	215	6,301	6,516	(1,063)	1997	1997	4
Coveport	OH	10,516		1,080	1,080	10,516	11,596	(1,496)	1998	2006	3
Castaster	OH	2,084	17	350	350	2,101	2,451	(646)	1998	1998	4
Crain	OH	9,280		620	620	9,280	9,900	(1,530)	2000	2006	3
Carion	OH	2,676	78	210	210	2,754	2,964	(491)	1998	2005	3
Cedina	OH	10,199		500	500	10,199	10,699	(1,469)	1995	2006	3
Cedina	OH	11,809		900	900	11,809	12,709	(1,624)	2000	2007	3
C. Vernon	OH	9,952		760	760	9,952	10,712	(1,500)	2001	2006	3
Cringdale	OH	2,092	16	440	440	2,108	2,548	(696)	1997	1997	4
Cresville	OH	12,421		830	830	12,421	13,251	(1,605)	1996	2007	3
Curtlesville	OK	2,337	83	183	183	2,420	2,603	(431)	1997	2005	3
Cuthany	OK	1,212	77	114	114	1,289	1,403	(228)	1994	2005	3
Broken Arrow	OK	1,445	19	178	178	1,464	1,642	(510)	1996	1997	4
Clahoma	OK	15,954		1,200	1,200	15,954	17,154	(2,404)	1999	2006	3
Claverton	OR	5,695		721	721	5,695	6,416	(873)	2000	2005	4
Clnd	OR	3,923		499	499	3,923	4,422	(602)	2001	2005	4
Clrest Grove	OR	3,152		401	401	3,152	3,553	(1,351)	1994	1995	3
Clresham	OR	4,647				4,647	4,647	(1,992)	1988	1995	3
ClMinnville(7)	OR	3,976		760	760	3,976	4,736	(1,491)	1989	1995	4
Clringfield	OR	3,382		140	140	3,382	3,522		1991	2010	3
Cloutdale	OR	5,470		874	874	5,470	6,344	(836)	2000	2005	4
Clublin	PA	2,533		310	310	2,533	2,843	(431)	1998	2005	4

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liana	PA	2,706	194	194	2,706	2,900	(696)	1997	2002	3
ngston	PA	2,262	196	196	2,262	2,458	(276)	1992	2007	3
d Forge	PA	264	103	103	264	367	(32)	1990	2007	3
ckville	PA	2,078	163	163	2,078	2,241	(254)	1989	2007	3

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
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	Company	Initial	Cost	Carried at Close of Period(1)			Total	Depreciation	Year	Original	Construction Date	Acquired Year
		Cost to	Subsequent	Land	Buildings	Improvements						
	Building and	Capitalized	to	Improvements	and	Improvements	Depreciation	Date	Date	Year	Year	
	Improvements	Acquisition	Land	Improvements	and	Improvements	Depreciation	Date	Date	Year	Year	
(Dollar amounts in thousands)												
North Fayette	PA	9,159	282	653	653	9,441	10,094	(2,729)	1999	1998	4	
Northampton	PA	1,500		107	107	1,500	1,607	(183)	1993	2007	3	
Northampton	PA	4,534	318	413	413	4,852	5,265	(1,396)	1999	1998	4	
Northampton	RI	8,417	108	1,200	1,200	8,525	9,725	(2,339)	2000	1998	4	
Northampton	RI	9,612	29	477	477	9,641	10,118	(2,777)	2000	1998	3	
Northampton	RI	9,155	91	1,200	1,200	9,246	10,446	(2,596)	1999	1998	4	
Northampton	SC	2,560		87	87	2,560	2,647	(1,271)	1997	1998	2	
Northampton	SC	2,336		619	619	2,336	2,955	(601)	1998	2002	3	
Northampton	SC	2,648		107	107	2,648	2,755	(1,314)	1997	1998	2	
Northampton	SD	3,125		400	400	3,125	3,525	(435)	1991	2006	3	
Northampton	SD	2,584		300	300	2,584	2,884	(371)	2000	2006	3	
Northampton	SD	8,273		700	700	8,273	8,973	(1,175)	2002	2006	3	
Northampton	SD	5,575		300	300	5,575	5,875	(720)	1997	2006	3	
Northampton	TN	12,069		870	870	12,069	12,939	(1,895)	1999	2006	3	
Northampton	TN	5,000	2,690	406	406	7,690	8,096	(1,793)	1999	1998	4	
Northampton	TN	6,159		310	310	6,159	6,469	(1,121)	1999	2006	3	
Northampton	TN	5,146		50	50	5,146	5,196	(497)	2000	2008	3	
Northampton	TN	5,000	543	404	404	5,543	5,947	(1,518)	1999	1998	4	
Northampton	TN	6,279		790	790	6,279	7,069	(863)	2001	2005	4	
Northampton	TN	18,208	10,642	1,360	1,360	28,850	30,210	(3,144)	1964	2008	3	
Northampton	TN	8,180	84	629	629	8,264	8,893	(1,772)	1989	2007	1	
Northampton	TN	8,558	92	726	726	8,650	9,376	(1,768)	1985	2007	1	
Northampton	TN	5,259	38	412	412	5,297	5,709	(1,095)	1989	2007	1	
Northampton	TN	5,131	488	499	499	5,619	6,118	(1,549)	1999	1998	4	
Northampton	TN	5,999		960	960	5,999	6,959	(1,100)	1998	2006	3	
Northampton	TN	6,156		1,000	1,000	6,156	7,156	(1,120)	1999	2006	3	

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wport	TN	6,116	423	423	6,116	6,539	(641)	2000	2007	3
ington	TX	4,349	3,100	3,100	4,349	7,449	(884)	1998	2006	3
stin	TX	22,558	1,360	1,360	22,558	23,918	(3,268)	2000	2006	3
dford(8)	TX	18,138	780	780	18,138	18,918	(2,690)	1999	2006	3
nroe	TX	17,898	1,510	1,510	17,898	19,408	(2,658)	1997	2006	3

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>						<i>Year</i>		<i>Life on which Deprecia- tion is taken in the Latest Income Statement is Computed (in Years)</i>
		<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>				<i>Original</i>			
		<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Improvements</i>	<i>Total</i>	<i>Accumulated Depreciation</i>	<i>Construction Date</i>	<i>Date Acquired</i>	<i>Years</i>
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>
		(Dollar amounts in thousands)									
Anton	TX	1,425	33	185	185	1,458	1,643	(509)	1996	1996	40
Annis	TX	1,409	26	119	119	1,435	1,554	(502)	1996	1996	40
Lower Mound	TX	3,215		650	650	3,215	3,865		1995	2010	30
Fort Worth	TX	10,417		640	640	10,417	11,057	(1,432)	2001	2005	40
Farland	TX	12,931		890	890	12,931	13,821	(2,008)	1999	2006	35
Houston	TX	7,892		493	493	7,892	8,385	(2,466)	1998	1997	40
Houston	TX	7,194		1,235	1,235	7,194	8,429	(2,248)	1998	1997	40
Houston	TX	8,945		985	985	8,945	9,930	(2,628)	1999	1997	40
Houston	TX	7,052		1,089	1,089	7,052	8,141	(2,072)	1999	1997	40
Houston	TX	22,361		870	870	22,361	23,231	(3,243)	1999	2006	35
Houston	TX	17,872		850	850	17,872	18,722	(2,655)	1998	2006	35
Living	TX	12,597		930	930	12,597	13,527	(1,964)	1999	2006	35
Herrville	TX	2,129	88	195	195	2,217	2,412	(394)	1997	2005	35
Lake Jackson	TX	13,503		220	220	13,503	13,723	(2,083)	1998	2006	35
Lancaster	TX	2,100	65	175	175	2,165	2,340	(386)	1997	2005	35
Lewisville	TX	13,933		770	770	13,933	14,703	(2,139)	1998	2006	35
Laris	TX	1,465	32	166	166	1,497	1,663	(523)	1996	1996	40
San Antonio	TX	7,765		470	470	7,765	8,235	(1,331)	1999	2006	35
San Antonio	TX	3,910	100	359	359	4,010	4,369	(714)	1997	2005	35
Temple	TX	13,353		370	370	13,353	13,723	(1,984)	1997	2006	35
Temple	TX	2,055	34	84	84	2,089	2,173	(375)	1997	2005	35
Texas City	TX	11,605		550	550	11,605	12,155	(1,755)	1996	2006	35
Victoria	TX	12,707		330	330	12,707	13,037	(1,900)	1997	2006	35
Wharton	TX	9,167		930	930	9,167	10,097	(1,436)	1996	2006	35
Walem	VA	10,320		890	890	10,320	11,210	(1,414)	1998	2006	35
Centralia	WA	5,254	87	610	610	5,341	5,951	(737)	1993	2007	30
Olympia	WA	10,954	156	870	870	11,110	11,980	(1,465)	1995	2007	30

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Richland	WA	6,052	191	172	172	6,243	6,415	(2,661)	1990	1995	35
Edro Woolley	WA	4,480	4	340	340	4,484	4,824	(677)	1996	2006	35
Equim	WA	5,570		230	230	5,570	5,800	(169)	1961	2010	20
Pokane	WA	4,121		466	466	4,121	4,587	(1,019)	1959	2003	35

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>						<i>Year</i>		
		<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>			<i>Original</i>				
		<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Accumulated</i>	<i>Construction</i>	<i>Date</i>	<i>Acquired</i>	<i>Year</i>	
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land(2)</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Year</i>	
		(Dollar amounts in thousands)									
ma	WA	5,208	22	403	403	5,230	5,633	(1,762)	1997	1996	
ma	WA	6,690				6,690	6,690	(1,370)	1988	2003	
ma	WA	12,560	466	1,090	1,090	13,026	14,116	(2,509)	1976	2007	
ma	WA	5,122	39	500	500	5,161	5,661	(1,673)	1998	1997	
eton	WI	1,260		154	154	1,260	1,414	(152)	1996	2008	
eton	WI	1,120		136	136	1,120	1,256	(135)	1997	2008	
er Dam	WI	1,959		120	120	1,959	2,079	(207)	1998	2008	
t	WI	1,277		80	80	1,277	1,357	(167)	1990	2007	
on	WI	1,126		80	80	1,126	1,206	(155)	1991	2007	
hy	WI	1,859		220	220	1,859	2,079	(199)	2001	2008	
Claire	WI	1,459		220	220	1,459	1,679	(44)	1996	2010	
burg	WI	2,235		190	190	2,235	2,425	(229)	1998	2008	
dale	WI	16,391		2,185	2,185	16,391	18,576	(6,205)	1988	1997	
dale	WI	1,732		190	190	1,732	1,922	(213)	1999	2007	
dale	WI	1,732		190	190	1,732	1,922	(213)	1999	2007	
nfield(9)	WI	20,540		1,500	1,500	20,540	22,040	(3,167)	1999	2004	
and	WI	1,651		180	180	1,651	1,831	(236)	1985	2007	
con	WI	2,751		270	270	2,751	3,021	(351)	2002	2007	
rson	WI	2,036		130	130	2,036	2,166	(239)	1997	2008	
sha	WI	2,996		170	170	2,996	3,166	(385)	1996	2007	
sha	WI	615	54	17	17	669	686	(119)	1997	2005	
towac	WI	479		100	100	479	579	(16)	1997	2010	
sha	WI	716		116	116	716	832	(83)	1994	2008	
sha	WI	841		136	136	841	977	(98)	1993	2008	
sha	WI	706		114	114	706	820	(82)	1994	2008	
sha	WI	822		133	133	822	955	(96)	1993	2008	
omonee Falls(10)	WI	13,190		4,161	4,161	13,190	17,351	(4,993)	1989	1997	

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leton	WI	1,866	48	155	155	1,914	2,069	(341)	1997	2005
roe	WI	1,348		160	160	1,348	1,508	(204)	1990	2007
ah	WI	1,732		406	406	1,732	2,138	(190)	2007	2008
ah	WI	1,566		570	570	1,566	2,136	(186)	2001	2008

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

	<i>Initial Cost</i>	<i>to</i>	<i>Cost</i>					<i>Year</i>	
<i>Company</i>	<i>Capitalized</i>			<i>Carried at Close of Period(1)</i>				<i>Original</i>	
<i>Building and</i>	<i>Subsequent</i>		<i>Land</i>	<i>Buildings and</i>		<i>Accumulated</i>	<i>Construction</i>	<i>Date</i>	<i>Acqu</i>
<i>Improvements</i>	<i>Acquisition</i>	<i>Land(2)</i>	<i>Improvement</i>	<i>Land</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acqu</i>
<i>(Dollar amounts in thousands)</i>									
WI	1,296		304	304	1,296	1,600	(142)	2006	20
WI	1,422	77	73	73	1,499	1,572	(267)	1996	20
WI	1,732		190	190	1,732	1,922	(273)	1997	20
WI	3,831		300	300	3,831	4,131	(903)	1992	20
WI	2,303	65	62	62	2,368	2,430	(425)	1995	20
WI	616		100	100	616	716	(24)	1993	20
WI	1,046	86	61	61	1,132	1,193	(201)	1996	20
WI	4,766		360	360	4,766	5,126	(625)	2001	20
WI	1,174		100	100	1,174	1,274	(36)	1997	20
WI	1,144		680	680	1,144	1,824	(40)	1995	20
WI	2,465		190	190	2,465	2,655	(321)	2000	20
WI	2,465		190	190	2,465	2,655	(321)	2000	20
WI	9,645		403	403	9,645	10,048	(1,970)	2001	20
WI	2,183		230	230	2,183	2,413	(301)	1992	20
WI	436	89	85	85	525	610	(91)	1994	20
WI	9,411	1,827	2,765	2,765	11,238	14,003	(4,224)	1985	19
WI	11,483		1,541	1,541	11,483	13,024	(2,035)	2005	20
WI	8,117	2,911	682	682	11,028	11,710	(3,612)	1996	19
WI	1,147		150	150	1,147	1,297	(150)	1999	20
WV	5,419	413	704	704	5,832	6,536	(1,549)	1999	19
	1,568,311	77,570	165,453	165,453	1,645,881	1,811,334	(316,024)		
AR	4,659	9	685	685	4,668	5,353	(1,679)	1992	19
AR	4,889	16	320	320	4,905	5,225	(1,764)	1989	19

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AR	3,318		350	350	3,318	3,668	(517)	2000	20
AR	2,321		54	54	2,321	2,375	(1,620)	1978	19
AR	4,318	15	261	261	4,333	4,594	(1,363)	1998	19
AR	3,295	8	300	300	3,303	3,603	(1,039)	1995	19
AR	3,703	7	250	250	3,710	3,960	(1,334)	1988	19
AR	4,995	102	308	308	5,097	5,405	(1,573)	1996	19
AR	4,165	7	327	327	4,172	4,499	(1,500)	1990	19

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>					<i>Year</i>		<i>Life on which Deprecia- tion is taken in the Latest Income Statement is Computed (in Years)</i>	
	<i>Company Capitalized</i>			<i>Carried at Close of Period(1)</i>			<i>Original</i>	<i>Construction Date</i>	<i>Acquired</i>	<i>Years</i>	
	<i>Building Subsequent and</i>	<i>to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Improvements</i>	<i>Total</i>	<i>Accumulated Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
	<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
	(Dollar amounts in thousands)										
Howchilla	CA	1,119		109	109	1,119	1,228	(650)	1965	1987	40
Milroy	CA	1,892	387	714	714	2,279	2,993	(1,321)	1968	1991	30
Orange	CA	5,082		1,141	1,141	5,082	6,223	(2,352)	1987	1992	40
Hartford	CT	4,190	5,278	350	350	9,468	9,818	(1,972)	1969	2001	35
Warrington	CT	2,804		140	140	2,804	2,944	(327)	1969	2008	20
Winsted	CT	3,516	969	70	70	4,485	4,555	(1,182)	1960	2001	35
Fort Pierce	FL	3,038		125	125	3,038	3,163	(2,250)	1960	1985	35
Jacksonville	FL	1,760	3,382	1,503	1,503	5,142	6,645	(863)	1997	2005	40
Wesacola	FL	1,833		77	77	1,833	1,910	(1,077)	1962	1987	40
Lowery Branch	GA	3,180	600	562	562	3,780	4,342	(1,470)	1970	1999	30
Anderson	IN	5,116		620	620	5,116	5,736	(741)	1967	2008	20
Berne	IN	1,904	4	150	150	1,908	2,058	(570)	1986	2007	15
Clinton	IN	6,440	20	330	330	6,460	6,790	(2,115)	1971	2007	12
Columbus	IN	3,147	11	200	200	3,158	3,358	(744)	1988	2007	20
Howler	IN	3,223		300	300	3,223	3,523	(477)	1973	2008	20
Gas City	IN	5,377	261	100	100	5,638	5,738	(1,780)	1974	2007	12
Manover	IN	4,340		390	390	4,340	4,730	(650)	1975	2008	20
Hartford City	IN	1,848	89	130	130	1,937	2,067	(572)	1988	2007	15
Warrington	IN	3,263	62	160	160	3,325	3,485	(935)	1987	2007	15
Indianapolis	IN	4,829	535	1,700	1,700	5,364	7,064	(638)	1968	2006	35
Ellettsville	IN	1,412		300	300	1,412	1,712	(226)	1984	2008	20
Lawrenceburg	IN	3,834		720	720	3,834	4,554	(533)	1966	2008	20
Monticello	IN	827		180	180	827	1,007	(186)	1988	2008	20
Ellettsville	IN	4,344	5	220	220	4,349	4,569	(1,397)	1976	2007	12
Ellettsville	IN	7,295	125	160	160	7,420	7,580	(2,001)	2001	2007	15
Wesley	IN	2,352	4	33	33	2,356	2,389	(1,641)	1970	1986	35
Portland	IN	5,313	56	240	240	5,369	5,609	(2,102)	1964	2007	10

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Richmond	IN	2,520		114	114	2,520	2,634	(1,758)	1975	1986	35
Verre Haute	IN	3,245	227	330	330	3,472	3,802	(1,170)	1965	2007	12
Washington	IN	9,673		420	420	9,673	10,093	(1,239)	1968	2008	20
Winchester	IN	2,430	51	80	80	2,481	2,561	(698)	1986	2007	15

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>	<i>Cost</i>					<i>Year</i>	
		<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>			<i>Original</i>		
		<i>Building and Subsequent to</i>	<i>Land</i>	<i>Land</i>	<i>Buildings and Improvements</i>	<i>Total</i>	<i>Accumulated Depreciation</i>	<i>Construction Date</i>	<i>Acquired Year</i>
		<i>Improvements Acquisition</i>	<i>Land (2)</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired Year</i>
(Dollar amounts in thousands)									
Levell	KS	1,887	213	213	1,887	2,100	(1,116)	1977	1993
Swatha	KS	788	35	150	150	823	(577)	1974	1998
Ma	KS	2,463	335	27	27	2,798	(1,497)	1981	1994
Leuka	KS	1,137	58	100	100	1,195	(415)	1973	1998
Whita	KS	3,168	26	200	200	3,194	(563)	1965	2004
Over	MA	10,177	3,472	2,000	2,000	13,649	(2,717)	1992	2006
hton	MA	9,694	533	2,000	2,000	10,227	(2,249)	1995	2006
vers	MA	7,244	1,192	366	366	8,436	(2,082)	1998	1999
Longmeadow	MA	16,462	38	700	700	16,500	(2,503)	1985	2006
erhill	MA	5,734	4,213	660	660	9,947	(4,561)	1973	1993
gston	MA	4,890	3,484	2,000	2,000	8,374	(1,793)	1992	2006
ell	MA	3,945	4,685	2,500	2,500	8,630	(1,370)	1966	2006
dham	MA	13,416	720	2,000	2,000	14,136	(2,794)	1996	2006
ding	MA	8,184	403	1,000	1,000	8,587	(2,033)	1988	2006
h Hadley	MA	7,250	1,105	1,000	1,000	8,355	(1,991)	1988	2006
ngfield	MA	8,250	2,890	2,000	2,000	11,140	(1,512)	1987	2007
oury	MA	10,006	928	4,000	4,000	10,934	(2,321)	1997	2006
t Springfield	MA	9,432	3,897	580	580	13,329	(1,917)	1960	2006
raham	MA	4,473	453	1,000	1,000	4,926	(1,509)	1988	2006
cester	MA	12,182	3,176	500	500	15,358	(2,808)	1970	2006
berland	MD	5,260	600	150	150	5,860	(3,813)	1968	1985
erstown	MD	4,316	1,598	215	215	5,914	(3,187)	1971	1985
atminster	MD	6,795	1,367	80	80	8,162	(4,980)	1973	1985
uth	MN	7,377	4,245	1,014	1,014	11,622	(4,538)	1971	1997
kins	MN	4,184	2,273	436	436	6,457	(3,604)	1961	1985
neapolis	MN	5,935	2,028	333	333	7,963	(5,367)	1941	1985
land	MO	3,281		670	670	3,281	(721)	1993	2005

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mbia	MO	5,182	430	430	5,182	5,612	(1,125)	1994	2005
on	MO	1,892	330	330	1,892	2,222	(486)	1989	2005
iphan	MO	4,943	120	120	4,943	5,063	(1,168)	1991	2005
yth	MO	5,472	230	230	5,472	5,702	(1,257)	1993	2005

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial</i>						<i>Year</i>		<i>Life on which Depreciation in the Latest Income Statement is Computed (in</i>	
		<i>Cost to</i>						<i>Cost</i>			<i>Original</i>
		<i>Company</i>	<i>Capitalized</i>	<i>Carried at Close of Period(1)</i>			<i>Accumulated</i>	<i>Construction Date</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>
		<i>Building</i>	<i>Subsequent</i>	<i>Land</i>	<i>Buildings</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
		<i>and</i>	<i>to</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Improvements</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvements</i>	<i>and Improvements</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Years</i>	
		<i>(Dollar amounts in thousands)</i>									
Maryville	MO	2,689		51	51	2,689	2,740	(1,921)	1972	1985	35
Weymour	MO	3,120		200	200	3,120	3,320	(694)	1990	2005	35
Wilcox	MO	1,536		870	870	1,536	2,406	(426)	1991	2005	35
St. Louis	MO	1,953		1,370	1,370	1,953	3,323	(496)	1988	2005	35
St. Louis	MO	7,924		683	683	7,924	8,607	(2,905)	1954	2007	10
Stratford	MO	4,441		530	530	4,441	4,971	(1,000)	1995	2005	35
Windsor	MO	2,969		350	350	2,969	3,319	(668)	1996	2005	35
Columbus	MS	3,520	197	750	750	3,717	4,467	(1,297)	1976	1998	35
Rendersonville	NC	2,244		116	116	2,244	2,360	(1,603)	1979	1985	35
Parsons	NV	3,294	355	740	740	3,649	4,389	(1,731)	1988	1991	40
Beacon	NY	20,710	370	1,000	1,000	21,080	22,080	(3,706)	2002	2006	35
Wishkill	NY	18,399	307	2,000	2,000	18,706	20,706	(3,269)	1996	2006	35
Highland	NY	13,992	356	1,500	1,500	14,348	15,848	(2,682)	1998	2006	35
Columbus	OH	4,333		343	343	4,333	4,676	(2,575)	1984	1991	40
Salmon	OH	3,420	93	24	24	3,513	3,537	(2,715)	1967	1997	33
Warren	OH	7,489	266	450	450	7,755	8,205	(6,114)	1967	1997	33
Washington											
Court House	OH	4,086	166	356	356	4,252	4,608	(2,506)	1984	1991	40
Youngstown	OH	7,046	326	60	60	7,372	7,432	(5,629)	1962	1997	40
Grandfield	OK								1965	2007	0
Lawton	OK	201	75	130	130	276	406	(53)	1968	2007	20
Lawton	OK	4,946	282	196	196	5,228	5,424	(953)	1985	2007	20
Temple	OK	1,405		23	23	1,405	1,428	(515)	1971	2007	10
Muttle	OK	1,489	340	35	35	1,829	1,864	(638)	1960	2007	10
Greensburg	PA	9,129		769	769	9,129	9,898	(3,347)	1971	2007	10
Kingston	PA	2,507		209	209	2,507	2,716	(460)	1995	2007	20
Leckville	PA	1,302		116	116	1,302	1,418	(239)	1991	2007	20

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eaufort	SC	10,399		923	923	10,399	11,322	(1,646)	1970	2007	20
ennettsville	SC	6,555		674	674	6,555	7,229	(1,602)	1958	2007	15
onway	SC	10,423		1,158	1,158	10,423	11,581	(1,129)	1975	2007	30
ft. Pleasant	SC	5,916		648	648	5,916	6,564	(1,446)	1977	2007	15
itchell	SD	8,758	3	239	239	8,761	9,000	(292)	1966	2010	20
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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>		<i>Carried at Close of Period(1)</i>			<i>Total</i>	<i>Depreciation</i>	<i>Year</i>	<i>Original Construction Date</i>	<i>Acquired Year</i>
		<i>Cost</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Improvements</i>					
<i>Company</i>	<i>Capitalized</i>	<i>Building and</i>	<i>Improvements</i>	<i>Land</i>	<i>Improvements</i>	<i>Improvements</i>	<i>Accumulated</i>	<i>Construction Date</i>	<i>Date</i>	<i>Acquired Year</i>	
<i>(Dollar amounts in thousands)</i>											
Mid City	SD	8,350		650	650	8,350	9,000	(112)	1989	2010	2
Mcatur	TN	3,329	27	193	193	3,356	3,549	(1,196)	1981	1998	3
Mcrogate	TN	6,058		664	664	6,058	6,722	(1,111)	1990	2007	2
Madison	TN	6,415	500	1,120	1,120	6,915	8,035	(2,340)	1967	1998	3
Maytown	TX	2,010	80	61	61	2,090	2,151	(1,095)	1970	1990	4
Maytown	TX	2,496	224	90	90	2,720	2,810	(1,387)	1975	1990	4
Maumont	TX	12,847		290	290	12,847	13,137		2009	2010	3
Maunter	TX	1,532	213	22	22	1,745	1,767	(892)	1972	1990	4
Marksville	TX	3,075	174	210	210	3,249	3,459	(769)	1989	2005	3
Marroe	TX	19,657	2	670	670	19,659	20,329	(425)	2001	2010	2
Marpus Christi	TX	4,485		330	330	4,485	4,815	(118)	1973	2010	2
Marpus Christi	TX	8,277		580	580	8,277	8,857	(216)	1994	2010	2
Marpsicana	TX	10,925		440	440	10,925	11,365		1995	2010	2
MarSoto	TX	4,662	1,046	610	610	5,708	6,318	(1,262)	1987	2005	3
Marpping Springs	TX	4,818		420	420	4,818	5,238	(120)	1986	2010	2
Marwery Mound	TX	4,873	41	1,211	1,211	4,914	6,125	(1,134)	1995	2002	3
Marinesville	TX	10,227		440	440	10,227	10,667	(256)	1990	2010	2
Marland	TX	1,727	212	238	238	1,939	2,177	(994)	1970	1990	4
Marland	TX	6,474		750	750	6,474	7,224	(706)	2008	2008	3
Marmer	TX	4,818	88	248	248	4,906	5,154	(1,655)	1990	1998	3
Maruston	TX	4,262	301	408	408	4,563	4,971	(2,680)	1982	1990	3
Maruston	TX	15,084		660	660	15,084	15,744	(334)	2003	2010	2
Maruston	TX	11,945		910	910	11,945	12,855	(279)	2005	2010	2
Maruston	TX	10,399		1,260	1,260	10,399	11,659	(290)	1999	2010	2
Marble	TX	1,929	400	140	140	2,329	2,469	(1,148)	1972	1990	4
Marble	TX	14,466		780	780	14,466	15,246	(321)	2003	2010	2
Marntsville	TX	2,037	32	135	135	2,069	2,204	(1,094)	1968	1990	4

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Ksonville	TX	7,684		410	410	7,684	8,094	(124)	2006	2010	3
byville	TX	2,533	258	350	350	2,791	3,141	(633)	1987	2006	1
ncaster	TX	6,245		534	534	6,245	6,779	(804)	2008	2008	3
den	TX	2,520	75	25	25	2,595	2,620	(1,508)	1968	1993	3

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**REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010**

		<i>Initial Cost to</i>	<i>Cost</i>					<i>Year</i>			<i>Life on which Depreciation is taken in the later income statements is computed (in years)</i>
		<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>			<i>Original</i>		<i>Construction Date</i>	<i>Acquired</i>	<i>Year</i>
		<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>	<i>Accumulated Depreciation</i>	<i>Date</i>	<i>Date</i>	<i>Acquired</i>	<i>Year</i>	
		<i>Improvements</i>	<i>Acquisition</i>	<i>Land (2)</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	<i>Year</i>	
		(Dollar amounts in thousands)									
Marshall	TX	6,291		265	265	6,291	6,556	(751)	2008	2008	30
McKinney	TX	4,797	97	1,263	1,263	4,894	6,157	(1,736)	1993	2000	30
McKinney	TX	4,737	170	756	756	4,907	5,663	(665)	2006	2006	35
Midland	TX	8,534		800	800	8,534	9,334	(142)	2008	2010	30
Missouri	TX	8,388		780	780	8,388	9,168	(193)	2005	2010	25
St. Pleasant	TX	2,505	158	40	40	2,663	2,703	(1,534)	1970	1993	30
Macodoches	TX	1,211	43	135	135	1,254	1,389	(680)	1973	1990	40
New Boston	TX	2,366	172	44	44	2,538	2,582	(1,441)	1966	1993	30
Namaha	TX	1,579	92	28	28	1,671	1,699	(964)	1970	1993	30
Orange	TX	7,431		180	180	7,431	7,611		2006	2010	30
Port Arthur	TX	11,167		510	510	11,167	11,677		2000	2010	20
Port Arthur	TX	9,224		160	160	9,224	9,384		1986	2010	20
Portland	TX	6,873		350	350	6,873	7,223	(168)	1998	2010	20
San Angelo	TX	10,257		410	410	10,257	10,667	(171)	2006	2010	30
San Antonio	TX	4,536				4,536	4,536	(1,102)	1988	2002	35
San Antonio	TX	2,320	399	308	308	2,719	3,027	(921)	1986	2004	35
Sherman	TX	2,075	87	67	67	2,162	2,229	(1,251)	1971	1993	30
Sinuity	TX	2,466	237	510	510	2,703	3,213	(627)	1985	2006	10
Taxahachie	TX	3,493	406	319	319	3,899	4,218	(2,148)	1976	1987	40
Warton	TX	2,596	269	380	380	2,865	3,245	(571)	1988	2006	10
Walt Lake City	UT	2,479	34	280	280	2,513	2,793	(442)	1972	2004	35
Winnandale	VA	7,752	603	487	487	8,355	8,842	(5,686)	1963	1985	35
Wilmington	VA	4,620	337	362	362	4,957	5,319	(3,383)	1964	1985	35
Winchester	VA	6,960	320	473	473	7,280	7,753	(1,688)	1971	2007	15
Winchester	VA	2,215	1,486	93	93	3,701	3,794	(1,717)	1972	1985	35
Winchester	VA	2,945	1,474	94	94	4,419	4,513	(2,238)	1976	1985	35
Wynnton	VA	1,335		176	176	1,335	1,511	(830)	1966	2007	0

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Bellingham	WA	8,526		620	620	8,526	9,146	(426)	1999	2008	40
Everett	WA	7,045		830	830	7,045	7,875	(1,275)	1995	2004	33
Poses Lake	WA	4,307	1,326	304	304	5,633	5,937	(2,561)	1972	1994	33
Poses Lake	WA	2,385		164	164	2,385	2,549	(1,298)	1988	1994	30

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

	<i>Initial Cost to</i>	<i>Cost</i>						<i>Year</i>	
<i>Company</i>	<i>Capitalized</i>			<i>Carried at Close of Period(1)</i>				<i>Original</i>	
<i>Building and</i>	<i>Subsequent to</i>		<i>Land</i>	<i>Buildings and</i>		<i>Accumulate</i>	<i>Construction</i>	<i>Date</i>	<i>Date</i>
<i>Improvements</i>	<i>Acquisition</i>	<i>Land</i>	<i>Improvement</i>	<i>Land</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquir</i>
(Dollar amounts in thousands)									
WA	5,752	182	1,223	1,223	5,934	7,157	(2,439)	1993	199
WA	4,682		327	327	4,682	5,009	(1,624)	1998	199
WA	6,254		680	680	6,254	6,934	(1,132)	1991	200
WI	2,423	116	55	55	2,539	2,594	(1,754)	1963	198
WI	1,529	5	15	15	1,534	1,549	(1,068)	1970	198
WI	2,255		300	300	2,255	2,555	(1,573)	1965	198
WI	1,697	22	348	348	1,719	2,067	(1,181)	1967	198
WI	535		80	80	535	615	(372)	1960	198
WI	13,546	1,850	2,196	2,196	15,396	17,592	(6,629)	1973	199
Dells	1,697	1,519	81	81	3,216	3,297	(1,535)	1972	198
WV	3,006		100	100	3,006	3,106	(852)	1987	200
od	2,986		250	250	2,986	3,236	(832)	1987	200
leston	4,907	676	750	750	5,583	6,333	(1,493)	1987	200
phur	2,894	100	250	250	2,994	3,244	(840)	1987	200
	932,160	74,973	90,732	90,732	1,007,133	1,097,865	(255,793)		
g Care t ties:									
AZ	7,039	3,868	1,980	1,980	10,907	12,887	(2,570)	1992	200
CO	2,716		400	400	2,716	3,116	(1,516)	1979	199
ugh	2,512	11,844	300	300	14,356	14,656	(4,365)	1968	199
ME	10,502		400	400	10,502	10,902	(1,768)	1982	200
ME	15,590		800	800	15,590	16,390	(2,185)	1990	200
ME	10,749		1,300	1,300	10,749	12,049	(1,409)	2000	200
OK	7,267	951	500	500	8,218	8,718	(1,641)	1981	200

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	TN	3,004		174	174	3,004	3,178	(776)	1974	200
risti	TX	15,430	13,591	1,848	1,848	29,021	30,869	(10,122)	1985	199
	TX	14,576		750	750	14,576	15,326		1996	201
		89,385	30,254	8,452	8,452	119,639	128,091	(26,352)		
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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

	<i>Initial Cost to</i>	<i>Cost</i>						<i>Year</i>		
	<i>Company Capitalized</i>		<i>Carried at Close of Period(1)</i>			<i>Original</i>				
	<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>		<i>Accumulated</i>	<i>Construction</i>	<i>Date</i>	<i>Acquired</i>	
	<i>Improvements</i>	<i>Acquisition</i>	<i>Land(2)</i>	<i>Improvements</i>	<i>Land Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	
	(Dollar amounts in thousands)									
Medical Hospitals:										
dale	AZ	5,924	195	242	242	6,119	6,361	(3,435)	1986	1988
n	AZ	9,435		1,275	1,275	9,435	10,710	(4,383)	1992	1992
e	CA	3,715		700	700	3,715	4,415	(845)	2000	2004
e	CA	33,092		1,800	1,800	33,092	34,892	(7,192)	1991	2004
e	TX	3,772		900	900	3,772	4,672	(1,013)	1992	2004
on	TX	3,272	8,212	1,097	1,097	11,484	12,581	(1,611)	1999	2004
oodlands	TX	2,472		100	100	2,472	2,572	(668)	1995	2004
		61,682	8,407	6,114	6,114	70,089	76,203	(19,147)		
Net Medical Buildings:										
ville(15)	AL	11,061		5,645	5,645	11,061	16,706	(1,320)	1994	2007
ia	FL	2,244		280	280	2,244	2,524	(168)	1993	2008
Coral	FL	3,433		1,010	1,010	3,433	4,443	(257)	1984	2008
wood	FL	2,314		1,220	1,220	2,314	3,534	(174)	1992	2008
ers	FL	2,109		1,930	1,930	2,109	4,039	(158)	1989	2008
West	FL	2,786		950	950	2,786	3,736	(209)	1987	2008
s	FL	2,736		1,000	1,000	2,736	3,736	(176)	1999	2008
Charlotte	FL	2,541		1,700	1,700	2,541	4,241	(191)	1985	2008
ta	FL	2,948		2,000	2,000	2,948	4,948	(221)	1996	2008
e	FL	2,642		1,700	1,700	2,642	4,342	(198)	1997	2008
rt(16)	IN	2,743		107	107	2,743	2,850	(290)	1994	2007
te(16)	IN	1,676		93	93	1,676	1,769	(177)	1997	2007
waka(17)	IN	6,741		1,023	1,023	6,741	7,764	(712)	1993	2007
Bend(18)	IN	3,013		328	328	3,013	3,341	(318)	1996	2007

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	MD	1,717			1,717	1,717	(129)	1994	2008
on Heights	MI	2,546	180	180	2,546	2,726	(164)	2002	2008
e	MI	2,748	180	180	2,748	2,928	(206)	1997	2008
field	WI	4,005	630	630	4,005	4,635	(89)	1999	2010
nd	WI	3,372	550	550	3,372	3,922	(75)	1994	2010
Berlin	WI	5,227	1,190	1,190	5,227	6,417	(116)	1999	2010

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

	<i>Initial</i>	<i>Cost</i>	<i>Cost</i>					<i>Year</i>		
	<i>Company Capitalized</i>			<i>Carried at Close of Period(1)</i>			<i>Original</i>			
	<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>		<i>Accumulated</i>	<i>Construction Date</i>	<i>Date</i>	<i>Acquired</i>	
	<i>Improvements</i>	<i>Acquisition</i>	<i>Land(2)</i>	<i>Improvement Land</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	<i>Acquired</i>	
	<i>(Dollar amounts in thousands)</i>									
	WI	7,968		1,300	1,300	7,968	9,268	(177)	1997	2010
	WI	2,044		540	540	2,044	2,584	(39)	2003	2010
	WI	4,095		450	450	4,095	4,545	(91)	1997	2010
	WI	11,081		950	950	11,081	12,031	(246)	2008	2010
		93,790		24,956	24,956	93,790	118,746	(5,901)		
Office										
Buildings:										
	AZ	8,224	647			8,871	8,871	(205)	2007	2010
(19)	CA	23,031	2,505			25,536	25,536	(1,642)	2004	2008
Valley	CA	5,003	536			5,539	5,539	(409)	1998	2008
ista(20)	CA	18,108		4,080	4,080	18,108	22,188	(1,022)	2001	2008
d(21)	CA	15,811	1,320			17,131	17,131	(1,600)	1993	2008
Viejo(22)	CA	66,716	456			67,172	67,172	(1,320)	2007	2010
23)	CA	55,987	504			56,491	56,491	(1,089)	2008	2010
a	CA	61,023	471			61,494	61,494	(1,735)	2009	2010
	CA	46,179	260			46,439	46,439	(979)	2007	2008
ardino	CA	8,325	178			8,503	8,503	(440)	1971	2008
ardino	CA	5,165	24			5,189	5,189	(189)	1988	2008
riel(24)	CA	16,135	1,288			17,423	17,423	(1,032)	2004	2008
arita(25)	CA	26,284	2,746	6,870	374	7,244	29,030	(1,793)	2005	2008
e	CA	7,198	1,342	2,980	173	3,153	8,540	(1,051)	1989	2008
(26)	FL	4,704	203	1,492		1,492	4,907	(487)	1980	2007
	GA	2,061	670		12	12	2,731	(509)	1972	2006
	GA	2,359	690	587	324	911	3,049	(625)	1983	2006
27)	GA	16,520	10				16,530		2002	2010

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	GA	891	79		198	198	970	1,168	(201)	1940	2006
ethorpe(28)	GA	7,000	10				7,010	7,010		2004	2010
Grove	IL	1,383	84	1,031	80	1,111	1,467	2,578	(156)	1992	2007
ke	IL	2,429	135	2,198	25	2,223	2,564	4,787	(289)	1996	2007
	IL	1,436	23	126	7	133	1,459	1,592	(145)	2005	2007
	IL	1,418	11	176	8	184	1,429	1,613	(156)	2002	2007
	IL	821		72		72	821	893	(80)	2002	2007

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

		<i>Initial Cost to</i>		<i>Cost</i>		<i>Carried at Close of Period(1)</i>				<i>Year</i>	<i>Original Construction Date</i>	<i>Acquired Year</i>
		<i>Company Capitalized</i>	<i>Building and Subsequent and to</i>	<i>Land</i>	<i>Improvement Land</i>	<i>Buildings and Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>			
<i>(Dollar amounts in thousands)</i>												
Arnee	IL	5,445	3	492		492	5,448	5,940	(535)	2001	2007	4
Arnee	IL	1,489	13	147	8	155	1,502	1,657	(153)	1996	2007	4
Bertyville	IL	5,066	280	153	37	190	5,346	5,536	(473)	1990	2007	4
Bertyville	IL	2,598	29	10		10	2,627	2,637	(210)	1980	2007	4
Bertyville	IL	3,301		336		336	3,301	3,637	(323)	1988	2007	4
Grand Lake	IL	891	24	1,956	14	1,970	915	2,885	(128)	1984	2007	4
Harmon Hills	IL	946	29	1,914	62	1,976	975	2,951	(156)	1986	2007	4
Hawthorn	LA	6,026	802		11	11	6,828	6,839	(1,115)	1994	2006	4
Lafayette	LA	972	143		36	36	1,115	1,151	(223)	1984	2006	4
Lafayette	LA	2,145	399		30	30	2,544	2,574	(518)	1984	2006	4
Madenville	LA	1,111	89		35	35	1,200	1,235	(205)	1987	2006	4
Madairie	LA	3,729	746		31	31	4,475	4,506	(715)	1986	2006	4
Madairie	LA	747	348		21	21	1,095	1,116	(293)	1980	2006	4
Madell	LA	1,720	671	1,421		1,421	2,391	3,812	(385)	1986	2007	4
Madell	LA	1,790	532	1,314		1,314	2,322	3,636	(376)	1990	2007	4
Madold	MO	1,371	27	874		874	1,398	2,272	(124)	1999	2007	3
Madton	MO	1,737	103				1,840	1,840	(167)	2003	2007	3
Madouis	MO	14,362	1,827				16,189	16,189	(1,488)	2003	2007	3
Madouis	MO	12,416	381				12,797	12,797	(1,321)	1993	2007	3
Madouis	MO	4,032	132				4,164	4,164	(443)	1975	2007	3
Madouis	MO	5,052	41				5,093	5,093	(513)	1980	2007	3
Madouis	MO	2,549	77	1,364		1,364	2,626	3,990	(407)	1983	2007	2
Madanderson	NV	23,418	2,069				25,487	25,487	(1,552)	1999	2008	4
Madno(29)	NV	10,988	1,662	1,254		1,254	12,650	13,904	(2,000)	2004	2008	3
Madumbus(26)	OH	10,738	35	698		698	10,773	11,471	(944)	1999	2007	4
Madmesville	OH	4,950	210				5,160	5,160		2000	2010	4
Madmesville	OH	652	19	30		30	671	701		1960	2010	1

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mesville	OH	1,658	110	450	450	1,768	2,218	2006	2010	3
mesville	OH	3,400	220			3,620	3,620	1995	2010	3
mesville	OH	176	30			206	206	1970	2010	
mesville	OH	831	60			891	891	1999	2010	2

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REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

<i>Initial Cost to</i>	<i>Cost</i>						<i>Year</i>		
<i>Company</i>	<i>Capitalized</i>	<i>Carried at Close of Period(1)</i>					<i>Original</i>		
<i>Building and</i>	<i>Subsequent to</i>	<i>Land</i>	<i>Buildings and</i>		<i>Accumulated</i>	<i>Construction</i>			
<i>Improvements</i>	<i>Acquisition</i>	<i>Land(2)</i>	<i>Improvement</i>	<i>Land</i>	<i>Improvements</i>	<i>Total</i>	<i>Depreciation</i>	<i>Date</i>	
(Dollar amounts in thousands)									
OH	736	30			766	766		1985	
OH	741	30			771	771		1988	
OH	9,740	510	1,710		1,710	10,250	11,960	1990	
OH	3,535	281			3,816	3,816		1990	
OH	314	20			334	334		1985	
OH	538	30			568	568		1999	
OR	28,480	2,719			31,199	31,199	(1,944)	2003	
SC	8,754	942	2,177		2,177	9,696	11,873	(1,189)	2004
SC	2,033	207	10		10	2,240	2,250	(410)	1998
TN	3,862	156	7		7	4,018	4,025	(544)	1998
TX	381	5	351		351	386	737	(91)	1989
TX	885	68	210		210	953	1,163	(252)	1996
TX	1,341	1,142	260	71	331	2,483	2,814	(605)	1982
TX	858	431	5		5	1,289	1,294	(143)	1982
TX	278	12	195	62	257	290	547	(64)	1995
TX	1,038	188	152		152	1,226	1,378	(255)	1998
VA	649	276	71	22	93	925	1,018	(137)	1997
VA	252	158	190	83	273	410	683	(116)	1985
VA	3,038	1,117	4		4	4,155	4,159	(685)	1976
WA	31,554	1,814				33,368	33,368	(2,976)	2001
WA	6,379	701				7,080	7,080	(570)	1972
WA	29,518	1,027				30,545	30,545	(3,296)	1980
WA	11,615	705				12,320	12,320	(1,000)	1999
WA	8,376	777	699		699	9,153	9,852	(650)	1994
WA	4,223	593	2,969		2,969	4,816	7,785	(403)	1995
WA	871	95	1,068		1,068	966	2,034	(129)	1997
WA	3,180	190				3,370	3,370	(4)	1991

703,686	39,527	42,103	1,724	43,827	743,213	787,040	(47,384)
17,827					17,827	17,827	
\$ 3,466,841	\$ 230,731	\$ 337,810	\$ 1,724	\$ 339,534	\$ 3,697,572	\$ 4,037,106	\$ (670,601)

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- (1) Also represents the approximate cost for federal income tax purposes.
- (2) Gross amount at which land is carried at close of period also represents initial costs to the Company.
- (3) Real estate is security for notes payable in the aggregate of \$24,929,253.00 at December 31, 2010.
- (4) Real estate is security for notes payable in the aggregate of \$6,178,460.16 at December 31, 2010.
- (5) Real estate is security for notes payable in the aggregate of \$24,848,125.52 at December 31, 2010.
- (6) Real estate is security for notes payable in the aggregate of \$9,579,893.88 at December 31, 2010.
- (7) Real estate is security for notes payable in the aggregate of \$2,483,879.81 at December 31, 2010.
- (8) Real estate is security for notes payable in the aggregate of \$7,949,747.66 at December 31, 2010.
- (9) Real estate is security for notes payable in the aggregate of \$8,701,146.30 at December 31, 2010.
- (10) Real estate is security for notes payable in the aggregate of \$8,070,559.72 at December 31, 2010.
- (11) Real estate is security for notes payable in the aggregate of \$6,000,000.00 at December 31, 2010.
- (12) Real estate is security for notes payable in the aggregate of \$5,179,249.35 at December 31, 2010.
- (13) Real estate is security for notes payable in the aggregate of \$6,600,000.00 at December 31, 2010.
- (14) Real estate is security for notes payable in the aggregate of \$5,150,000.00 at December 31, 2010.
- (15) Real estate is security for notes payable in the aggregate of \$6,022,133.53 at December 31, 2010.
- (16) Real estate is security for notes payable in the aggregate of \$2,118,122.95 at December 31, 2010.
- (17) Real estate is security for notes payable in the aggregate of \$3,741,401.19 at December 31, 2010.
- (18) Real estate is security for notes payable in the aggregate of \$1,540,032.74 at December 31, 2010.
- (19) Real estate is security for notes payable in the aggregate of \$13,844,506.18 at December 31, 2010.
- (20) Real estate is security for notes payable in the aggregate of \$16,000,000.00 at December 31, 2010.
- (21) Real estate is security for notes payable in the aggregate of \$9,502,693.85 at December 31, 2010.
- (22) Real estate is security for notes payable in the aggregate of \$47,473,082.83 at December 31, 2010.
- (23) Real estate is security for notes payable in the aggregate of \$49,720,248.66 at December 31, 2010.
- (24) Real estate is security for notes payable in the aggregate of \$9,649,634.48 at December 31, 2010.

- (25) Real estate is security for notes payable in the aggregate of \$23,374,017.19 at December 31, 2010.
- (26) Real estate is security for notes payable in the aggregate of \$11,752,314.77 at December 31, 2010.
- (27) Real estate is security for notes payable in the aggregate of \$9,274,172.35 at December 31, 2010.
- (28) Real estate is security for notes payable in the aggregate of \$6,487,204.93 at December 31, 2010.
- (29) Real estate is security for notes payable in the aggregate of \$7,813,593.42 at December 31, 2010.
- (30) Real estate is security for notes payable in the aggregate of \$20,650,427.18 at December 31, 2010.
- (31) Real estate is security for notes payable in the aggregate of \$7,990,384.71 at December 31, 2010.

Table of Contents**SCHEDULE III**

REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)
NATIONWIDE HEALTH PROPERTIES, INC.
DECEMBER 31, 2010

	Real Estate Properties (Dollar amounts in thousands)	Accumulated Depreciation
Balances at December 31, 2007	\$ 3,197,976	\$ 410,865
Investments in real estate	421,268	107,368
Sales and transfers to assets held for sale	(219,031)	(28,121)
 Balances at December 31, 2008	 3,400,213	 490,112
Investments in real estate	34,298	109,104
Sales and transfers to assets held for sale	(27,871)	(13,922)
 Balances at December 31, 2009	 3,406,640	 585,294
Investments in real estate	719,963	118,840
Sales and transfers to assets held for sale	(74,491)	(33,533)
Impairments	(15,006)	
 Balances at December 31, 2010	 \$ 4,037,106	 \$ 670,601

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Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial and Portfolio Officer, of the effectiveness of our disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based upon that evaluation, our Chief Executive Officer and Chief Financial and Portfolio Officer concluded that our disclosure controls and procedures were effective as of the end of the quarterly period covered by this report. No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

The management of Nationwide Health Properties, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such item is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial and Portfolio Officer, we assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on our assessment we believe that, as of December 31, 2010, the company's internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the fourth quarter of 2010 that materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of Nationwide Health Properties, Inc.

We have audited Nationwide Health Properties, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Nationwide Health Properties, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Nationwide Health Properties, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Nationwide Health Properties, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2010 of Nationwide Health Properties, Inc. and our report dated March 1, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Irvine, California

March 1, 2011

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PART III

Item 9B. *Other Information.*

None.

Item 10. *Directors, Executive Officers and Corporate Governance.*

The information required by this item is presented (i) under the captions Executive Officers of the Company and Business Code of Conduct & Ethics in Item 1 of this report, and (ii) in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 3, 2011, under the captions Directors Standing for Election, Directors Continuing in Office, Section 16(a) Beneficial Ownership Reporting Compliance, Stockholder Proposals for the 2012 Annual Meeting, Audit Committee and Board Composition, and is incorporated herein by reference.

Item 11. *Executive Compensation.*

The information required by this item is presented under the captions How are directors compensated?, Compensation Discussion and Analysis, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report and Executive Compensation in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 3, 2011, and is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by this item is presented under the caption Stock Ownership in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 3, 2011, and is incorporated herein by reference.

The information required by this item is presented under the caption Equity Compensation Plans in Item 5 of this report, and is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

The information required by this item is presented under the captions Certain Relationships and Related Transactions, Compensation Committee Interlocks and Insider Participation and Board Composition in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 3, 2011, and is incorporated herein by reference.

Item 14. *Principal Accountant Fees and Services.*

The information required by this item is presented under the caption Audit Fees in our definitive proxy statement for the Annual Meeting of Stockholders to be held on May 3, 2011, and is incorporated herein by reference.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules.***(a)(1) Financial Statements.*

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	66
<u>Consolidated Balance Sheets at December 31, 2010 and 2009</u>	67
<u>Consolidated Income Statements for the years ended December 31, 2010, 2009 and 2008</u>	68
<u>Consolidated Statements of Equity for the years ended December 31, 2010, 2009 and 2008</u>	69
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008</u>	70
<u>Notes to Consolidated Financial Statements</u>	71
<i>(2) Financial Statement Schedules</i>	
<u>Schedule III: Real Estate and Accumulated Depreciation</u>	113

All other schedules have been omitted because the required information is not significant or is included in the financial statements or notes thereto, or is not applicable.

(b) Exhibits

Exhibit No.	Description
2.1	Formation and Contribution Agreement and Joint Escrow Instructions, dated as of February 25, 2008, by and among the Company, Pacific Medical Buildings LLC (PMB), and certain of PMB s affiliates, filed as Exhibit 2.1 to the Company s Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.(1)
2.2	First Amendment to Formation and Contribution Agreement and joint Escrow Instructions, dated as of March 10, 2008, by and among the Company, PMB, and certain of PMB s affiliates, filed as Exhibit 2.2 to the Company s Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.(2)
2.3	Due Diligence Waiver and Second Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of March 14, 2008, by and among the Company, PMB, and certain of PMB s affiliates, filed as Exhibit 2.3 to the Company s Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.
2.4	Third Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of March 26, 2008, by and among the Company, PMB, and certain of PMB s affiliates, filed as Exhibit 2.4 to the Company s Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.
2.5	Fourth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of March 28, 2008, by and among the Company, PMB, and certain of PMB s affiliates, filed as Exhibit 2.5 to the Company s Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.
2.6	

- Fifth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of April 22, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.6 to the Company's Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.
- 2.7 Sixth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of May 12, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.7 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
- 2.8 Seventh Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of June 24, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.8 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.

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Exhibit No.	Description
2.9	Eighth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of July 25, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.9 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
2.10	Ninth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of August 27, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.10 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
2.11	Tenth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of October 21, 2008, by and among the Company, PMB, and certain of PMB's affiliates, filed as Exhibit 2.11 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
2.12	Eleventh Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of June 1, 2009, by and among the Company, PMB, and certain of PMB's affiliates, filed as exhibit 2.1 to the Company's Form 8-K dated June 1, 2009, and incorporated herein by this reference.
2.13	Twelfth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of February 1, 2010, by and among the Company, PMB, and certain of PMB's affiliates, filed as 2.1 to the Company's Form 8-K dated February 5, 2010, and incorporated herein by this reference.
2.14	Thirteenth Amendment to Formation and Contribution Agreement and Joint Escrow Instructions, dated as of March 1, 2010, by and among the Company, PMB, and certain of PMB's affiliates, filed as 2.1 to the Company's Form 8-K dated March 4, 2010, and incorporated herein by this reference.
3.1	Charter of the Company, filed as Exhibit 3.2 to the Company's Form 8-K dated August 1, 2008, and incorporated herein by this reference.
3.2	Bylaws of the Company, as amended and restated on February 10, 2009, filed as Exhibit 3.1 to the Company's Form 8-K dated February 17, 2009, and incorporated herein by this reference.
4.1	Indenture dated as of August 19, 1997, between the Company and The Bank of New York, as Trustee, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-32135) dated July 25, 1997, and incorporated herein by this reference.
4.2	Indenture dated as of January 13, 1999, between the Company and Chase Manhattan Bank and Trust Company, National Association, as Trustee, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (No. 333-70707) dated January 15, 1999, and incorporated herein by this reference.
4.3	First Supplemental Indenture dated as of May 18, 2005, between the Company and J.P. Morgan Trust Company, National Association (formerly known as Chase Manhattan Bank and Trust Company, National Association), as trustee, filed as Exhibit 4.1 to the Company's Form 8-K dated May 11, 2005, and incorporated herein by this reference.
4.4	Indenture, dated July 14, 2006, between the Company and J.P. Morgan Trust Company, National Association, filed as Exhibit 4.1 to the Company's Form 8-K dated July 14, 2006, and incorporated herein by this reference.
4.5	Form of 6.50% Note Due 2011, filed as Exhibit 4.3 to the Company's Form 8-K dated July 14, 2006, and incorporated herein by this reference.
4.6	Specimen Common Stock Certificate, filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (No. 333-127366) dated August 9, 2005, and incorporated herein by this reference.
4.7	Indenture, dated October 19, 2007, between the Company and The Bank of New York Trust Company, N.A., filed as Exhibit 4.1 to the Company's Form 8-K dated October 19, 2007, and incorporated herein by this reference.

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- 10.1 1989 Stock Option Plan of the Company, as Amended and Restated April 20, 2001, filed as Exhibit 10.4 to the Company's Form 10-Q for the quarter ended March 31, 2001, and incorporated herein by this reference.*
- 10.2 Form of Stock Option Agreement under the 1989 Stock Option Plan of the Company, as Amended and Restated April 20, 2001, filed as Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.*

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Exhibit No.	Description
10.3(a)	Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, filed as Appendix B to the Company's Proxy Statement filed with the Commission pursuant to Section 14(a) of the Exchange Act on March 24, 2005, and incorporated herein by this reference.*
10.3(b)	First Amendment to the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, dated October 28, 2008, filed as Exhibit 10.1 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.4(a)	Nationwide Health Properties, Inc. Retirement Plan for Directors, as Amended and Restated April 20, 2006, filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2006, and incorporated herein by this reference.*
10.4(b)	Amendment to the Nationwide Health Properties, Inc. Retirement Plan for Directors, as Amended and Restated April 20, 2006, filed as Exhibit 10.9 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.5	Amended and Restated Deferred Compensation Plan of the Company, dated October 28, 2008, filed as Exhibit 10.16 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.6	Form of Amended and Restated Deferred Compensation Election and Agreement under the Nationwide Health Properties, Inc. Amended and Restated Deferred Compensation Plan, filed as Exhibit 10.7 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.7	Form of Deferred Compensation Election and Agreement under the Nationwide Health Properties, Inc. Amended and Restated Deferred Compensation Plan, filed as Exhibit 10.8 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.8(a)	Amended and Restated Credit Agreement, dated as of October 20, 2005, among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent and 23 additional banks, filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2005, and incorporated herein by this reference.
10.8(b)	First Amendment to Amended and Restated Credit Agreement, dated as of December 15, 2006, among the Company, the Lender party thereto, JPMorgan Chase Bank, N.A., as administrative agent and 20 additional banks, filed as Exhibit 10.1 to the Company's Form 8-K dated December 18, 2006, and incorporated herein by this reference.
10.9	Form of Indemnity Agreement for certain officers and directors of the Company, filed as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 1995, and incorporated herein by this reference.*
10.10	Executive Employment Security Policy, as Amended and Restated April 20, 2001, filed as Exhibit 10.3 to the Company's Form 10-Q for the quarter ended March 31, 2001, and incorporated herein by this reference.*
10.11	Form of Change in Control Agreement with certain officers of the Company, filed as Exhibit 10.10 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.12	Retirement and Severance Agreement, dated April 16, 2004, by and between the Company and R. Bruce Andrews, filed as Exhibit 10.1 to the Company's Form 10-Q for the quarter ended March 31, 2004, and incorporated herein by this reference.*
10.13	Second Amended and Restated Employment Agreement, dated as of October 28, 2008, by and between the Company and Douglas M. Pasquale, filed as Exhibit 10.11 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.14	Separation Agreement, dated April 5, 2005, by and between the Company and Mark L. Desmond, filed as Exhibit 10.1 to the Company's Form 8-K dated April 5, 2005, and incorporated herein by this reference.*

reference.*

- 10.15 Amended and Restated Stock Unit Award Agreement, dated as of December 31, 2008, by and between the Company and Douglas M. Pasquale, filed as Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.*

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Exhibit No.	Description
10.16	Form of Stock Unit Award Agreement under the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, filed as Exhibit 10.3 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.17	Form of Stock Appreciation Rights Award Agreement under the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, filed as Exhibit 10.4 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.18	Form of Performance Share Award Agreement under the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, filed as Exhibit 10.5 to the Company's Form 8-K dated October 28, 2008, and incorporated herein by this reference.*
10.19	Amended and Restated Stock Unit Award Agreement, dated as of December 31, 2008, by and between the Company and Abdo H. Khoury, filed as Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.*
10.20	Amended and Restated Stock Unit Award Agreement, dated as of December 31, 2008, by and between the Company and Donald D. Bradley, filed as Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.*
10.21	Form of Restricted Stock Award Agreement under the Nationwide Health Properties, Inc. 2005 Performance Incentive Plan, filed as Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2007, and incorporated herein by this reference.*
10.22(a)	Master Lease Agreement, dated May 31, 2006, by and among the Company and the other entities listed on Schedule I thereto, filed as Exhibit 2.3 to the Company's Form 8-K dated June 6, 2006, and incorporated herein by this reference.
10.22(b)	First Amendment to Master Lease and Letter of Credit Agreement and Consent of Guarantor, dated June 29, 2006 by and among the Company, the entities listed on the signature pages thereto as Tenant, and Hearthstone Senior Services, L.P., filed as Exhibit 10.1 to the Company's Form 8-K/A dated June 30, 2006, and incorporated herein by this reference.
10.23(a)	Form of Amended and Restated Agreement of Limited Partnership of NHP/PMB L.P., filed as Exhibit T to the Formation and Contribution Agreement and Joint Escrow Instructions, filed as Exhibit 2.1 to the Company's Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by this reference.
10.23(b)	First Amendment to the Amended and Restated Agreement of Limited Partnership of NHP/PMB L.P., dated as of May 12, 2008, filed as Exhibit 10.29(b) to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
10.23(c)	Second Amendment to the Amended and Restated Agreement of Limited Partnership of NHP/PMB L.P., dated as of February 9, 2009, filed as Exhibit 10.29(c) to the Company's Form 10-K for the year ended December 31, 2008, and incorporated herein by this reference.
10.23(d)	Third Amendment to the Amended and Restated Agreement of Limited Partnership of NHP/PMB L.P., dated as of February 1, 2010.
10.24	Amended and Restated Pipeline Property Agreement, dated effective as of February 1, 2010, by and among, the Company, NHP/PMB L.P., PMB LLC and PMB Real Estate Services.
12	Ratio of Earnings to Fixed Charges.
21	Subsidiaries of the Company.
23.1	Consent of Ernst & Young LLP.
31	Rule 13a-14(a)/15d-14(a) Certifications of CEO and CFO.
32	Section 1350 Certifications of CEO and CFO.
99.1	Agreement Regarding Disclosure of Long-Term Debt Instruments.
101.INS	XBRL Instance Document**

101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**

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Exhibit No.	Description
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**

- (1) Exhibits D, E, P-2, V-1, V-2, W, X, Y and BB have been omitted but will be furnished supplementally to the Securities and Exchange Commission upon request.
- (2) Exhibit V-1 has been omitted but will be furnished supplementally to the Securities and Exchange Commission upon request.

* Management contract or compensatory plan or arrangement.

** Attached as Exhibit 101 to this Annual Report on Form 10-K are the following materials, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2010 and December 31, 2009, (ii) the Consolidated Income Statements for the years ended December 31, 2010, 2009 and 2008, (iii) the Consolidated Statements of Equity for the years ended December 31, 2010, 2009 and 2008, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008 and (v) the Notes to Consolidated Financial Statements tagged as blocks of text.

In accordance with Rule 402 of Regulation S-T, the XBRL related information in this Annual Report on Form 10-K, Exhibit 101, shall not be deemed filed for purposes of Section 11 of the Securities Act of 1933, as amended (the Securities Act), or Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to the liabilities of those sections, and is not part of any registration statement to which it may relate, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing or document.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

NATIONWIDE HEALTH PROPERTIES, INC.

By: /s/ Douglas M. Pasquale
 Douglas M. Pasquale
*Chairman of the Board of Directors and
 President and Chief Executive Officer*

Dated: March 1, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Douglas M. Pasquale Douglas M. Pasquale	Chairman and President and Chief Executive Officer	March 1, 2011
/s/ Abdo H. Khoury Abdo H. Khoury	Executive Vice President and Chief Financial and Portfolio Officer (Principal Financial and Accounting Officer)	March 1, 2011
/s/ R. Bruce Andrews R. Bruce Andrews	Director	March 1, 2011
/s/ David R. Banks David R. Banks	Director	March 1, 2011
/s/ William K. Doyle William K. Doyle	Director	March 1, 2011
/s/ Richard I. Gilchrist Richard I. Gilchrist	Director	March 1, 2011
/s/ Robert D. Paulson	Director	March 1, 2011

Robert D. Paulson

/s/ Jeffrey L. Rush

Director

March 1, 2011

Jeffrey L. Rush

/s/ Keith P. Russell

Director

March 1, 2011

Keith P. Russell

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