Sabra Health Care REIT, Inc.
Form 424B4
July 27, 2011
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Filed Pursuant to Rule 424(b)(4)
Registration Nos. 333-175436 and 333-175804

PROSPECTUS

10,200,000 Shares

Sabra Health Care REIT, Inc.

Common Stock

We are offering 10,200,000 shares of our common stock. Our common stock is listed on the NASDAQ Global Select Market under the symbol SBRA. On July 26, 2011, the last reported sale price of our common stock on the NASDAQ Global Select Market was $15.04 per share.

The closing of this offering is not conditioned upon the consummation of our acquisition of the SNF Portfolio of four skilled nursing facilities as described in this prospectus.

We intend to elect to be taxed as a real estate investment trust, or a REIT, for U.S. federal income tax purposes, commencing with our taxable year beginning on January 1, 2011. We believe that we are organized and have operated in a manner that allows us to qualify for taxation as a REIT under the Internal Revenue Code of 1986, as amended, commencing with our taxable year beginning on January 1, 2011, and we intend to continue to be organized and to operate in such a manner. To assist us in qualifying as a REIT, among other reasons, stockholders are generally restricted from owning more than 9.9% in value or number of shares, whichever is more restrictive, of our outstanding shares of common stock or more than 9.9% in value of the aggregate of our outstanding stock. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock.

Investing in our common stock involves a high degree of risk. Please read Risk Factors beginning on page 15 of this prospectus and in the documents incorporated by reference into this prospectus.

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

	PER SHARE	TOTAL
Public Offering Price	$ 14.75	$ 150,450,000
Underwriting Discounts and Commissions	0.7744	7,898,880
Proceeds to Sabra Health Care REIT, Inc., before expenses	13.9756	142,551,120

Delivery of the shares of common stock is expected to be made on or about August 1, 2011. We have granted the underwriters an option for a period of 30 days to purchase an additional 1,530,000 shares of our common stock solely to cover over-allotments. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be $9.1 million, and the total proceeds to us, before expenses, will be $163.9 million.

Joint Book-Running Managers

Jefferies **Citi**

Co-Managers

Morgan Keegan

RBC Capital Markets

Stifel Nicolaus Weisel

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You should rely only on the information contained in this prospectus, any free writing prospectus prepared by us or information to which we have referred you, including any information incorporated by reference herein. We have not, and the underwriters have not, authorized any other person to provide you with additional information or information different from that contained in this prospectus. If anyone provides you with additional or different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus, any free writing prospectus prepared by us and the documents incorporated by reference herein is accurate only as of their respective dates or on the date or dates which are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

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INDUSTRY AND MARKET DATA

This prospectus includes information with respect to market share and industry conditions from third-party sources or based upon our estimates using such sources when available. While we believe that such information and estimates are reasonable and reliable, we have not independently verified any of the data from third-party sources. Similarly, our internal research is based upon our understanding of industry conditions, and such information has not been independently verified.

NEW SUN INFORMATION

This prospectus includes information regarding Sun Healthcare Group, Inc. (formerly known as SHG Services, Inc., and referred to in this prospectus as New Sun). New Sun is subject to the reporting requirements of the Securities and Exchange Commission, or the SEC, and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. The information related to New Sun provided in this prospectus has been provided by New Sun or derived from New Sun s public filings. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only. New Sun s filings with the SEC can be found at *www.sec.gov*.

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PROSPECTUS SUMMARY

This summary highlights some of the information contained elsewhere in this prospectus or incorporated by reference herein, and does not contain all of the information you need to consider in making your investment decision. You should read carefully this entire prospectus, including the section titled Risk Factors and the information incorporated by reference in this prospectus, including our Annual Report on Form 10-K for the year ended December 31, 2010 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2011. As used in this prospectus, unless otherwise specified or the context otherwise requires, the terms Sabra, we, our, and us refer to Sabra Health Care REIT, Inc. and its subsidiaries on a consolidated basis.

Our Company

We were incorporated on May 10, 2010 as a wholly owned subsidiary of Sun Healthcare Group, Inc., or Old Sun, a provider of nursing, rehabilitative and related specialty healthcare services principally to the senior population in the United States. Pursuant to a restructuring plan by Old Sun, Old Sun restructured its business by separating its real estate assets and its operating assets into two separate publicly traded companies, which we refer to in this prospectus as the Separation. The Separation occurred by means of a spin-off transaction pursuant to which Old Sun distributed to its stockholders on a pro rata basis all of the outstanding shares of common stock of SHG Services, Inc., or New Sun. Immediately following the Separation, Old Sun merged with and into Sabra, with Sabra surviving the merger, which we refer to in this prospectus as the REIT Conversion Merger, and New Sun was renamed Sun Healthcare Group, Inc. Effective November 15, 2010, or the Separation Date, the Separation and REIT Conversion Merger were completed and Sabra and New Sun began operations as separate companies.

We did not have any operations prior to the Separation Date. Following the restructuring of Old Sun s business and the completion of the Separation and REIT Conversion Merger, we became a self-administered, self-managed realty company that, directly or indirectly, owns and invests in real estate serving the healthcare industry. Our only operations during the year ended December 31, 2010 were for the period from the Separation Date through December 31, 2010. Our revenues for this period were $8.8 million and our total assets as of December 31, 2010 were $599.6 million. For the three months ended March 31, 2011, our revenues were $17.6 million and our total assets as of March 31, 2011 were $605.1 million.

As of March 31, 2011, our portfolio consisted of 86 properties (consisting of (i) 67 skilled nursing facilities, (ii) 10 combined skilled nursing, assisted living and independent living facilities, (iii) five assisted living facilities, (iv) two mental health facilities, (v) one independent living facility, and (vi) one continuing care retirement community) and a mortgage note secured by a combined assisted living, independent living and memory care facility with 82 available beds located in Ann Arbor, Michigan. As of March 31, 2011, our real estate properties had a total of 9,603 licensed beds, or units, spread across 19 states. As of March 31, 2011, all of our real estate properties were leased to subsidiaries of New Sun under triple-net operating leases with expirations ranging from 10 to 15 years.

We expect to continue to grow our portfolio through the acquisition of healthcare facilities, including skilled nursing facilities, senior housing facilities (which may include assisted living, independent living and continuing care retirement community facilities) and hospitals. As we acquire additional properties and expand our portfolio, we expect to further diversify by geography, asset class and tenant within the healthcare sector. For example, we expect to pursue the acquisition of medical office buildings and life science facilities (commercial facilities that are primarily focused on life sciences research, development or commercialization, including properties that house biomedical and medical device companies). We plan to be opportunistic in our healthcare real estate investment strategy by investing in assets that provide attractive opportunities for dividend growth and appreciation of asset values, while maintaining balance sheet strength and liquidity, thereby creating long-term stockholder value.

We are organized to qualify as a real estate investment trust, or REIT, and we intend to elect to be treated as a REIT for U.S. federal income tax purposes commencing with our taxable year beginning on January 1, 2011. We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held by Sabra Health Care Limited Partnership, or the Operating Partnership, of which we are the sole general partner, or by subsidiaries of the Operating Partnership.

Our principal executive office is located at 18500 Von Karman Avenue, Suite 550, Irvine, CA 92612, and the telephone number of our principal executive office is (888) 393-8248.

Recent Developments

Agreement to Purchase SNF Portfolio

On July 8, 2011, we entered into an agreement, which we refer to in this prospectus as the SNF Purchase Agreement, to purchase four skilled nursing facilities from Peninsula Healthcare Services, LLC; Broadmeadow Investment LLC; Capitol Nursing & Rehabilitation Center, L.L.C.; and Pike Creek Healthcare Services LLC, or collectively, the Sellers, for $97.5 million. The four skilled nursing facilities Broadmeadow Healthcare, Capitol Healthcare, Pike Creek Healthcare and Renaissance Healthcare, or the SNF Portfolio are located in Delaware, range in age from two to 15 years and have a combined total of 500 beds. In connection with the proposed acquisition, which we refer to in this prospectus as the SNF Portfolio Acquisition, we, through an indirect wholly owned subsidiary, expect to enter into one or more new 15-year triple-net lease agreements, or collectively, the Lease, with the Sellers or one or more affiliates of the Sellers, which is expected to provide an initial yield on cash rent of 8.75%. The Lease is expected to provide annual rent escalations of 3.0% and two five-year renewal options resulting in annual lease revenues determined in accordance with U.S. generally accepted accounting principles, or GAAP, of $10.6 million. We expect to fund the SNF Portfolio Acquisition with available cash and a portion of the proceeds to us from this offering and to close the SNF Portfolio Acquisition in the third quarter of 2011.

Acquisition of Oak Brook Health Care Center

On June 30, 2011, we closed the purchase of Oak Brook Health Care Center, a 120-bed skilled nursing facility in Whitehouse, Texas. In connection with the acquisition, we entered into a new 15-year triple-net lease agreement with the current operator. The lease provides annual rent escalations of 2.5% and three 10-year renewal options resulting in GAAP annual lease revenues of $1.3 million. The purchase price of $11.3 million was funded from our available cash and will provide an initial yield on cash rent of 9.5%.

Acquisition of Texas Regional Medical Center at Sunnyvale

On May 3, 2011, we closed the purchase of Texas Regional Medical Center at Sunnyvale, a 70-bed acute care hospital located outside of Dallas, Texas. The facility opened to the public in September 2009 and is leased pursuant to a triple-net lease to Texas Regional Medical Center Ltd., a partnership that includes approximately 75 physicians who practice at the hospital. In connection with the acquisition, we assumed the landlord position in the existing triple-net lease that expires in September 2034. The lease provides for a 6% rent escalator every five years beginning in September 2014, resulting in GAAP annual lease revenues of $6.6 million, and two five-year renewal options with annual rent of 106% of the previous year s rent. The purchase price of $62.7 million was funded from our available cash and will provide an initial yield on cash rent of 9.25%.

Acquisition of Hillside Terrace Mortgage Note

On March 25, 2011, we purchased, at a discount, a defaulted mortgage note secured by a combined assisted living, independent living and memory care facility located in Ann Arbor, Michigan, for $5.3 million. Cash flows from the underlying collateral are currently adequate to cover the operating costs of the facility and to make the monthly debt service payment of $54,250. We are in negotiations with the borrower to accept a deed-in-lieu of foreclosure; however, we have also commenced proceedings to obtain the facility through a judicial foreclosure process in Michigan in the event our negotiations with the borrower are unsuccessful. We are also in the process of securing a new tenant for the operations.

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Second Quarter 2011 Preliminary Results

Based on our preliminary assessment of our results of operations, we expect to report total revenues of $18.8 million for the three months ended June 30, 2011, which we expect will consist of $18.6 million of rental income and $0.2 million of interest income, compared to total revenues of $17.6 million for the three months ended March 31, 2011, which consisted of $17.6 million of rental income and $40,000 of interest income. In addition, based on our preliminary assessment of our results of operations, we expect to report depreciation and amortization expenses of $6.3 million, interest expense of $7.5 million, which includes costs of borrowings plus the amortization of deferred financing costs, and general and administrative expenses of $2.9 million for the three months ended June 30, 2011. For the three months ended March 31, 2011, we incurred depreciation and amortization expenses of $6.1 million, interest expense of $7.6 million, and general and administrative expenses of $2.7 million. Based on these preliminary assessments, we expect to report net income of $2.1 million ($0.08 per diluted share) for the three months ended June 30, 2011, compared to $1.2 million ($0.05 per diluted share) for the three months ended March 31, 2011; funds from operations, or FFO, of $8.4 million ($0.33 per diluted share) for the three months ended June 30, 2011, compared to FFO of $7.3 million ($0.29 per diluted share) for the three months ended March 31, 2011; and adjusted funds from operations, or AFFO, of $10.3 million ($0.40 per diluted share) for the three months ended June 30, 2011, compared to AFFO of $9.1 million ($0.35 per diluted share) for the three months ended March 31, 2011. The preliminary information for the three months ended June 30, 2011 reflects the impact on our results of operations from the acquisition of Texas Regional Medical Center at Sunnyvale on May 3, 2011, which we expect to include $1.1 million of rental income and $0.2 million of depreciation and amortization expense.

The following table reconciles FFO and AFFO for the three months ended June 30, 2011 and March 31, 2011 to net income, the most directly comparable GAAP financial measure, for the same periods (in thousands, except share and per share amounts; information provided for the three months ended June 30, 2011 is preliminary):

	THREE MONTHS ENDED JUNE 30, 2011	THREE MONTHS ENDED MARCH 31, 2011
Net income	$ 2,087	$ 1,248
Depreciation and amortization of real estate assets	6,290	6,086
FFO	8,377	7,334
Acquisition pursuit costs	224	87
Stock-based compensation expense	1,335	1,142
Straight-line rental income adjustments	(128)	
Amortization of deferred financing costs	500	495
AFFO (1)	$ 10,308	$ 9,058
Diluted FFO per common share	$ 0.33	$ 0.29
Diluted AFFO per common share	$ 0.40	$ 0.35
Weighted-average number of common shares outstanding, diluted		
Net income and FFO	25,226,179	25,211,585
AFFO	25,480,729	25,694,787

(1) AFFO does not include adjustments to FFO for amortization of acquired above/below market lease intangibles as such item is not applicable for the periods presented.

FFO and AFFO are non-GAAP financial measures that we believe are important supplemental measures of operating performance for a REIT. For a further explanation concerning these measures, see Note 1 to Selected Financial and Operating Data presented below.

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The foregoing results for the three months ended June 30, 2011 are preliminary and represent the most current information available to management. Our actual results may differ from these preliminary results due to the completion of our financial closing procedures, final adjustments and other developments that may arise between the date of this prospectus and the time that financial results for the three months ended June 30, 2011 are finalized.

The preliminary financial data included in this prospectus has been prepared by and is the responsibility of management. PricewaterhouseCoopers LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Our Industry

We operate as a REIT that invests in income-producing healthcare facilities, principally long-term care facilities, located in the United States. As we acquire additional properties and expand our portfolio, we expect to further diversify by geography, asset class and tenant within the healthcare sector. We focus primarily on the approximately $137 billion (as of December 2009) United States nursing home industry and other senior housing segments such as assisted living and independent living facilities. According to the American Health Care Association, the nursing home industry was comprised of approximately 15,679 facilities with approximately 1.7 million Medicare certified beds in the United States as of March 2011. The nursing home industry is highly fragmented. As of March 2011, the four largest for-profit chains accounted for 11.0% of industry revenues and the largest for-profit chain represented 3.8% of total revenue.

The primary growth drivers for the long-term care industry are expected to be the aging of the population and increased life expectancies. According to the United States Census Bureau, the number of Americans aged 65 or older is projected to increase from approximately 40.1 million in 2010 to approximately 54.3 million by 2020, representing a compounded annual growth rate of 3.1%. In addition to positive demographic trends, we expect demand for services provided by skilled nursing facilities to continue increasing due to the impact of cost containment measures adopted by the federal government that encourage patient treatment in more cost-effective settings, such as skilled nursing facilities. As a result, high acuity patients that previously would have been treated in long-term acute care hospitals and inpatient rehabilitation facilities are increasingly being treated in skilled nursing facilities. According to the Centers for Medicare & Medicaid Services, or CMS, nursing home expenditures are projected to grow from approximately $137 billion in 2009 to approximately $246 billion in 2019, representing a compounded annual growth rate of 6.0%. We believe that these trends will support an increasing demand for long-term care services, which in turn will support an increasing demand for our properties.

Portfolio of Healthcare Properties

We have a geographically diverse portfolio of healthcare properties in the United States that offer a range of long-term care health services in the areas of skilled nursing, assisted and independent living and mental health. Of the 86 properties we owned as of March 31, 2011, we owned fee title to 80 properties and title under long-term ground leases for six properties.

Our portfolio consisted of the following types of healthcare facilities as of March 31, 2011:

n *Skilled nursing facilities.* Skilled nursing facilities provide services that include daily nursing, therapeutic rehabilitation, social services, housekeeping, nutrition and administrative services for individuals requiring certain assistance for activities in daily living. A typical skilled nursing facility includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities. As of March 31, 2011, Rehab Recovery Suites, which specialize in Medicare and managed care patients, were located in 30 of the skilled nursing facilities that we owned and leased to subsidiaries of New Sun. As of March 31, 2011, Solana Alzheimer s units, which are dedicated to the care of residents afflicted with Alzheimer s disease, were located in 21 of the skilled nursing facilities that we owned and leased to subsidiaries of New Sun.

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- *Assisted living facilities.* Assisted living facilities provide services that include minimal nursing assistance, housekeeping, nutrition, laundry and administrative services for individuals requiring minimal assistance for activities in daily living. Assisted living facilities permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Assisted living facilities typically are comprised of one and two bedroom suites equipped with private bathrooms and efficiency kitchens. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at the facility on call or at regularly scheduled times.

- *Independent living facilities.* Independent living facilities are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, nutrition and limited laundry services. Our independent living facilities are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. Independent living facilities typically offer several services covered under a regular monthly fee.

- *Mental health facilities.* Mental health facilities provide a range of inpatient and outpatient behavioral health services for adults and children through specialized treatment programs.

- *Continuing care retirement community.* Continuing care retirement communities, or CCRCs, provide, as a continuum of care, the services described above for independent living facilities, assisted living facilities and skilled nursing facilities in an integrated campus, under long-term contracts with the residents.

Geographic and Property Type Diversification

The following tables display the distribution of our licensed beds/units and the geographic concentration of our real estate investments by property type as of March 31, 2011:

Distribution of Licensed Beds/Units [(1) (2)]

STATE	TOTAL NUMBER OF PROPERTIES	SKILLED NURSING	ASSISTED LIVING	INDEPENDENT LIVING	MENTAL HEALTH	TOTAL	% OF TOTAL
New Hampshire	15	1,131	474			1,605	16.7%
Connecticut	10	1,327	23	49		1,399	14.6
Kentucky	15	976	172			1,148	12.0
Ohio	8	954				954	9.9
Florida	5	660				660	6.9
Oklahoma	5	441	71	12	60	584	6.1
Montana	4	538				538	5.6
New Mexico	3	190	120	60		370	3.9
Colorado	2	362				362	3.8
Georgia	2	310				310	3.2
California	3	301				301	3.1
Massachusetts	3	301				301	3.1
Idaho	3	229	16		22	267	2.8
Rhode Island	2	261				261	2.7
West Virginia	2	185				185	1.9
Tennessee	1	134				134	1.4

North Carolina	1	100				100	1.0
Indiana	1	88				88	0.9
Washington	1		36			36	0.4
Total	86	8,488	912	121	82	9,603	100.0%
% of Total Beds/Units		88.4%	9.5%	1.3%	0.8%	100.0%	

(1) On May 3, 2011, we acquired Texas Regional Medical Center at Sunnyvale, a 70-bed acute care hospital located outside of Dallas, Texas, and on June 30, 2011, we acquired Oak Brook Health Care Center, a 120-bed skilled nursing facility in Whitehouse, Texas. Accordingly, the information regarding these facilities is not included in this table.

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(2) Licensed Beds refer to the number of beds for which a license has been issued, which may vary in some instances from licensed beds available for use, which is used in the computation of occupancy percentage. Available beds aggregated 9,265.

Geographic Concentration Property Type[1]

STATE	SKILLED NURSING	MULTI-LICENSE DESIGNATION	ASSISTED LIVING	INDEPENDENT LIVING	MENTAL HEALTH	CCRC	TOTAL	% OF TOTAL
Kentucky	11	2	2				15	17.4%
New Hampshire	8	5	2				15	17.4
Connecticut	8	1		1			10	11.6
Ohio	8						8	9.3
Florida	5						5	5.8
Oklahoma	3	1			1		5	5.8
Montana	4						4	4.7
California	3						3	3.5
Idaho	1	1			1		3	3.5
Massachusetts	3						3	3.5
New Mexico	2					1	3	3.5
Colorado	2						2	2.3
Georgia	2						2	2.3
Rhode Island	2						2	2.3
West Virginia	2						2	2.3
Indiana	1						1	1.2
North Carolina	1						1	1.2
Tennessee	1						1	1.2
Washington			1				1	1.2
Total	67	10	5	1	2	1	86	100.0%

(1) On May 3, 2011, we acquired Texas Regional Medical Center at Sunnyvale, a 70-bed acute care hospital located outside of Dallas, Texas, and on June 30, 2011, we acquired Oak Brook Health Care Center, a 120-bed skilled nursing facility in Whitehouse, Texas. Accordingly, the information regarding these facilities is not included in this table.

Occupancy Trends

The following table sets forth the occupancy percentage for our properties for the periods indicated.

	OCCUPANCY % [1] [2]					
	THREE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31,			
			2010	2009	2008	2007

	2011	2010				
Skilled Nursing	87.8%	89.5%	87.7%	89.7%	90.4%	91.0%
Multi-License Designation	90.1	91.4	91.5	92.5	93.7	93.2
Assisted Living	89.1	87.9	88.2	91.3	94.6	97.8
Mental Health	86.6	80.0	83.9	81.5	82.6	79.9
Independent Living	98.7	80.3	88.7	79.4	92.4	96.8
CCRC	83.6	87.2	85.5	87.4	85.7	85.5
Total	88.1%	89.5%	88.2%	90.0%	90.9%	91.4%

(1) On May 3, 2011, we acquired Texas Regional Medical Center at Sunnyvale, a 70-bed acute care hospital located outside of Dallas, Texas, and on June 30, 2011, we acquired Oak Brook Health Care Center, a 120-bed skilled nursing facility in Whitehouse, Texas. Accordingly, the information regarding these facilities is not included in this table.

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(2) The percentages are computed by dividing the average daily number of beds occupied by the total number of available beds for use during the periods indicated (beds of acquired facilities are included in the computation following the date of acquisition only).

You should not rely upon occupancy percentages, either individually or in the aggregate, to determine the performance of a facility. Other factors that may impact the performance of a facility include the sources of payment, terms of reimbursement and the acuity level of the patients (i.e., the condition of patients that determines the level of skilled nursing and rehabilitation therapy services required).

Skilled Mix Trends

The following table sets forth the skilled mix of our properties for the periods indicated.

	SKILLED MIX % [1]					
	THREE MONTHS ENDED MARCH 31,	THREE MONTHS ENDED MARCH 31,	YEAR ENDED DECEMBER 31,			
	2011	2010	2010	2009	2008	2007
Skilled Mix (as a percentage of revenue)	39.6%	35.9%	39.5%	39.4%	39.2%	35.9%

(1) Skilled mix is defined as the total Medicare and non-Medicaid managed care patient revenues divided by the total skilled nursing revenues of our properties for any given period.

Tenant Overview

As of March 31, 2011, all of our properties were operated by subsidiaries of New Sun. Our properties are leased to subsidiaries of New Sun pursuant to triple-net leases that are guaranteed by New Sun. New Sun is a healthcare services company, serving principally the senior population through its various subsidiaries. As of March 31, 2011, New Sun s subsidiary SunBridge Healthcare and its subsidiaries operated 163 skilled nursing centers, 16 combined skilled nursing, assisted and independent living centers, 10 assisted living centers, two independent living centers and eight mental health centers with an aggregate of 22,916 licensed beds in 25 states. Other New Sun subsidiaries include: SunDance Rehabilitation, which provides rehabilitation therapy services to affiliated and non-affiliated centers in 36 states; CareerStaff Unlimited, which provides medical staffing services in 39 states; and SolAmor Hospice, which provides hospice services in 10 states.

Our lease agreements with subsidiaries of New Sun provide for an initial term of between 10 and 15 years with no purchase options. At the option of New Sun, these lease agreements may be extended for up to two five-year renewal terms beyond the initial term and, if elected, the renewal will be effective for all of the leased property then subject to the applicable lease agreement. Amounts due under these lease agreements are fixed (except for an annual rent escalator described below), and there is no contingent rental income based upon the revenues, net income or other measures which may be derived by subsidiaries of New Sun from our properties. Under our lease agreements with subsidiaries of New Sun, there is an annual rent escalator equal to the product of (a) the lesser of the percentage change in the Consumer Price Index (but not less than zero) or 2.5%, and (b) the prior year s rent. The annual aggregate base rent payable for 2011 under these lease agreements is approximately $70.4 million.

Competitive Strengths

We believe the following competitive strengths will contribute significantly to our success:

Geographically Diverse and Stable Property Portfolio

As of March 31, 2011, our portfolio of 86 properties, comprising 9,603 licensed beds, was broadly diversified by location across 19 states. The properties in any one state did not account for more than 17% of our total licensed beds as of March 31, 2011, and the properties in any one state did not account for more than 18.5% of our rental revenue during the three months ended March 31, 2011. We also hold a mortgage note secured by a combined assisted living, independent living and memory care facility with 82 available beds located in

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Ann Arbor, Michigan. Our geographic diversification will limit the effect of a decline in any one regional market on our overall performance. The annual occupancy percentage of the properties in our portfolio has remained stable at between 88.1% and 91.4% between January 1, 2007 and March 31, 2011.

Financially Secure Tenants

As of March 31, 2011, New Sun s subsidiaries were our only tenants. New Sun is an established provider of specialty healthcare services with strong financial performance. As of March 31, 2011, New Sun, through its subsidiaries, operated 199 inpatient centers spread across 25 states. New Sun has a diverse source of payors and a diverse business mix, including skilled nursing, assisted living and mental health services. New Sun s operations stand to benefit from attractive industry fundamentals, including an aging population and a shift in patient care to skilled nursing facilities. New Sun s reported net revenues and adjusted, normalized earnings before interest, depreciation, amortization and rent were $1.9 billion and $250.6 million, respectively, for the year ended December 31, 2010 and $483.9 million and $63.9 million, respectively, for the three months ended March 31, 2011. As of March 31, 2011, New Sun reported available cash and cash equivalents of $85.6 million, $153.4 million in long-term obligations and $60.0 million available under its revolving credit facility. New Sun s management team has a proven track record of public company performance. Additionally, New Sun is publicly traded and is subject to SEC reporting requirements, which provide ongoing transparency regarding its operating and financial performance.

Long-Term, Triple-Net Lease Structure

As of March 31, 2011, all of our real estate properties were leased to subsidiaries of New Sun under triple-net operating leases guaranteed by New Sun and with expirations ranging from 10 to 15 years, pursuant to which the tenants are responsible for all facility maintenance, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties. As of March 31, 2011, the leases had a weighted-average remaining term of 11 years. We retain substantially all of the risks and benefits of ownership of the real estate assets leased to tenants.

Strong Relationships with Operators

The members of our management team have developed an extensive network of relationships with qualified local, regional and national operators of skilled nursing and senior housing facilities across the United States. This extensive network has been built by our management team through over 20 years of operating experience, involvement in industry trade organizations and the development of banking relationships and investor relations within the skilled nursing and senior housing industries. We intend to work collaboratively with our operators to help them achieve their growth and business objectives. We believe these strong relationships with operators will allow us to effectively source investment opportunities.

Ability to Identify Talented Operators

As a result of our management team s operating experience, network of relationships and industry insight, we have been able and expect to continue to be able to identify qualified local, regional and national operators. We seek operators who possess local market knowledge, demonstrate hands-on management, have proven track records and emphasize patient care. We believe our management team s experience gives us a key competitive advantage in objectively evaluating an operator s financial position, emphasis on care and operating efficiency.

Significant Experience in Proactive Asset Management

The members of our management team have significant experience developing systems to collect and evaluate data relating to the underlying operational and financial success of healthcare companies and healthcare-related real estate assets. We are able to utilize this experience and expertise to provide our operators, when requested, with significant assistance in the areas of marketing, development, facility expansion and strategic planning. We actively monitor the operating results of our tenants and, when requested, will work closely with our operators to identify and capitalize on opportunities to improve the operations of our facilities and the overall financial and operating strength of our operators.

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Experienced Management Team

Although our management team has limited experience in operating a REIT, it has extensive healthcare and real estate experience. Richard K. Matros, Chairman, President and Chief Executive Officer of Sabra, has more than 20 years of experience in the acquisition, development and disposition of skilled nursing facilities and other healthcare facilities, including nine years at Old Sun. Harold W. Andrews, Jr., Executive Vice President, Chief Financial Officer and Secretary of Sabra, is a finance professional with more than 10 years of experience in both the provision of healthcare services and healthcare real estate. Talya Nevo-Hacohen, Executive Vice President, Chief Investment Officer and Treasurer of Sabra, is a real estate finance executive with more than 20 years of experience in real estate finance, acquisition and development, including three years of experience managing and implementing the capital markets strategy of an S&P 500 healthcare REIT. Through years of public company experience, our management team also has extensive experience accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

Flexible UPREIT Structure

We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held by the Operating Partnership or by subsidiaries of the Operating Partnership. Conducting business through the Operating Partnership allows us flexibility in the manner in which we structure and acquire properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in exchange for limited partnership units, which provides property owners the opportunity to defer the tax consequences that would otherwise arise from a sale of their real properties and other assets to us. As a result, this structure allows us to acquire assets in a more efficient manner and may allow us to acquire assets that the owner would otherwise be unwilling to sell because of tax considerations.

Business Strategies

We pursue business strategies focused on opportunistic acquisitions and property diversification. We do not currently have a fixed schedule of the number of acquisitions we intend to make over a particular time period, but instead we pursue those acquisitions that meet our investing and financing strategy and that are attractively priced. We also intend to further develop our relationships with tenants and healthcare providers with a goal to progressively expand the mixture of tenants managing and operating our properties.

The key components of our business strategies include:

Diversify Asset Portfolio

We expect to diversify through the acquisition of new properties. We are employing what we believe to be a disciplined, opportunistic acquisition strategy with an initial focus on the acquisition of skilled nursing facilities, senior housing facilities and hospitals. Over time, we expect to pursue the acquisition of other healthcare property types, such as medical office buildings and life sciences facilities (commercial facilities that are primarily focused on life sciences research, development or commercialization, including properties that house biomedical and medical device companies). As we acquire additional properties, we expect to further diversify by geography, asset class and tenant within the healthcare sector.

Maintain Balance Sheet Strength and Liquidity

We seek to maintain a capital structure that provides the resources and flexibility to support the growth of our business. Further, we expect to opportunistically seek access to U.S. government agency financing, including through Fannie Mae and HUD. We intend to maintain a mix of credit facility debt, mortgage debt and unsecured term debt which, together with our anticipated ability to complete future equity financings, we expect will fund the growth of our operations.

Develop New Tenant Relationships

We seek to cultivate our relationships with tenants and healthcare providers in order to expand the mixture of tenants operating our properties and, in doing so, to reduce our dependence on any single tenant or operator. We expect that this objective will be achieved over time as part of our overall strategy to acquire new properties and further diversify our overall portfolio of healthcare properties.

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Capital Source to Underserved Operators

We believe that there is a significant opportunity to be a capital source to healthcare operators through the acquisition and leasing of healthcare properties that are consistent with our investment and financing strategy, but that, due to size and other considerations, are not a focus for larger healthcare REITs. We utilize our management team s operating experience, network of relationships and industry insight to identify financially strong and growing operators in need of capital funding for future growth. In appropriate circumstances, we may negotiate with operators to acquire individual healthcare properties from those operators and then lease those properties back to the operators pursuant to long-term triple-net leases.

Strategic Capital Improvements

We intend to continue to support operators by providing capital to them for a variety of purposes, including for capital expenditures and facility modernization. We expect to structure these investments as either lease amendments that produce additional rents or as loans that are repaid by operators during the applicable lease term.

Pursue Strategic Development Opportunities

We intend to work with our operators to identify strategic development opportunities. These opportunities may involve replacing or renovating facilities in our portfolio that may have become less competitive. We also intend to identify new development opportunities that present attractive risk-adjusted returns.

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THE OFFERING

Common stock offered by us	10,200,000 shares (plus up to an additional 1,530,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters over-allotment option).
Common stock to be outstanding after this offering	35,338,248 shares (or 36,868,248 shares of common stock if the underwriters exercise their over-allotment option in full).
Use of proceeds	The total proceeds to us, before expenses, from this offering will be $142.6 million (or $163.9 million if the underwriters exercise their over-allotment option in full), after deducting the underwriting discounts and commissions. We intend to contribute the proceeds to us from this offering to the Operating Partnership, which will in turn use a portion of the proceeds to fund the aggregate purchase price for the SNF Portfolio as more fully described in Use of Proceeds. The remaining proceeds to us, or if the SNF Portfolio Acquisition is not consummated, all of the proceeds to us from this offering, will be used to fund possible future acquisitions or for general corporate purposes. Pending such uses, we may invest the proceeds to us from this offering in interest-bearing short-term investments, including money market funds and/or accounts, that are consistent with our intention to qualify as a REIT. See Use of Proceeds.
Dividend policy	We expect to make quarterly distributions in cash for the remainder of 2011 in an amount equal to at least $0.32 per share of common stock, but in no event will the annual dividend be less than 90% of our taxable income on an annual basis (excluding net capital gains).
	All distributions will be made by us at the discretion of our board of directors and will depend on the financial position, results of operations, cash flows, capital requirements, debt covenants (which include limits on distributions by us), applicable law, and other factors as our board of directors deems relevant. For more information, see Dividend Policy.
NASDAQ Global Select Market symbol	SBRA
Ownership and transfer restrictions	In order for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended, or Code, among other reasons, our charter generally prohibits, among other things and subject to certain exemptions, any person or entity from beneficially owning, or being deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.9% in value or number of shares, whichever is more restrictive, of the aggregate of our outstanding common stock or more than 9.9% in value of our outstanding stock. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock.

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Risk factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under Risk Factors and all other information in this prospectus and incorporated by reference in this prospectus before investing in our common stock.

The number of shares of common stock to be outstanding after this offering is based on 25,138,248 shares outstanding as of July 26, 2011.

The number of shares of our common stock outstanding immediately after this offering excludes:

- 404,410 shares of common stock issuable upon exercise of stock options outstanding under our 2009 Performance Incentive Plan and 2004 Equity Incentive Plan;
- 560,750 shares of common stock issuable upon vesting of restricted stock units or upon the payment of restricted stock units that have been deferred, which are outstanding under our 2009 Performance Incentive Plan and 2004 Equity Incentive Plan; and
- 1,451,979 additional shares of common stock reserved for issuance under our 2009 Performance Incentive Plan.

If the underwriters exercise their over-allotment option in full, we will issue an additional 1,530,000 shares. Unless otherwise stated, all information contained in this prospectus assumes no exercise of this over-allotment option.

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SELECTED FINANCIAL AND OPERATING DATA

The table below sets forth selected financial and operating data as of and for each of the periods indicated. You should read the following selected financial and operating data in conjunction with our consolidated financial statements and related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our Quarterly Report on Form 10-Q for the three months ended March 31, 2011, each of which is incorporated by reference into this prospectus. The financial data as of and for the three months ended March 31, 2011 is derived from our unaudited consolidated financial statements and are not necessarily indicative of results for any future period.

	AS OF MARCH 31, 2011	AS OF DECEMBER 31, 2010
	(Dollars in thousands)	
BALANCE SHEET DATA		
Total real estate investments, net	$ 476,222	$ 482,297
Cash and cash equivalents	$ 80,210	$ 74,233
Total assets	$ 605,069	$ 599,559
Mortgage notes payable	$ 160,676	$ 161,440
Senior unsecured notes payable	$ 225,000	$ 225,000
Total liabilities	$ 425,146	$ 422,026
Total stockholders equity	$ 179,923	$ 177,533

	THREE MONTHS ENDED MARCH 31, 2011	SEPARATION DATE THROUGH DECEMBER 31, 2010
	(Dollars in thousands, except per share data)	
OPERATING DATA		
Total revenues	$ 17,601	$ 8,795
Net income	$ 1,248	$ 7
Net income per common share basic	$ 0.05	$ 0.00
Net income per common share diluted	$ 0.05	$ 0.00
OTHER DATA		
Cash flows provided by operations	$ 12,458	$ 6,592
Cash flows provided by (used in) investing activities	$ (5,415)	$ 67,118
Cash flows provided by (used in) financing activities	$ (1,066)	$ 523

Weighted-average number of common shares outstanding, basic		25,136,140		25,110,936
Weighted-average number of common shares outstanding, diluted net income and FFO		25,211,585		25,186,988
Weighted-average number of common shares outstanding, diluted AFFO		25,694,787		25,645,131
FFO [1]	$	7,334	$	3,141
Diluted FFO per common share [1]	$	0.29	$	0.12
AFFO [1]	$	9,058	$	3,706
Diluted AFFO per common share [1]	$	0.35	$	0.14

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(1) We believe that net income as defined by GAAP is the most appropriate earnings measure. We also believe that funds from operations, or FFO, as defined by the National Association of Real Estate Investment Trusts, or NAREIT, and adjusted funds from operations, or AFFO (and related per share amounts) are important supplemental measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that use historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined as net income, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization. AFFO is defined as FFO excluding non-cash revenues (including straight-line rental income adjustments and amortization of acquired above/below market lease intangibles), non-cash expenses (including stock-based compensation expense and amortization of deferred financing costs) and acquisition pursuit costs. We believe that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. We consider FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses related to sales of previously depreciated operating real estate assets and real estate depreciation and amortization, and, for AFFO, by excluding non-cash revenues (including straight-line rental income adjustments and amortization of acquired above/below market lease intangibles), non-cash expenses (including stock-based compensation expense and amortization of deferred financing costs) and acquisition pursuit costs, FFO and AFFO can help investors compare our operating performance between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of REITs, they do not represent net income or cash flows from operations as defined by GAAP and should not be considered an alternative to those measures in evaluating our operating performance or liquidity. FFO and AFFO also do not consider the costs associated with capital expenditures related to our real estate assets nor do they purport to be indicative of cash available to fund our future cash requirements. Further, our computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than we do.

The following table reconciles our calculations of FFO and AFFO for the three months ended March 31, 2011 and for the period from the Separation Date through December 31, 2010, to net income, the most directly comparable GAAP financial measure, for the same periods (dollars in thousands, except per share amounts):

	THREE MONTHS ENDED MARCH 31, 2011	SEPARATION DATE THROUGH DECEMBER 31, 2010
Net income	$ 1,248	$ 7
Depreciation and amortization of real estate assets	6,086	3,134
FFO	7,334	3,141
Acquisition pursuit costs	87	
Stock-based compensation expense	1,142	335
Amortization of deferred financing costs	495	230
AFFO [(a)]	$ 9,058	$ 3,706
Diluted FFO per common share	$ 0.29	$ 0.12
Diluted AFFO per common share	$ 0.35	$ 0.14
Weighted-average number of common shares outstanding, diluted		
FFO	25,211,585	25,186,988
AFFO	25,694,787	25,645,131

(a) AFFO does not include adjustments to FFO for straight-line rental income adjustments or amortization of acquired above/below market lease intangibles as such items were not applicable for the periods presented.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. Before making an investment decision, you should carefully consider the following risk factors, together with the other information included or incorporated by reference in this prospectus, including the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010, and the risks we have highlighted in other sections of this prospectus. If any of the risks discussed in or incorporated by reference in this prospectus occurs, our business, financial condition, liquidity, or results of operations could be materially and adversely affected.

Risks Relating to Our Common Stock

We may experience volatility in the market price of our common stock.

The market price of our common stock has fluctuated significantly and may continue fluctuating significantly. Between November 15, 2010, the date of the Separation and REIT Conversion Merger, and July 26, 2011, the market price of our stock ranged from a high of $19.31 per share to a low of $14.60 per share. Many factors could cause the market price of our common stock to rise and fall. In addition to the matters discussed in other risk factors included herein and those incorporated by reference herein, some of the reasons for the fluctuations in our stock price include:

- our operating performance and the performance of other similar companies;
- actual or anticipated changes in our business, operations, and prospects;
- legislative or other regulatory developments, including regulations proposed or issued by the Centers for Medicare and Medicaid Services;
- the hiring or departure of key personnel;
- announcements or activities by our competitors;
- proposed acquisitions by us or our competitors;
- financial results that fail to meet public market analysts expectations and changes in stock market analysts recommendations regarding us, other healthcare or real estate-based companies, or the healthcare industry in general;
- increases in market interest rates that lead investors in our common stock to demand a higher yield;
- adverse judgments or settlements obligating us to pay damages;
- the failure to qualify for and maintain REIT qualification;
- acts of war, terrorism, or national calamities;

- industry, domestic, and international market and economic conditions;

- decisions by investors to de-emphasize investment categories, groups, or strategies that include our company or industry; and

- low trading volume of our common stock.

In addition, the stock market has experienced significant price and volume fluctuations over the past several years. The fluctuations are often unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock. When the market price of a company s stock drops significantly, stockholders often institute securities class action litigation against that company. Any litigation against us could cause us to incur substantial costs, divert the time and attention of our management, or otherwise harm our business.

Future offerings of debt securities, which would be senior to our common stock, or equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of distributions, may adversely affect the market price of our common stock.

We may attempt to increase our capital resources by making additional offerings of debt or equity securities, including senior or subordinated notes and classes of preferred stock. Upon our liquidation, holders of our debt securities and shares of preferred stock, lenders with respect to other borrowings and all of our creditors will receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings by us may dilute the stock holdings of our existing stockholders or reduce the value of our common stock, or both. Our preferred stock, if issued, would have a preference on distributions that could limit our ability to make distributions to the holders of our common stock. Because our decision to issue securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the value of our common stock and diluting the value of their stock holdings in us.

Risks Relating to this Offering

The SNF Portfolio Acquisition may not be consummated in accordance with the anticipated timing or at all, and the closing of this offering is not conditioned on the consummation of the SNF Portfolio Acquisition.

Although we expect to close the SNF Portfolio Acquisition in the third quarter of 2011, the SNF Portfolio Acquisition may not be completed in accordance with the anticipated timing or at all. In order to consummate the SNF Portfolio Acquisition, we must complete our due diligence investigation of the SNF Portfolio. The SNF Purchase Agreement also contains customary closing conditions, which may not be satisfied or waived. In addition, under circumstances specified in the SNF Purchase Agreement, we or the sellers may terminate the SNF Purchase Agreement. Under the terms of the SNF Purchase Agreement, we made an earnest money deposit of $2.0 million, which we may forfeit in some circumstances if we fail to complete the acquisition.

The closing of this offering is not conditioned on the consummation of the SNF Portfolio Acquisition. Therefore, upon the closing of this offering, you will become a holder of our common stock irrespective of whether the SNF Portfolio Acquisition is consummated or delayed. If the SNF Portfolio Acquisition is not consummated, shares of our common stock that you have purchased in this offering will not reflect any interest in the SNF Portfolio, and if the SNF Portfolio Acquisition is delayed, this interest will not be reflected during the period of delay. If this offering is consummated and the SNF Portfolio Acquisition is not consummated, your expected earnings per share of our common stock may be significantly reduced. Also, the price of our common stock may decline to the extent that the current market price of our common stock reflects a market assumption that the SNF Portfolio Acquisition will be consummated and that we will realize certain anticipated benefits of the SNF Portfolio Acquisition.

We expect to seek to raise additional proceeds in one or more additional equity offerings or incur additional debt.

We expect to seek to raise additional proceeds for future acquisitions in one or more additional equity offerings or incur additional debt. Additional issuances of our common stock, or the perception that such issuances could occur, may cause prevailing market prices to decline and may adversely affect our ability to raise additional proceeds at a time and price favorable to us. Any additional future issuance of our common stock will also reduce the percentage of our common stock owned by investors purchasing shares in this offering that do not participate in such future issuances. Further, our ability to incur additional indebtedness is subject to certain restrictions in the indenture governing our $225.0 million of 8.125% senior notes due 2018, or the Senior Notes, and our senior secured revolving credit facility, and we may not be able to obtain such financing on terms favorable to us or at all.

With the exception of the SNF Purchase Agreement, we have not yet executed binding purchase commitments covering properties to be acquired with the proceeds to us from this offering and, therefore, it may be difficult to evaluate the allocation of such proceeds or the economic merits of our investments prior to making an investment decision.

We intend to use the remaining proceeds to us from this offering after funding the SNF Portfolio Acquisition, or if the SNF Portfolio Acquisition is not consummated, all of the proceeds to us from this offering, to fund possible future acquisitions or for general corporate purposes. We expect that the focus of any future acquisitions will be on the acquisition of healthcare facilities, including skilled nursing facilities, senior housing facilities (which may include assisted living, independent living and continuing care retirement community facilities) and hospitals, that are diversified by geography, asset class and tenant. However, with the exception of the SNF Purchase Agreement, we have not yet executed binding purchase commitments with respect to any acquisitions we intend to fund, in whole or in part, with the proceeds to us from this offering. As a result, you will be unable to evaluate the allocation of the proceeds from this offering and, accordingly, you will not be able to assess the economic merits of our future acquisitions before making an investment decision with respect to our common stock. In addition, our acquisitions will be approved by our board of directors or by our management pursuant to authority delegated by our board of directors, and our stockholders will not have input into such decisions. As a result, we may use the proceeds to us from this offering to make acquisitions or other investments with which you do not agree. These factors will increase

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the uncertainty, and thus the risk, of investing in shares of our common stock. The failure of our management to apply the proceeds from this offering effectively or to pursue acquisitions that meet our business strategy in sufficient time or on acceptable terms could result in unfavorable returns or cause a material adverse effect on our business, financial condition, liquidity or results of operations.

If there are delays in applying the proceeds of this offering, then investment returns may take longer to attain.

We may delay applying the proceeds to us from this offering if we are unable to identify or consummate acquisition opportunities as described under Use of Proceeds on acceptable terms that are accretive to our stockholders and are consistent with our long-term objective to enhance stockholder value. If we are not able to consummate acquisitions on a reasonable timeframe following this offering, our management and board of directors will have considerable discretion in the specific application of the proceeds to us from this offering and may apply the proceeds in ways other than those we currently expect, including in ways that may not increase our AFFO or our market value. Pending application of the proceeds to us from this offering, we may invest such proceeds in short-term, interest-bearing investments.

Certain summary financial information relating to our tenants included or incorporated by reference into this prospectus has not been independently verified.

This prospectus includes and incorporates by reference certain summary financial information relating to New Sun, Texas Regional Medical Center, Ltd., Peninsula Healthcare Services, LLC, Broadmeadow Investment LLC, Capitol Nursing & Rehabilitation Center, L.L.C. and Pike Creek Healthcare Services LLC that has not been independently verified. We are providing this summary financial information for informational purposes only, and we make no representations as to the adequacy of the internal controls and financial reporting of these parties. If any of our tenants are unable to pay their lease payments, our financial results could be adversely affected.

Additional Risks Relating to Our Business

Proposed changes to Medicare payment rates for skilled nursing facilities may have an adverse effect on the Medicare reimbursements received by certain of our tenants.

Medicare reimburses skilled nursing facilities for Medicare Part A services under the Prospective Payment System, or PPS, as implemented pursuant to the Balanced Budget Act of 1997 and modified pursuant to subsequent laws, most recently the Patient Protection and Affordable Care Act of 2010, or the Affordable Care Act. PPS regulations predetermine a payment amount per patient, per day, based on a market basket index calculated for all covered costs. The amount to be paid is determined by classifying each patient into one of 66 Resource Utilization Group, or RUG, categories that represent the level of services required to treat different conditions and levels of acuity.

The current system of 66 RUG categories, or Resource Utilization Group version IV (RUG IV), became effective as of October 1, 2010. RUG IV resulted from research performed by the Centers for Medicare and Medicaid Services, or CMS, and was part of CMS s continuing effort to increase the correlation of the cost of services to the condition of individual patients.

On April 28, 2011, CMS released its fiscal year 2012 proposed notice of rulemaking which discusses two options CMS is considering for purposes of setting the 2012 Medicare payment rates for skilled nursing facilities. The first option CMS is proposing is a 2.7% market basket increase that will be reduced by a 1.2% productivity adjustment as a result of the Affordable Care Act, which results in a net increase of 1.5% over fiscal year 2011 payments. The second option CMS is considering would adjust for the unanticipated impact of the change to the new RUG IV payment system in fiscal year 2011. The proposed second option would reduce reimbursement rates by approximately 12.8% to make the RUG IV system revenue neutral based on CMS s estimates. After considering the 1.5% market basket increase, the net impact under the second option would be an 11.3% rate reduction effective October 1, 2011. The proposed rulemaking notice has not been finalized, and the 60-day public comment period recently concluded. We cannot predict the final rule that will be adopted by CMS.

Applying the current proposed rulemaking and CMS s estimates to our tenants skilled nursing facility Medicare revenues during the twelve months ended March 31, 2011, we estimate that the facility EBITDAR (earnings before interest, taxes, depreciation, amortization and rent) coverage of our properties would have increased from approximately 1.58x (calculated on a pro forma basis giving effect to the acquisitions of Texas Regional Medical Center at Sunnyvale, Oak Brook Health Care Center and the SNF Portfolio, each as described in Prospectus

Summary Recent Developments, as if they had occurred on April 1, 2010) to approximately 1.62x if the net 1.5% rate increase was implemented as part of the final rules and would have been reduced to approximately 1.26x if the net 11.3% rate reduction was implemented as part of the final rules. These estimated calculations do not include any cost or patient mix mitigation activities that our tenants may undertake. We are unable to predict the final rule s impact on Medicare payment rates; however, such impact may have an adverse impact on our tenants, which may adversely affect our business, financial position or results of operations if our tenants are not able to timely make their rental payments.

See our Annual Report on Form 10-K for the year ended December 31, 2010 for additional risks relating to our business.

Risks Associated with Our Status as a REIT

We could fail to qualify as a REIT if income we receive is not treated as qualifying income, including as a result of one or more of the lease agreements we have entered into or assumed (as well as any other leases we enter into or assume) not being characterized as true leases for U.S. federal income tax purposes, which would subject us to U.S. federal income tax at corporate tax rates.

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. See Material U.S. Federal Income Tax Considerations Taxation of Our Company Gross Income Tests. Rents received or accrued by us will not be treated as qualifying rent for purposes of these requirements if the lease agreements we have entered into or assumed (as well as any other leases we enter into or assume) are not respected as true leases for U.S. federal income tax purposes and are instead treated as service contracts, joint ventures, loans or some other type of arrangement. In the event that the lease agreements entered into with New Sun are not characterized as true leases for U.S. federal income tax purposes, we likely would fail to qualify as a REIT. In addition, rents received by us from New Sun will not be treated as qualifying rent for purposes of these requirements if we are treated, either directly or under the applicable attribution rules, as owning 10% or more of New Sun common stock. We will be treated as owning, under the applicable attribution rules, 10% or more of New Sun common stock at any time that a stockholder owns, directly or under the applicable attribution rules, (a) 10% or more of our common stock and (b) 10% or more of New Sun common stock. The provisions of our charter restrict the transfer and ownership of our common stock that would cause the rents received or accrued by us from New Sun (or any other tenant of ours) to be treated as non-qualifying rent for purposes of the REIT gross income requirements. The provisions of our charter that restrict the transfer and ownership of our common stock are described in Description of Capital Stock Restrictions on Transfer and Ownership of Stock. Nevertheless, there can be no assurance that such restrictions will be effective in ensuring that we will not be treated as related to New Sun (or any other tenant of ours). If we fail to qualify as a REIT, we would be subject to U.S. federal income tax (including any applicable minimum tax) on our taxable income at corporate tax rates, which would decrease the amount of cash available for distribution to holders of our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive acquisition opportunities or liquidate otherwise attractive investments, which could materially hinder our performance.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy certain tests, including tests concerning 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. In order to meet these tests, we may be required to forego investments or acquisitions we might otherwise make. Thus, compliance with the REIT requirements may materially hinder our performance.

If we have significant amounts of non-cash taxable income, we may have to declare taxable stock dividends or make other non-cash distributions, which could cause our stockholders to incur tax liabilities in excess of cash received.

We currently intend to pay dividends in cash only, and not in-kind. However, if for any taxable year, we have significant amounts of taxable income in excess of available cash flow, we may have to declare dividends in-kind in order to satisfy the REIT annual distribution requirements. We may distribute a portion of our dividends in the form of our stock or our debt instruments. In either event, a holder of our common stock will be required to report dividend income as a result of such distributions even though we distributed no cash or only nominal amounts of cash to such stockholder.

Pursuant to Revenue Procedure 2010-12, a recent revenue procedure issued by the Internal Revenue Service, or IRS, the IRS has indicated that it will treat distributions from certain publicly traded REITs that are paid partly in cash and partly in stock (through 2011) at the election of each stockholder as dividends that would satisfy the REIT annual distribution requirements and qualify for the dividends paid deduction for U.S. federal income tax purposes. See Material U.S. Federal Income Tax Considerations Taxation of Our Company Annual Distribution Requirements. If we make such a distribution, U.S. holders would be required to include the full amount of the dividend (i.e., the cash and stock portion) as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. holder may be required to pay income taxes with respect to such dividends in excess of the cash received. If a U.S. holder sells our stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale. Furthermore, with respect to non-U.S. holders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, these sales may put downward pressure on the trading price of our stock.

Further, because IRS Revenue Procedure 2010-12 only applies through 2011, it is unclear whether and to what extent we will be able to pay taxable dividends in cash and/or stock in later years. Moreover, various tax aspects of a taxable dividend payable in cash and/or stock are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable dividends payable in cash and/or stock, including on a retroactive basis, or assert that the requirements for such taxable dividends have not been met.

Our charter restricts the transfer and ownership of our stock, which may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to maintain our qualification as a REIT for each taxable year after 2011, no more than 50% of the value of our outstanding stock may be owned, directly or constructively, by five or fewer individuals, as defined in the Code. For the purpose of preserving our REIT qualification, our charter prohibits, subject to certain exceptions, direct, indirect and constructive ownership of more than 9.9% in value or number of shares, whichever is more restrictive, of our outstanding common stock or more than 9.9% in value of our outstanding stock. See Description of Capital Stock Restrictions on Transfer and Ownership of Stock and Material U.S. Federal Income Tax Considerations Taxation of Our Company Organizational Requirements. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals to be constructively owned by one individual or entity. The ownership limits may have the effect of discouraging an acquisition of control of us without the approval of our board of directors.

We could be subject to tax on any unrealized net built-in gains in the assets held before electing to be treated as a REIT.

We own appreciated assets that were held before we elected to be treated as a REIT. If such appreciated assets are disposed of in a gain recognition transaction within the 10-year period following our qualification as a REIT, we will generally be subject to corporate tax on that gain to the extent of the built-in gain in those assets at the time we became a REIT. The total amount of gain on which we can be taxed is limited to our net built-in gain at the time we became a REIT, i.e., the excess of the aggregate fair market value of our assets at the time we became a REIT over the adjusted tax bases of those assets at that time. We would be subject to this tax liability even if we qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. We may choose not to dispose of appreciated assets we might otherwise dispose of during the 10-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, there can be no assurances that such a disposition will not occur. If we dispose of such assets in a gain recognition transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the effective time of our REIT election. The amount of tax could be significant.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax law could materially adversely affect our stockholders. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our stockholders may be changed. See Material U.S. Federal Income Tax Considerations Legislative or Other Actions Affecting REITs.

Our failure to qualify as a REIT would subject us to U.S. federal income tax, which could adversely affect the value of the shares of our common stock and would substantially reduce the cash available for distribution to our stockholders.

We believe that we are organized in conformity with the requirements for qualification as a REIT under the Code, and we intend to operate in a manner that will enable us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year beginning on January 1, 2011. However, we cannot assure you that we will qualify and remain qualified as a REIT. In connection with this offering, we will receive an opinion from Fried, Frank, Harris, Shriver & Jacobson LLP, or Fried Frank, that, based on our current and proposed methods of organization and operation, we will be organized in conformity with the requirements for qualification as a REIT, and our current and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT under the Code commencing with our taxable year beginning on January 1, 2011. Investors should be aware that Fried Frank s opinion is based upon customary assumptions, is conditioned upon certain representations made by us as to factual matters, including representations regarding the nature of our assets and the conduct of our business, is not binding upon the IRS or any court and speaks as of the date issued. In addition, Fried Frank s opinion will be based on existing U.S. federal income tax law governing qualification as a REIT, which is subject to change either prospectively or retroactively. Moreover, our qualification and taxation as a REIT will depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal tax laws. Fried Frank will not review our compliance with those tests on a continuing basis. Accordingly, given the complex nature of the rules governing REITs, the ongoing importance of factual determinations, including the potential tax treatment of investments we make, and the possibility of future changes in our circumstances, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

If we fail to qualify as a REIT in any calendar year, we would be required to pay U.S. federal income tax (and any applicable state and local 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 (although such dividends received by certain non-corporate U.S. taxpayers generally would be subject to a preferential rate of taxation through December 31, 2012). Further, if we fail to qualify as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax. Our payment of income tax would decrease the amount of our income available for distribution to our stockholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required under U.S. federal tax laws to distribute substantially all of our REIT taxable income to our stockholders. Unless our failure to qualify as a REIT was subject to relief under U.S. federal tax laws, we could not re-elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify.

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 taxed at individual rates 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 taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the stock of REITs, including our common stock.

Our ownership of and relationship with any taxable REIT subsidiaries that we have formed or will form will be limited and a failure to comply with the limits would jeopardize our REIT status and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more taxable REIT subsidiaries, or TRSs (as defined below in Material U.S. Federal Income Tax Considerations Effect of Subsidiary Entities Taxable REIT Subsidiaries). A TRS may earn income that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns securities possessing more than 35% of the total voting power or total value of the

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outstanding securities of such corporation will automatically be treated as a TRS. Overall, no more than 25% of the value of a REIT s total assets may consist of stock or securities of one or more TRSs. A domestic TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm s length basis. Any domestic TRS that we have formed or may form will pay U.S. federal, state and local income tax on its taxable income, and its after-tax net income will be available for distribution to us but is not required to be distributed to us unless necessary to maintain our REIT qualification.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus contain forward-looking information as that term is defined by the Private Securities Litigation Reform Act of 1995, or PSLRA, and the federal securities laws. Any statements that do not relate to historical or current facts or matters are forward-looking statements. Examples of forward-looking statements include all statements regarding the expected future financial position, results of operations, cash flows, liquidity, financing plans, business strategy, budgets, expected amounts and timing of quarterly dividends and other distributions, outcomes and costs of litigation, projected expenses and capital expenditures, competitive position, growth opportunities and potential acquisitions (including the pending SNF Portfolio Acquisition), plans and objectives of management for future operations, and compliance with and changes in governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as anticipate, believe, plan, estimate, expect, intend, should, may, and other similar expressions, although not all forward-looking state contain these identifying words.

We caution you that any forward-looking statements made in this prospectus are not guarantees of future performance and that you should not place undue reliance on any of such forward-looking statements. The forward-looking statements are based on the information currently available and are applicable only as of the date of this report. Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including among others, the following:

- our dependence on New Sun until we are able to further diversify our portfolio;
- our ability to qualify and maintain our status as a REIT;
- the sufficiency of our cash or liquid assets to satisfy distribution requirements as a REIT;
- changes in general economic conditions and volatility in financial and credit markets;
- the significant amount of our indebtedness;
- covenants in our debt agreements that may restrict our ability to make acquisitions, incur additional indebtedness and refinance indebtedness on favorable terms;
- increases in market interest rates;
- our ability to pursue and complete acquisitions, including the pending SNF Portfolio Acquisition, and the costs and management attention required to do so;
- the impact of healthcare reform legislation on our business, including regulations proposed or issued by CMS;
- the relatively illiquid nature of real estate investments;
- competitive conditions in our industry;

- the loss of key management personnel;
- uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities; and
- our relationship with New Sun, including the possibility of disputes between us and New Sun and the risk of unfavorable tax treatment as a result of such relationship.

We urge you to carefully review the more detailed disclosures we make concerning risks and other factors that may affect our business and operating results, including those described under Risks Relating to Our Common Stock, Risks Relating to this Offering and Additional Risks Relating to Our Business and any of those made in our other reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2010. The forward-looking statements are qualified in their entirety by these cautionary statements, which are being made pursuant to the provisions of the PSLRA and with the intention of obtaining the benefits of the safe harbor provisions of the PSLRA. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this document. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances except as required by law.

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USE OF PROCEEDS

We are offering shares of our common stock at the public offering price of $14.75 per share. The total proceeds to us, before expenses, from our sale of shares of common stock in this offering will be $142.6 million, after deducting the underwriting discounts and commissions of $7.9 million. If the underwriters exercise their over-allotment option in full, the total proceeds to us, before expenses, will be $163.9 million.

We intend to contribute the proceeds to us from this offering to the Operating Partnership, which will in turn use a portion of the proceeds to fund the aggregate purchase price of $97.5 million for the SNF Portfolio. The closing of the SNF Portfolio Acquisition is subject to a number of conditions, including, but not limited to, completion of our due diligence investigation of the SNF Portfolio. This offering is not conditioned upon the closing of the SNF Portfolio Acquisition. The remaining proceeds to us, or if the SNF Portfolio Acquisition is not consummated, all of the proceeds to us from this offering, will be used to fund possible future acquisitions or for general corporate purposes. Accordingly, we will retain broad discretion over the use of such proceeds.

Consistent with our business strategy, we expect that the focus of any future acquisitions will be on the acquisition of healthcare facilities, including skilled nursing facilities, senior housing facilities (which may include assisted living, independent living and continuing care retirement community facilities) and hospitals, that are diversified by geography, asset class and tenant. Subject to our investment guidelines and to the extent consistent with maintaining our REIT qualification, we intend to pursue acquisitions that provide attractive opportunities for dividend growth and appreciation of asset values, while maintaining balance sheet strength and liquidity, thereby creating long-term stockholder value. See Business Business Strategies included in our Annual Report on Form 10-K for the year ended December 31, 2010, which is incorporated by reference into this prospectus. We intend to structure our acquisitions with triple-net leases. However, we may choose to pursue other forms of investment structures, including taxable REIT subsidiary structures, mezzanine and secured debt investments, and joint ventures. The allocation of our capital for future investments in properties will depend on prevailing market conditions at the time we invest and may change over time in response to different prevailing market conditions, including with respect to interest rates and general economic, capital market and credit market conditions.

Pending the uses as described above, we may invest the proceeds to us from this offering in interest-bearing short-term investments, including money market funds and/or accounts, that are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from property acquisitions.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2011:

- on an actual basis;
- on an as adjusted basis to give effect to (a) the issuance and sale of 10.2 million shares of our common stock in this offering and the receipt by us of proceeds, before expenses, of $142.6 million, and (b) the use of cash on hand to acquire Texas Regional Medical Center at Sunnyvale and Oak Brook Health Care Center. See Prospectus Summary Recent Developments ; and
- on a pro forma as adjusted basis to give effect to (a) the issuance and sale of 10.2 million shares of our common stock in this offering and the receipt by us of proceeds, before expenses, of $142.6 million, (b) the use of cash on hand to acquire Texas Regional Medical Center at Sunnyvale and Oak Brook Health Care Center, and (c) the use of cash on hand and a portion of the proceeds to us from this offering as described in Use of Proceeds included elsewhere in this prospectus to acquire the SNF Portfolio. See Prospectus Summary Recent Developments.

You should read this table together with Use of Proceeds and Prospectus Summary Selected Financial and Operating Data included elsewhere in this prospectus, as well as our consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2010 and in our Quarterly Report on Form 10-Q for the three months ended March 31, 2011, which are incorporated by reference into this prospectus.

	AS OF MARCH 31, 2011 (in thousands)		
	ACTUAL	AS ADJUSTED (1)	PRO FORMA AS ADJUSTED (1)
Cash and cash equivalents	$ 80,210	$ 147,528	$ 47,714
Long term debt, including amounts due within one year			
Mortgage indebtedness	$ 160,676	$ 160,676	$ 160,676
Senior unsecured notes	225,000	225,000	225,000
Senior secured revolving credit facility (2)			