NATIONAL HEALTH INVESTORS INC
Form DEF 14A
March 19, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant [x]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[x]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

National Health Investors, Inc.
(Name of Registrant as Specified in its Charter)

Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[x]	No fee required.		
[ ]	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.		
	(1)	Title of each class of securities to which transaction applies:	
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	(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the	

amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NATIONAL HEALTH INVESTORS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD FRIDAY, MAY 7, 2010, 11:00 A.M. CDT

To Our Shareholders:

We cordially invite you to attend the Annual Meeting of the Shareholders (the Meeting) of National Health Investors, Inc. (NHI or the Company). It will be held at the Center for the Arts, 110 W. College Street, Murfreesboro, Tennessee on Friday, May 7, 2010, at 11:00 a.m. CDT, for the following purposes:

(1)

To elect two directors; Ted H. Welch, who currently serves as a director of the Company, and J. Justin Hutchens, a new director;

(2)

To ratify the Audit Committee s selection of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010; and

(3)

To transact such other business as may properly come before the Meeting or any continuances of it.

The Board of Directors has fixed the close of business on Monday, March 8, 2010 (the Record Date), for the determination of shareholders who are entitled to vote at the Meeting, including any continuances.

To assure your representation at the Meeting, the Board of Directors solicits votes by the execution and prompt return of the proxy in the enclosed return envelope by mail or by use of our telephone or Internet voting procedures. Any shareholder attending the Meeting may vote in person even if he or she has returned a proxy. Whether you are able to attend the Meeting or not, we urge you to indicate your vote as follows:

*

FOR the election of Mr. Welch and Mr. Hutchens as Directors of NHI;

*

FOR ratification of the Audit Committee s selection of BDO Seidman, LLP as our independent registered public accounting firm for the year ending December 31, 2010.

By order of the Board of Directors,

/s/ SUSAN V. SIDWELL

Corporate Secretary

Murfreesboro, Tennessee

March 19, 2010

NATIONAL HEALTH INVESTORS, INC.

222 Robert Rose Drive

Murfreesboro, Tennessee 37129

PROXY STATEMENT

The accompanying proxy is solicited by the Board of Directors of National Health Investors, Inc. (NHI or the Company) to be voted at the Annual Meeting (the Meeting) of the Shareholders to be held on Friday, May 7, 2010, commencing at 11:00 a.m. CDT and at any continuances of the Meeting. The Meeting will be held at the Center for the Arts, 110 W. College Street, Murfreesboro, Tennessee. It is anticipated that this Proxy Statement and the form of proxy solicited on behalf of our Board of Directors will be filed with the Securities and Exchange Commission (SEC) and an accompanying Notice mailed to our shareholders on March 19, 2010.

If a shareholder duly executes and returns a proxy in the accompanying form or uses our telephone or Internet voting procedures to authorize the named proxies to vote the shareholder s shares, those shares will be voted as specified, and if no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. The proxy and any votes cast using our telephone or Internet voting procedures may be revoked prior to exercise by (a) filing with the Secretary of the Company a written revocation, (b) by executing a later dated proxy, (c) by casting a later vote using the telephone or Internet voting procedures, or (d) by attending the Meeting and voting in person.

As permitted by the SEC, we are making this Proxy Statement and our 2009 Annual Report on Form 10-K (the 2009 Annual Report) available to our shareholders electronically via the Internet. **If you received a Notice by mail, you will not automatically receive a printed copy of the proxy material in the mail.** Instead, the Notice instructs you how to access and review all of the important information contained in the Proxy Statement and 2009 Annual Report. The Notice also instructs you how to submit your vote over the Internet. If you received a Notice by mail and would like to receive a printed copy of the proxy materials, you should follow the instructions for requesting such materials included in the Notice.

VOTING SECURITIES

Only shareholders of record at the close of business on Monday, March 8, 2010, (the Record Date), are entitled to notice of and to vote at the Meeting or any continuances. On March 8, 2010, we had outstanding 27,634,927 shares of our Common Stock, par value $.01 per share (Common Stock). We have no class or series of shares currently outstanding other than our Common Stock. Each holder of the shares of Common Stock is entitled to one vote per share on all matters properly brought before the Meeting. Shareholders are not permitted to cumulate votes for the purpose of electing directors or otherwise. There are no rights of appraisal or similar dissenter's rights with respect to any matter to be acted upon pursuant to this proxy statement.

EQUITY OWNERSHIP OF CERTAIN PRINCIPAL BENEFICIAL OWNERS

The following information is based upon filings made by the persons or entities identified below with the SEC. Except as set forth below, on March 8, 2010, no person was known to us to own beneficially more than 5% of the outstanding Common Stock:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	2,193,519	7.94%
Common Stock	Dorothy B. Adams 5380 Gulf of Mexico Drive, Suite 105 Longboat Key, FL 34228	1,927,122	6.97%
Common Stock	BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,650,471	5.97%
Common Stock	National HealthCare Corporation 100 Vine Street, Suite 1400 Murfreesboro, TN 37130	1,630,462	5.90%
Common Stock	W. Andrew Adams 222 Robert Rose Drive Murfreesboro, TN 37129	1,462,420(1)	5.28%

(1) Ownership as defined by the SEC and not as defined in real estate investment trust regulations. Includes options to purchase 65,000

shares of Common Stock.

EQUITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table shows the beneficial ownership, reported to us as of March 8, 2010, of our Common Stock of each director and each executive officer listed in the table below, and of the directors and executive officers as a group:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership[1]	Percent of Class
Common Stock	W. Andrew Adams 222 Robert Rose Drive Murfreesboro, TN 37129	1,462,420[2]	5.28%
Common Stock	Robert A. McCabe, Jr. 211 Commerce St., Ste. 300 Nashville, TN 37201	31,000[3]	*
Common Stock	Robert T. Webb 141 E. MTCS Road Murfreesboro, TN 37129	170,570[4]	*
Common Stock	Ted H. Welch 611 Commerce St., Ste. 2920 Nashville, TN 37203	143,799[5]	*
Common Stock	J. Justin Hutchens 222 Robert Rose Drive Murfreesboro, TN 37129	116,138[6]	*
Common Stock	Roger R. Hopkins 222 Robert Rose Drive Murfreesboro, TN 37129	37,425[7]	*
Common Stock	Kristin S. Gaines 222 Robert Rose Drive	43,185[8]	*

	Murfreesboro, TN 37129		
Common Stock	All Directors and Executive Officers as a group 7 persons	2,004,537[9]	7.15%

* Less than 1%

(1) Except as otherwise noted, all shares are owned beneficially with sole voting and investment power. For purposes of computing the amount of shares of each person, all directors and executive officers as a group, and the percent of class, the number of shares outstanding includes shares purchasable by such persons upon exercise of outstanding options that are presently exercisable or will become exercisable within 60 days of March 8, 2010, as noted in (9) below.

(2) Includes options to purchase 65,000 shares of Common Stock. Mr. Adams expressly disclaims ownership in 222,307 shares which are owned by a private foundation of which he is a director.

(3) Includes options to purchase 30,000 shares of Common Stock.

(4) Includes options to purchase 60,000 shares of Common Stock.

(5) Includes options to purchase 90,000 shares of Common Stock.

(6) Includes options to purchase 100,000 shares of Common Stock.

(7) Includes options to purchase 21,666 shares of Common Stock.

(8) Includes options to purchase 38,332 shares of Common Stock.

(9) Includes options to purchase 404,998 shares of Common Stock.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

NHI is managed by its four-person Board of Directors. On March 10, 2010, the Board of Directors elected to expand the size of the Board to five members. A director may be removed from office for cause only. Officers serve at the pleasure of the Board of Directors for a term of one year.

The following table gives information about our directors and executive officers:

Name	Age	Position	Expiration of term
W. Andrew Adams	64	Chairman of the Board and CEO(1)	2011
Robert A. McCabe, Jr.	59	Director(2)	2011
Robert T. Webb	65	Director	2012
Ted H. Welch	76	Director	2010
J. Justin Hutchens	35	President and COO(3)	-
Roger R. Hopkins	48	Chief Accounting Officer	-
Kristin S. Gaines	38	Chief Credit Officer	-

(1) Mr. Adams served as President and CEO until February 25, 2009. Mr. Adams has remained with us as CEO and Chairman of the Board of Directors.

(2) All directors except Mr. McCabe were first elected in 1991. Mr. McCabe was first elected in 2001.

(3) Mr. Hutchens joined the Company as President and Chief Operating Officer effective February 25, 2009. Mr. Hutchens has been nominated to be elected as a director at the Meeting.

W. Andrew Adams has been our Chairman of the Board and Chief Executive Officer since our inception in 1991. Mr. Adams was President and Chief Executive Officer of National HealthCare Corporation (NHC) until he resigned those positions in 2004. He remains on its Board of Directors, and served as Chairman of the Board until 2008. Mr. Adams served as President of National Health Realty, Inc. (NHR) from 1997 until November 2004 and served as Chairman of the Board until NHR was acquired by NHC in 2007. Mr. Adams has previously served on the Boards of Assisted Living Concepts, SunTrust Bank, David Lipscomb University and the Boy Scouts of America. He received his B.S. and M.B.A. degrees from Middle Tennessee State University. The Board concluded Mr. Adams should serve as a director of the Company based on his role as Chief Executive Officer of the Company, extensive experience in the healthcare and REIT industry and his thorough understanding of the healthcare industry.

Robert A. McCabe, Jr. (Independent Director) has served as a director of the Company since February 2001. Mr. McCabe has been Chairman of Pinnacle Financial Partners in Nashville, Tennessee since August, 2000. He began his banking career with the former Park National Bank of Knoxville, Tennessee (PNB) and held numerous executive positions with PNB and its successor, First American National Bank. In 1994, Mr. McCabe was appointed vice chairman of First American Corporation. In March 1999, he was appointed by First American to manage all banking and non-banking operations, a position he held until First American's merger with AmSouth Bancorporation in October 1999. Mr. McCabe also serves as a director of Nashville Electric Service and SSC Services of Knoxville, Tennessee. Mr. McCabe was also a director of Goldleaf Financial Solutions, Inc. until its sale in 2009. He is also a member of the World President's Organization, Chief Executives Organization, serves as Chairman of the Board of Trustees of The Ensworth School and is immediate past chairman of Cheekwood Botanical Gardens and Museum of Art. He is also the past chairman of the Middle Tennessee Boy Scout Council, The Nashville Symphony and the Nashville Downtown Partnership. Mr. McCabe received his M.B.A. from the University of Tennessee and graduated from the Advanced Management Program of Harvard Business School. Mr. McCabe is Chairman of NHI s Audit

Committee, and is a member of the Nominating and Corporate Governance Committee and Compensation Committee. The Board concluded Mr. McCabe should serve as a director of the Company because of his extensive leadership experience, his understanding of finance, accounting and the banking industry, and his independence from the Company.

Robert T. Webb (Independent Director) has served as a director of the Company since its inception in 1991. Mr. Webb is the owner of commercial buildings and rental properties in the Middle Tennessee area and is a subdivision developer. Additionally, Mr. Webb is the President (retired) and principal owner of Webb s Refreshments, Inc., which has been in operation serving the Middle Tennessee area since 1976. He attended David Lipscomb College and received a B.A. in business marketing from Middle Tennessee State University in 1969. Mr. Webb is Chairman of NHI's Nominating and Corporate Governance Committee, and is a member of the Audit Committee and Compensation Committee. The Board concluded Mr. Webb should serve as a director of the Company based on his extensive real estate business experience, his leadership qualities and his independence from the Company.

Ted H. Welch (Independent Director) has served as a director of the Company since its inception in 1991. Mr. Welch serves on the Board of Directors of FirstBank, SSC Service Solutions and the U.S. Chamber of Commerce. Mr. Welch received a B.S. from the University of Tennessee at Martin, attended the Graduate School of Management at Indiana University, and has received an Honorary Doctorate degree from Freed-Hardeman University. Mr. Welch is Chairman of NHI s Compensation Committee, and is a member of the Audit Committee and Nominating and Corporate Governance Committee. The Board concluded Mr. Welch should serve as a director of the Company because on his extensive leadership experience, his understanding of finance and the real estate industry, and his independence from the Company.

J. Justin Hutchens was appointed as the President and Chief Operating Officer of NHI on February 25, 2009. Prior to joining NHI, he held both regional and national management positions with assisted living and long-term care operating companies. Mr. Hutchens has national operating experience as the Senior Vice-President & COO of Summerville Senior Living in 2003 until the Summerville merger with Emeritus Senior Living (NYSE:ESC) in 2007 at which time he was appointed the Executive Vice-President & COO role of Emeritus. He received a B.S. degree in Human Services from the University of Northern Colorado in Greeley, CO. Mr. Hutchens undertook his graduate studies in Management at Regis University in Denver, CO. He completed an Executive Management Program studying Measurement and Control of Organizational Performance at the University of Michigan in Ann Arbor, MI. Mr. Hutchens has been nominated as a director of the Company based on his planned succession to the role of Chief Executive Officer and his executive experience in the long-term care industry.

Roger R. Hopkins joined us in 2006 and was named Chief Accounting Officer on December 31, 2006. Until 2006, he was a partner in the Tennessee regional accounting firm of Rodefer Moss & Co, PLLC. He was previously a senior manager in the Nashville, Tennessee office of Deloitte & Touche. Mr. Hopkins received his B.S. degree in accounting from Tennessee Technological University in 1982 and is a Certified Public Accountant.

Kristin S. Gaines (Chief Credit Officer) joined the Company on March 13, 1998 as a Credit Analyst and later Assistant Vice President, Finance and Vice President, Operations, in charge of overseeing portfolio compliance and underwriting. Ms. Gaines received her B.B.A. in Accounting from Middle Tennessee State University in 1993 and her M.B.A. from Middle Tennessee State University in 1998.

Board of Directors and Committees of the Board

Our Company is led by Mr. W. Andrew Adams, who has served as our Chairman and Chief Executive Officer since the Company was founded in 1991. Our Board of Directors is comprised of Mr. Adams and three independent directors. Mr. Adams presides over meetings of the full board. The Board of Directors has three standing independent committees with separate chairs the Nominating and Corporate Governance Committee, Audit Committee, and Compensation Committee. Mr. Adams does not serve on any of these committees. The Company does not have a lead director, but our corporate governance guidelines provide that our non-management directors will meet in executive session at least annually and generally each quarter.

We believe that this leadership structure has been effective for the Company. Our corporate leadership structure is commonly utilized by other public companies in the United States. We believe that having Mr. Adams as Chairman and CEO together with independent chairs for each of our board committees provides the right form of leadership for the Company. We have a single leader for our Company and he is seen by our customers, business partners, investors and other stakeholders as providing strong leadership for the company and in the healthcare industry. Our Board plans to expand by adding Mr. Hutchens as a Board member. This is consistent with our leadership structure as the

Board is implementing a succession plan whereby Mr. Hutchens will become the CEO. Upon the retirement of Mr. Adams as CEO, the Board will reconsider its structure and may separate the role of chairman and CEO in order to retain Mr. Adams in the role of chairman.

Our full board regularly engages in discussions of risk management and receives reports on risk management from members of management. Each of our other board committees also considers the risk within its areas of responsibility. We believe this structure provides effective oversight of the risk management function.

The Board of Directors held 14 meetings during 2009. All directors were present at the meetings of the Board. The Company strongly urges, but does not require, directors to attend the Annual Meeting of Shareholders. All directors were in attendance at the 2009 Annual Meeting.

The Board of Directors has determined that no director other than Mr. Adams has a material relationship with the Company. Accordingly, Mr. McCabe, Mr. Webb and Mr. Welch are   independent   directors based on an affirmative determination by our Board of Directors in accordance with the listing standards of the New York Stock Exchange (NYSE) and the SEC. Provided Mr. Hutchens is elected to the Board, as President and Chief Operating Officer, he will not be an   independent   director based on the listing standards of the NYSE.

The three standing committees of the Board of Directors are the Audit Committee, the Nominating and Governance Committee, and the Compensation Committee, the charters of which are provided on our website at www.nhinvestors.com. Each committee is comprised of at least three independent directors, and each committee is submitting a report in this Proxy Statement. Each committee adopted its respective charter, which provides that each committee elect a chairman. The committee meetings serve as the vehicle for addressing matters at a detailed level which are then brought to the full Board of

Directors for specific action. During the Board meetings, there are regularly scheduled Executive Sessions of the independent directors. A presiding director of each Executive Session meeting is elected by the independent directors in attendance. The independent directors listed above are each members of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee. Provided Mr. Hutchens is elected as a director, he will not serve on any of the committees.

The Board of Directors has adopted the NHI Code of Business Conduct and Ethics and the NHI Valuesline program which are described on our website. This Proxy Statement contains a description of our Valuesline program under the caption Shareholder Communications.

The Board of Directors has determined that the chairman of the Audit Committee, Mr. McCabe, meets the SEC s definition of audit committee financial expert and all three members of the Audit Committee are financially literate as required by NYSE rules. The Company has determined that Mr. McCabe is independent, as independence for audit committee members is defined under the NYSE listing standards. We maintain an internal audit function as required by NYSE rules to provide management and the Audit Committee with ongoing assessment of our risk management processes and system of internal control over financial reporting. During 2009, we outsourced this internal audit function to Rodefer Moss & Co., a Tennessee regional accounting firm with significant experience in providing audit and non-audit related services to its SEC clients.

COMMITTEE REPORTS

Report of the Audit Committee

The primary functions of the NHI Audit Committee are to assist the Board of Directors in fulfilling its oversight responsibilities with respect to: (a) the Company's systems of internal controls regarding finance, accounting, legal compliance and ethical behavior; (b) the Company's auditing, accounting and financial reporting processes; (c) the Company's financial statements and other financial information provided by the Company to its shareholders, the public and others; (d) the Company s compliance with legal and regulatory requirements; and (e) the performance of the Company s internal audit function and independent auditors. The Committee has the sole authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors or nominate the independent auditors for shareholder approval. The Committee approves all audit engagement fees and terms and all non-audit engagements with the independent auditors.

During 2009, the Audit Committee met 5 times and all members were present at the meetings. At the 2009 Annual Meeting, shareholders ratified the Audit Committee s selection of BDO Seidman, LLP (BDO) as the independent registered public accounting firm for the 2009 fiscal year. BDO was engaged to review the condensed consolidated financial statements set forth in our Quarterly Report on Form 10-Q for each of the first three quarters of 2009 and to audit the Company s consolidated financial statements set forth in our Annual Report on Form 10-K for the year ended December 31, 2009. Our Company s management has the primary responsibility for the preparation of the financial statements and the periodic filings with the SEC.

The responsibility of BDO is to express an opinion on the conformity, in all material respects, of the Company s audited consolidated financial statements and financial statement schedules with accounting principles generally accepted in the United States of America, and to express an opinion on the effectiveness of the Company s internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and their reports dated February 20, 2010 expressed an unqualified opinion thereon.

The Audit Committee (a) reviewed and discussed with management and BDO the quarterly and annual financial statements and disclosures of the Company contained in Forms 10-Q and Form 10-K, respectively, (b) reviewed internal operating reports with management, and (c) made detailed inquiries of the Company s internal auditor and independent auditor as part of the Committee s review of the Company s internal controls over financial reporting. During Audit Committee meetings, the members met in executive session individually with the President, the Chief Accounting Officer (who also oversees Sarbanes-Oxley §404 compliance) and the internal auditor and BDO, whenever the Audit Committee deemed it appropriate. The Audit Committee has discussed with BDO the matters required by generally accepted auditing standards and as required by SEC and NYSE rules. In addition, the Audit Committee has received from and discussed with BDO the written disclosures and letter from BDO required by the applicable requirements of the Public Company Accounting Oversight Board regarding BDO s communications with the audit committee concerning independence and concluded that BDO remains independent from management and the Company.

Independent Registered Public Accounting Firm Fees and Services

The aggregate professional fees billed by BDO for each of the following categories of services for the past two years are set forth below:

	2009	2008
Audit Fees (audit of annual financial statements and disclosures in Form 10-K; review of financial statements and disclosures in Form 10-Q; Sarbanes-Oxley 404 attestation services)	$340,697	$295,914
Audit-Related Fees (SEC comment letter consultation and other technical issues)		23,640
Tax Fees (tax compliance and consultation)		3,727
All Other Fees		

The Audit Committee exercised its responsibility to pre-approve all services provided by BDO within the categories listed above. The Audit Committee delegates to the Chairman of the Committee the authority to pre-approve fees for services to be provided by BDO until a formal annual audit plan and fee estimate is presented to a regularly scheduled meeting of the Audit Committee for review and approval.

In reliance on the reviews and discussions referred to above, the responsibilities outlined in the Restated Audit Committee Charter and legal requirements applicable for 2009, the Audit Committee recommended to the Board of Directors, and the Board approved, that the audited consolidated financial statements and Management s Annual Report on Internal Control Over Financial Reporting be included in the Company's Annual Report on Form 10-K to the SEC for the year ended December 31, 2009.

This report is hereby submitted by the NHI Audit Committee.

Robert A. McCabe, Jr., Chairman

Robert T. Webb

Ted H. Welch

Report of the Compensation Committee

The purpose of the Compensation Committee is to discharge the responsibilities of the Board relating to the compensation of our executive officers and to review and approve senior officer s compensation. The Compensation Committee met 3 times during 2009. All members were present at each meeting.

Compensation Discussion and Analysis

Prior to March 31, 2008, we operated under an Advisory, Administrative Services and Facilities Agreement (the Advisory Agreement) whereby the management advisor, Management Advisory Source, LLC (MAS) formed by NHI s President and Board Chairman, W. Andrew Adams managed all of our day-to-day business affairs and provided all administrative services through its personnel or through other contractual agreements, all subject to the supervision and policies established by our Board of Directors. On December 3, 2007, we elected to become a self-managed REIT with our own management reporting directly to the Board of Directors and we notified MAS of our intent to terminate the Advisory Agreement effective March 31, 2008. As a result, other than stock options and restricted stock grants, the Compensation Committee did not determine compensation of its executive officers prior to March 31, 2008; rather this was determined by MAS under the Advisory Agreement.

Beginning in March 2008, the objective of our compensation programs became to actively motivate and retain qualified senior officers and other key employees who are responsible for our success. The compensation program is designed to reward our officers for the Company s performance as a whole and for the officer s individual effort in achieving the Company s goals. Our compensation program includes the elements of (a) a base salary that is reflective of job responsibilities, expertise, and comparability to the same positions with companies in our peer group, (b) an annual bonus to reward individual effort in achieving the Company s goals, and (c) share-based compensation to align the financial interests of our senior officers with those of our shareholders. Since our compensation programs have only been developed since March 2008, this is an area that the Compensation Committee is still actively reviewing and revising. The Compensation Committee has not engaged a compensation consultant to date.

The Compensation Committee reviews the compensation of companies within our peer group. Our peer group is seven other REITS, primarily in the healthcare industry, and includes: HCP, Inc.; Health Care REIT, Inc.; LTC Properties, Inc.; Nationwide Health Properties, Inc.; Omega Healthcare Investors, Inc.; Senior Housing Properties Trust and Ventas, Inc. We believe our executive officers compensation is generally lower than the compensation received by executive officers in similar positions within our peer group. The Compensation Committee specifically discussed, and concluded that we do not believe our policies and practices of compensating our employees, including non-executive officers, are reasonably likely to have a material adverse effect on the Company because such policies and practices do not relate to risk management practices and risk-taking incentives.

Chief Executive Officer

On January 29, 2008, we received notice from Mr. Adams that he intended to resign as President of NHI. On April 1, 2008, the Company entered into a Consulting Agreement with Mr. Adams pursuant to which he agreed to continue to act as Chief Executive Officer and President of the Company and help in the selection of a new executive officer. The agreement provided that Mr. Adams would be paid $1. However, the Consulting Agreement contemplated that the Company at its sole election, pay Mr. Adams additional compensation. On December 12, 2008, the Compensation Committee approved the payment of a bonus of $900,000 to Mr. Adams for his services as interim CEO and President for the period from April 1, 2008 through December 31, 2008. On February 20, 2009, the Compensation Committee approved the payment of $180,822 to Mr. Adams for his services as interim CEO for the period from January 1, 2009 through February 24, 2009.

Effective February 25, 2009, the Company entered into an Amended and Restated Consulting Agreement with Mr. W. Andrew Adams pursuant to which Mr. Adams agreed to continue as Chief Executive Officer of the Company. The Consulting Agreement provided that Mr. Adams be paid during the first twelve months of the agreement, an annual salary equal to 95% of the total compensation received by the highest paid employee of the Company. Based on this Consulting Agreement, Mr. Adams was paid $785,929 for services provided from February 25, 2009 to December 31, 2009.

In March 2010, the Consulting Agreement was amended again. As amended, the Consulting Agreement provides that Mr. Adams will continue to transition the position of Chief Executive Officer to Mr. Hutchens, which transition will be completed on or before March 1, 2011. Mr. Adams will continue to provide consulting services, even though on a more limited basis, to the Company with respect to (i) capital formation strategy and balance sheet structure, (ii) legal issues, (iii) assisting the President with the identification and employment of individuals to fill certain key positions, (iv) ongoing Securities and Exchange Commission filings and (v) goal setting and strategic planning. Mr. Adams will not be involved in the review, analysis or negotiation of any potential new investments. As a result of this transition, Mr. Adams annual compensation will be reduced to 65% of the base salary and annual incentive award (or cash performance incentive plan, as applicable) paid to the highest paid employee of the Company. Mr. Adams shall also be entitled to receive an equity grant equal to 65% of the equity granted made to the highest paid employee of the Company. In addition, the Directors, at their sole discretion, may pay Mr. Adams a bonus amount for the services provided. Thus for 2010, Mr. Adams will be entitled to a base salary of $247,000 and a bonus equal to 65% of the bonus paid to Mr. Hutchens. On March 19, 2010, Mr. Adams was granted options to purchase 65,000 shares of Common Stock at the closing price of our Common Stock on March 19, 2010. The option was fully vested on the date of grant.

President and Chief Operating Officer

Effective February 25, 2009, the Company appointed J. Justin Hutchens as President and Chief Operating Officer of the Company. In connection with the appointment of Mr. Hutchens, the Company entered into an employment agreement (the Agreement) with Mr. Hutchens. The Agreement has a three year term and provides an initial base salary of $380,000 and an initial annual bonus of $380,000. The Agreement provides Mr. Hutchens with the option of an alternative compensation at his election under a Cash Performance Incentive Plan which is driven by the Company s funds from operation (FFO) and dividend growth. Under the Cash Performance Incentive Plan, Mr. Hutchens would also be entitled to an FFO Bonus based on the Company s recurring FFO as defined in the Agreement and a Dividend Bonus based on the Company s recurring dividends as defined in the Agreement. The Agreement provides for a grant of options to purchase 100,000 shares of Common Stock of the Company at the market price on the date of grant on the effective date of the Agreement and on each anniversary of the effective date of this Agreement until 2018, provided he remains employed by the Company on such anniversary date.

For 2009, Mr. Hutchens received a salary of $380,000 and a bonus of $380,000 as provided in the Agreement. On February 25, 2009, Mr. Hutchens received options to purchase 100,000 shares at an exercise price of $25.29 per share. The Agreement also provided for a sign-on bonus of $120,000 and a relocation allowance of $150,000, which amounts were paid in 2009.

In March 2010, the Agreement was amended and provides that Mr. Hutchens will become Chief Executive Officer of the Company when Mr. Adams resigns from such position, on or before March 1, 2011. The Agreement Amendment provides that the Agreement will be extended until the third anniversary of the Agreement Amendment and such term shall automatically be extended for an additional one year period on the first anniversary of the Agreement Amendment unless 90 days prior notice is given by either party. The Agreement Amendment further provides that if his employment is terminated due to a Without Cause Termination or Constructive Discharge (as each are defined in the Agreement), the Company will pay Mr. Hutchens in a lump sum payment upon such termination an amount equal to $380,000. If Mr. Hutchens resigns his employment with the Company during the term of the Agreement other than due to a Constructive Discharge, Mr. Hutchens will pay the Company in a lump sum an amount equal to $380,000 upon such termination. In addition, Mr. Hutchens elected to be compensated under the Cash Performance Incentive Plan. The Cash Performance Incentive Plan, as amended, provides a base salary of $380,000 for 2010 and provides an FFO Bonus based on the Company s recurring FFO as defined in the Agreement and a Dividend Bonus based on the Company s recurring dividends as defined in the Agreement. For 2010, the potential FFO Bonus is $290,000, provided the recurring FFO goal is met and the minimum Dividend Bonus is $290,000, provided the recurring dividend goal is met. On March 19, 2010, Mr. Hutchens was granted options to purchase 100,000 shares of Common Stock at the closing price of our Common Stock on March 19, 2010. The option was fully vested on the date of grant.

Other Named Executive Officers

On March 2, 2010, Mr. Hopkins base salary was set at $250,000 and Mr. Hopkins received a bonus for 2009 of $75,000. Mr. Hopkins incentive plan for 2010 provides for a bonus potential of up to $78,000 based on achieving certain goals related to timing of SEC filings and successfully contributing to the achievement of recurring FFO and dividend payout goals. In addition, on March 2, 2010, the Company granted Mr. Hopkins options to purchase 50,000 shares of our Common Stock at a purchase price of $34.48 per share. Mr. Hopkins option vested one third on the date of grant and one third on each of the first and second anniversary of the date of grant.

On March 2, 2010, Kristin S. Gaines was appointed Chief Credit Officer of the Company. Ms. Gaines base salary was set at $125,000 and Ms. Gaines received a bonus for 2009 of $90,000. Ms. Gaines incentive plan for 2010 provides for a bonus potential of up to $125,000 based on achieving goals related to new transactions, compliance analysis and contributing to the achievement of recurring FFO and dividend payout goals. In addition, on March 2, 2010, the Company granted Ms. Gaines options to purchase 50,000 shares of our Common Stock at a purchase price of $34.48 per share. Ms. Gaines option vested one third on the date of grant and one third on each of the first and second anniversary of the date of grant.

Role of Executive Officers in Determining Compensation

The Compensation Committee makes all final determinations with respect to executive officers compensation, based on information provided by management and an appraisal of the Company s financial status. The Chief Executive Officer does make recommendations to the Compensation Committee relating to the compensation of executive officers who directly report to him, but the Compensation Committee has full autonomy in determining executive compensation.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally provides that compensation in excess of $1 million paid to certain executive officers is not deductible unless it is performance-based. The Compensation Committee will periodically review and consider whether particular compensation and incentive payments to the Company s executives will be deductible for federal income tax purposes. However, the Compensation Committee retains the ability to evaluate the performance of the Company s executives and to pay appropriate compensation, even if it may result in the non-deductibility of certain compensation under federal tax law.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management, and based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

This Report is hereby submitted by the NHI Compensation Committee.

Ted H. Welch, Chairman

Robert A. McCabe, Jr.

Robert T. Webb

This report of the Compensation Committee shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933 or the Securities Exchange

Act of 1934, except to the extent that we specifically incorporate this information by reference, and shall not otherwise be deemed filed under these acts.

2009 Summary Compensation Table

The following table sets forth the compensation earned by the Chief Executive Officer, Chief Operating Officer and Chief Accounting Officer at December 31, 2009 or during the 2009 fiscal year (collectively, the Named Executive Officers) for their services in all capacities to the Company for the 2009, 2008 and 2007 fiscal years. Ms. Gaines was named Chief Credit Officer on March 2, 2010, but was not considered a Named Executive Officer at December 31, 2009.

Name and Principal Position(1)	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(2)	Non-Equity Incentive Plan Comp. ($)	Change in Pension Value and Nonqualified Deferred Comp. Earnings ($)	All Other Comp. ($)	Total ($)
W. Andrew Adams	2009		966,751						966,751
	2008		1,762,000						1,762,000(3)
Chief Executive Officer	2007		3,625,000						3,625,000(3)
J. Justin Hutchens	2009	299,615	436,667(4)		257,300			150,000(5)	1,143,582
Chief Operating Officer	2008	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Roger R. Hopkins	2009	218,269	75,000		178,784			3,450(6)	475,503
Chief Accounting Officer	2008	200,000	40,000	58,480	24,567				323,047
	2007	140,000	50,000						190,000

(1) Only Mr. Adams, Mr. Hutchens and Mr. Hopkins meet the SEC s definition of Executive Officer for NHI, and were paid in excess of $100,000.

(2) Represents amounts to be expensed by us over the vesting period for grants made to executive officers. Such grants provide our executive officers the opportunity to purchase shares of NHI Common Stock at some future date at the fair market value of the stock on the date of the grant. The dollar value of the stock option grants is based on the grant date fair value. For additional information on the valuation assumptions with respect to the 2009 expense, refer

to Note 11 of NHI s consolidated financial statements in Form 10-K for the year ended December 31, 2009, as filed with the SEC. The grant date fair value does not represent cash received by the executive in 2009. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our Common Stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align management s interests with those of our stockholders.

(3) In 2007 and the period from January 1, 2008 through March 31, 2008, NHI paid an Advisory Agreement fee to Management Advisory Source, LLC (MAS) a company wholly owned by Mr. Adams and described in this Proxy Statement under the caption Certain Relationships and Related Transactions . As described, on April 1, 2008, we entered into a Consulting Agreement with Mr. Adams. Fees earned by MAS and Mr. Adams are shown in the table above as a bonus.

(4) Includes a signing bonus of $120,000.

(5) Mr. Hutchens received $150,000 in relocation payments.

(6) This amount represents the value of dividends Mr. Hopkins received on unvested restricted stock awards.

Grants of Plan-Based Awards in 2009

The following table describes non-equity incentive awards granted to our Named Executive Officers in 2009.

Name	Grant Date	All Restricted Stock Awards: Number of Shares of Stock or Units (#)	All Stock Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($/Sh) (2)
W. Andrew Adams	N/A				
J. Justin Hutchens	2/25/09		100,000[1]	25.29	2.57
Roger Hopkins	2/25/09		50,000[1]	25.29	3.58

(1) On February 25, 2009, the Company granted options to purchase 100,000 shares to Mr. Hutchens and 50,000 shares to Mr. Hopkins. These option grants provided for vesting immediately for Mr. Hutchens and on a straight-line basis on the grant date anniversary over the next two years with one-third vesting immediately for Mr. Hopkins. A change of control of NHI will cause the unvested options to vest immediately.

(2) The grant date fair value and does not represent cash received by the named executive officers in 2009. Stock option grants are designed to provide long-term (up to ten years) incentives and rewards linked directly to the price of our Common Stock. Stock options add value to the recipient only when stockholders benefit from stock price appreciation and, as such, further align management s interests with those of our stockholders.

2009 Option Exercises and Stock Vested At Fiscal Year-End

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	(Spread) Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
W. Andrew Adams				