NEXCORE HEALTHCARE CAPITAL CORP
Form 10-K
April 01, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

[ ] **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

[ ] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: 000-50764

NexCore Healthcare Capital Corp

(Exact name of issuer as specified in its charter)

Delaware	**20-0003432**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1621 18th Street, Suite 250 **Denver, Colorado**	**80202**
(Address of principal executive offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (303) 244-0700

Securities Registered Pursuant to Section 12(b) of the Act: None
Securities Registered Pursuant to Section 12(g) of the Act: **Common Stock, $0.001 per share par value**

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

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

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

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

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

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

Non-accelerated filer [ ] (do not check if smaller reporting company) Smaller Reporting Company [X]

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

As of June 30, 2012, the aggregate market value of the Common Stock of the registrant, all of which is voting, held by non-affiliates was $372,177 based on the closing sale price of $0.45 per share as reported on the OTC Bulletin Board on June 30, 2012. (For this computation, the registrant has excluded the market value of all shares of its Common Stock reported as beneficially owned by executive officers and directors of the registrant; such exclusion shall not be deemed to constitute an admission that any such person is an affiliate of the registrant.) As of March 11, 2013, 50,571,674 shares of the registrant's Common Stock were outstanding.

NEXCORE HEALTHCARE CAPITAL CORP

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ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2012

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FORWARD-LOOKING STATEMENTS

We make statements in this Annual Report on Form 10-K ("Annual Report") that are considered "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which are usually identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "seeks," "s and variations of such words or similar expressions. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and are including this statement for purposes of complying with those safe harbor provisions. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by those forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and uncertainties that may be beyond our control, including without limitation those discussed in the "Risk Factors" section contained in Item 1A of this Annual Report.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. The reader should also carefully review our financial statements and the notes thereto.

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PART I

ITEM 1. BUSINESS

Unless the context requires otherwise, references to "NexCore," the "Company," "we," "our," and "us," in this Annual Report refer to NexCore Healthcare Capital Corp and our subsidiaries.

Company Overview

We provide comprehensive healthcare solutions to hospitals, healthcare systems and physician partners across the United States by providing a full spectrum of strategic and operational consulting, development, acquisition, financing, leasing and asset and property management services within the healthcare industry. We primarily focus on serving and advising our clients with planning and developing outpatient service facilities that target operational efficiencies and lower the cost of delivering healthcare services. We have historically been active in a wide range of healthcare project types, including medical office buildings, medical services buildings, outpatient centers of excellence, freestanding emergency departments, wellness centers and multi-specialty and single-specialty physician group facilities.

We have been recognized by *Modern Healthcare* as one of the top healthcare real estate developers. We and our principals have developed and acquired nearly 5.5 million square feet of commercial real estate. As of December 31, 2012, we managed 23 healthcare facilities comprised of approximately 1.8 million square feet and had one project under development comprised of approximately 43,000 square feet. We and our principals have completed over $880 million of healthcare related real estate transactions on behalf of our high net worth and institutional investors.

Business Strategy

Our business strategy is focused on anticipating the needs of our clients by providing innovative and flexible strategic planning solutions, targeting operational efficiencies and creating optimal financing and real estate structures often in partnership with nationally-competitive, institutional capital sources. Such services assist healthcare providers by lowering healthcare delivery costs and by providing efficient outpatient facilities. The majority of our revenue is derived from investor and project advisory, consultancy and management fees, investment and co-investment returns and profit sharing interests. Any such profit sharing interests are usually recognized upon the occurrence of a monetization event for the development projects in which we are invested or co-invested, such as when a stabilized development project is recapitalized with an institutional investor. We plan to continue our strategy of selectively investing and co-investing our capital with institutional partners and targeting profit sharing interests when appropriate investment opportunities arise.

Operating Strategy

Strong Hospital and Physician Relationships

Our extensive network of healthcare service providers and industry professionals has evolved over two decades and serves as a key asset for us. We continue to develop long-term, favorable relationships with hospital executives, physician practitioners and other healthcare service providers based upon high professional and ethical standards, creativity, reliability and trust. We are able to leverage these relationships along with our reputation, expertise and fully integrated national operating platform to generate new business opportunities with both existing and new clients.

Institutional Capital Sources

We have a successful history of partnering with reputable financial institutions that are often willing to commit relatively low cost capital to the healthcare sector. Having access to such capital sources allows us to effectively compete with much larger firms and pursue healthcare projects of considerable scale. In addition, these joint venture relationships allow us to selectively invest our own capital in conjunction with much greater amounts of institutional capital and target favorable, risk-adjusted investment returns.

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Extensive and Differentiated Product and Service Offerings

Our advisory and consulting services assist our clients with strategic, operational and logistical decision making including site location, facility design and the creation of synergetic practitioner mixes. We also provide creative real estate and financing structures so that clients can deploy their own capital more productively. This process begins with detailed attention to hospital and physician goals and business objectives, and by creating mutually beneficial referral networks and relationships between healthcare service providers to support the targeted long-term success of each project. Our broad product and service offerings allow us to add significant value during each phase of the healthcare delivery spectrum, which enhances our ability to generate additional business opportunities and revenue sources.

Experienced Property Management and Leasing

We manage healthcare projects through a continual focus on tenant satisfaction, retention and referrals. Healthcare real estate is integral to the mission and strategies of healthcare businesses and provides unique characteristics that often add complexities when compared to more generic real estate asset classes. Our experienced leasing team understands the business of healthcare delivery. As such, every effort is made to design each space to promote staffing and operational efficiency and increased throughput. In addition, our property and asset managers are dedicated to promoting long-term relationships and maintaining our reputation, as such attributes are critical assets needed to generate future investment opportunities.

Investment and Client Diversity

We pursue the development of business opportunities in most geographic regions of the country with hospitals, physicians and healthcare systems that operate throughout the United States, while focusing on maintaining and growing a portfolio of managed healthcare investments and projects diversified by characteristics such as geographic location, tenant, medical practice and lease term.

Investment Criteria

Our investment criteria are weighted towards projects that are likely to be successful over the long term, and as such, we focus on how each project or acquisition fits within a hospital and healthcare provider’s strategic business plan. To properly invest our capital, the long-term viability of the operations and business model of each project must be clearly understood. Equally important are industry trends such as regulatory influences and the ongoing focus to treat patients in lower costing offsite care facilities. Other factors influencing our underwriting and structuring decisions are competitive and demographic analysis, strength of clinical programs, alignment with physicians and hospitals, market share and the credit worthiness of the hospital and physician participants.

The healthcare facilities in which we invest are the tangible results of implementing the operational and logistical solutions that we develop to assist our clients in achieving their business objectives. We strive to plan, design and develop centers of excellence to promote staffing and operational efficiency and to reduce costs for our healthcare clients and their patients. This emphasis on operational efficiency and low cost delivery is expected to increase in importance as clinical integration and payment reform advance.

Acquisition and Development Activity

During the year ended December 31, 2012, we assisted our institutional partners in the acquisition and disposition of an assortment of medical office buildings across the country. We normally earn advisory fees upon the closing of such acquisitions and dispositions and begin earning management fees on the applicable acquisition dates.

In December of 2012, the Company invested approximately $1.1 million for a noncontrolling interest in a portfolio of seven medical office buildings with one of its institutional capital partners.

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As part of our healthcare advisory services and development business, we are co-invested in and managing the following healthcare projects through our development joint venture, which is referred to as Venture I:

- **Silver Cross Hospital Medical Services Building** — Construction commenced during October 2010 on this medical services building comprised of approximately 182,000 square feet, referred to as Silver Cross. Construction was completed during the fourth quarter of 2011. In association with this project, we have also successfully completed and leased our first two timeshare programs that focus on attracting additional physicians to the facility on a part-time basis to generate additional revenue and to serve as a potential source of longer-term tenants. The construction loan on this project was refinanced with longer-term debt during the second quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 89% leased.

- **Saint Anthony North Medical Pavilion** — Construction commenced during June 2011 on this medical office building and freestanding emergency department comprised of approximately 48,000 square feet. Construction was completed as of September 30, 2012 and building operation commenced during the third quarter of 2012. The construction loan on this project was refinanced with longer-term debt during the fourth quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 97% leased.

- **Saint Agnes Hospital Medical Office Building** — Construction commenced during November 2011 on this medical office building comprised of approximately 85,000 square feet. Construction was completed during the fourth quarter of 2012. The construction loan on this project was refinanced with longer-term debt during the fourth quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 83% leased.

During the year ended December 31, 2012, we commenced the following projects:

- Three projects at one medical complex for which we provide project management services for the construction of a new catheterization laboratory and surgery room, and for electrical service upgrades. Construction is expected to be completed during the first half of 2013.

- We are providing client consulting services, including strategic planning, feasibility analysis, site selection, and development and project management services, on a medical office building comprised of approximately 42,000 square feet. Construction commenced during the fourth quarter of 2012 and is expected to be completed during the first quarter of 2014.

We have also successfully managed and completed the following development projects:

- Rex Healthcare of Knightdale Wellness Center — We completed the original construction of the approximately 63,000 square foot medical office building during the 2008-2009 timeframe. We later worked with the hospital to strategically locate an adjacent wellness center to complement the client’s orthopedic and cardiology programs, while

developing mutually beneficial relationships between the various healthcare tenants to expand and fully lease the facility. Construction for this wellness center expansion at the medical office building commenced during September 2011 and includes the addition of approximately 14,500 square feet. Construction of the wellness center was completed during the second quarter of 2012.

- United Health Services Outpatient Medical Facility — Construction commenced during December 2010 on this medical facility comprised of approximately 85,000 square feet for which we provided client consulting services including strategic planning, feasibility analysis, site selection and project management services. Construction was completed during the third quarter of 2012.

Outlook for the Healthcare Industry

An increasing demand for healthcare services is being driven by the aging baby boomer generation. The first baby boomers turned 65 in 2011, beginning a prolonged increase of the senior population. This increase will create a significant pipeline of customers for medical providers, increasing the demand for hospital stays, outpatient treatments and doctor visits, as well as a greater need for the development of new outpatient facilities. In addition to the rising age of the baby boomer population, other factors that contribute to the increasing demand for healthcare services include inadequate hospital infrastructures, advancements in outpatient medical technology, the rising cost of inpatient procedures, the decentralization of hospitals and their need to preserve capital and industry regulations and trends focused on reducing healthcare costs.

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Healthcare real estate has continued to be a desirable asset class because of its attractive returns and its inherently stabilizing forces including high barrier to entry markets, strong credit hospital sponsorship, stable rental growth rates, relatively long-term leases, low vacancy rates, and high tenant retention rates, all of which contribute to long-term stable property cash flows. In addition, outpatient medical facilities are driven by need, rather than by speculation and while the industry is not recession-proof, it has shown to be relatively recession-resistant because of its sound fundamentals and the non-cyclical nature of demand for healthcare services.

Competition

When pursuing business opportunities, we compete with regional and national private and public companies and investors. The market remains competitive for these types of assets due to the perceived attractiveness of the healthcare industry and healthcare real estate. Although some of our competitors have substantially greater financial and operational resources than we do, we feel we can effectively compete. We believe that significant growth opportunities will continue to be available for us within our targeted markets and healthcare sectors based upon our long-term relationships, access to institutional capital, level of expertise, the size of the healthcare industry and its fragmentation of facility ownership. When compared to more generic asset classes, healthcare real estate tends to be owned more by smaller private investors and less by public real estate investment trusts, or REITs, and other institutional investors.

We believe that we are well positioned to effectively compete within our targeted markets based upon the following factors:

- We maintain a fully integrated advisory, development, investment and management platform focused solely on the healthcare sector;
- We focus on maintaining robust new business pipelines sourced through a network of healthcare system relationships, property owners, developers, brokerage houses and other industry professionals;
- Our employees concentrate on employing a pro-active approach to achieving creative healthcare solutions, while balancing the needs and objectives of clients and investors;
- We have experience structuring investments and investing and managing capital for both high net worth individuals and institutional investors;
- We maintain a detailed underwriting process focused on mitigating risks and maximizing opportunities under varying scenarios;
- We employ strong risk management functions targeting on-time and on-budget project completion while minimizing risk exposures; and
- We maintain dedicated, hands-on property management and leasing teams working within a “high touch” industry.

Regulatory Matters

The healthcare industry is heavily regulated by U.S. federal, state and local governmental authorities. Our clients generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, billing for services, privacy and security of health information and relationships with physicians and other referral sources. In addition, there could be new laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted.

Many states also regulate the construction of healthcare facilities, the expansion of healthcare facilities, the construction or expansion of certain services, including by way of example specific bed types and medical equipment, as well as certain capital expenditures through certificate of need, or CON, laws. Under such laws, the applicable state regulatory body must determine a need exists for a project before the project can be undertaken. If one of our clients seeks to undertake a CON-regulated project, but is not authorized by the applicable regulatory body to proceed with the project, the client would be prevented from operating in its intended manner.

Employees

As of February 28, 2013, we had 40 employees, 39 of whom are full-time employees. None of our employees are covered by a collective bargaining agreement, and we consider relations with our employees to be good.

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Corporate History

We are a Delaware corporation. Our principal offices are located at 1621 18th Street, Suite 250, Denver, Colorado 80202, and our telephone number is (303) 244-0700. We are headquartered in Denver, Colorado and have regional offices in Vancouver, Washington, Bethesda, Maryland and Chicago, Illinois.

We were originally organized in April 2003 as a Colorado corporation under the name Across America Real Estate Development Corp. to provide financing for built-to-suit real estate projects for certain retailers. Our name was changed to Across America Real Estate Corp. in July 2005, and then changed again to CapTerra Financial Group, Inc., referred to as CapTerra, in July 2008, at which time we began to act as a co-developer, principally as a financier, for built-to-suit real estate development projects for certain retailers. On September 29, 2010, we completed a business combination with NexCore Group LP by acquiring 90% of the partnership interests in NexCore Group LP. NexCore Group LP was originally created in 2004 to provide solutions to hospitals and healthcare systems through a national platform focused on strategic and operational consulting, development, acquisitions, financing, leasing, and asset and property management services within the healthcare real industry. In connection with the business combination, our former operations were discontinued and we continued NexCore Group LP's existing business as a national leader in the field of healthcare advisory and project development and management. In April 2011, we changed our state of incorporation from Colorado to Delaware and changed our name from CapTerra Financial Group, Inc. to NexCore Healthcare Capital Corp ("NexCore Healthcare").

On November 15, 2012, our board of directors determined it to be in the best interests of our stockholders to restructure the Company to create a more flexible and efficient corporate organizational structure intended to provide us with better access to capital, greater tax efficiency and to allow a more focused approach to managing our operations through two primary operating subsidiaries (the "Reorganization"). The first step of the Reorganization was completed in December 2012 when we formed NexCore Real Estate LLC, a Delaware limited liability company ("NexCore Real Estate"), as a 90% owned subsidiary of NexCore Healthcare. In forming NexCore Real Estate, the real estate interests held by NexCore Healthcare were contributed to NexCore Real Estate in exchange for 90% of the Class A Units and 90% of the Class B Units of NexCore Real Estate. Shortly thereafter, the Class B Units of NexCore Real Estate (the "Companion Units") that had been issued to NexCore Healthcare were distributed pro rata to all of the then existing stockholders of NexCore Healthcare.

NexCore Companies LLC ("HoldCo") is a newly-formed Delaware limited liability company that is intended to serve as the parent holding company of NexCore Healthcare and NexCore Real Estate after the completion of the Reorganization. In March 2013, HoldCo filed a Registration Statement on Form S-4 (the "Registration Statement") to register the securities to be issued in connection with the next step of the Reorganization which involves the issuance of HoldCo Common Units (the "HoldCo Units") in exchange for the contribution to HoldCo of (i) of the shares of common stock (the "NexCore Stock") held by the stockholders of NexCore Healthcare Capital Corp and (ii) the Companion Units held by the members of NexCore Real Estate.

In connection with the Reorganization, we expect the holders of approximately 98% of the outstanding shares of NexCore Stock (the "Participating Holders") to agree to contribute all of their shares of NexCore Stock and their Companion Units to HoldCo in exchange for HoldCo Units on the basis set forth in the Contribution Agreement by

and among HoldCo, certain stockholders of NexCore Healthcare and certain members of NexCore Real Estate (the "Contribution Agreement"). The Companion Units are subject to a "drag-along" provision under the Operating Agreement of NexCore Real Estate (the "Subsidiary Operating Agreement"), which provides that if the members of NexCore Real Estate who own more than 70% of the Companion Units approve certain transactions, including the transactions contemplated in the Reorganization, then such members may require all of the other members of NexCore Real Estate to also contribute their Companion Units for the same consideration per Companion Unit and on the same terms and conditions applicable to the Participating Holders. The Participating Holders collectively own more than 70% of the Companion Units and we expect them to exercise their right to require all of the other members of NexCore Real Estate to also contribute their Companion Units on the terms and conditions set forth in the Contribution Agreement.

The Reorganization is currently expected to be completed sometime during the second quarter of fiscal 2013.

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ITEM 1A. RISK FACTORS

The factors described below represent our principal risks. Other factors may exist that we do not consider to be significant based on information that is currently available or that we are not currently able to anticipate. The occurrence of any of the risks discussed below could have a material adverse affect on our business, financial condition, results of operations, cash flows and the trading price of our Common Stock. Potential investors and our stockholders may be referred to as “you” or “your” in this Item 1A. RISK FACTORS section.

Risks Related to Our Operations and Properties

We may not be profitable in the future.

The healthcare advisory and development business is cyclical, so it is difficult for us to accurately forecast our quarterly and annual revenue. Most of our expenses are fixed in the short term or incurred in advance of anticipated revenue. As a result, we may not be able to decrease our expenses in a timely manner to offset any revenue shortfall.

We will need additional capital in the future, but it may not be available to us on acceptable terms or at all.

In order to continue adding new healthcare projects, we will need additional debt and equity capital. Additional capital may not be available to us on acceptable terms or at all. We expect to rely principally upon our ability to raise capital (debt and equity) from third party lenders and investors, the success of which cannot be guaranteed.

We may not be able to manage our growth.

We hope to experience growth which, if achieved, may stretch our managerial, operational and financial systems. To accommodate our current size and manage growth, we intend to continue to improve our financial and operational systems.

Our quarterly operating results may fluctuate.

Our quarterly operating results may fluctuate significantly as a result of a variety of factors, many of which are outside of our control, including without limitation: the demand for our services and properties; the amount and timing of capital expenditures and other costs relating to our healthcare projects; price competition or pricing changes in the industry; technical or regulatory difficulties; general economic conditions; and economic conditions specific to the healthcare industry. Our quarterly results may also be significantly impacted by the accounting treatment of our service contracts, development projects, acquisitions, financing transactions or other matters. At our current size, such accounting treatment can have a material impact on the results for any quarter.

Recent adverse macroeconomic and business conditions may continue.

The United States has undergone and may continue to experience a prolonged recession that has been marked by pervasive and fundamental disruptions in the financial markets. Continued concerns regarding the uncertainty of whether the U.S. economy will be adversely affected by inflation, deflation or stagflation and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, sovereign debt, currency fluctuations, the availability and cost of credit, the U.S. mortgage market and a severely distressed real estate market have contributed to increased market volatility and weakened business activity. The United States may not experience a sustained recovery and could suffer pronounced instability and decreased economic activity for an extended period of time. Our operations are sensitive to changes in overall economic conditions that impact our clients and tenants, including, among other things, increased bad debts due to such recessionary pressures.

We may face adverse economic or other conditions in the geographic markets in which we conduct business.

Our operating results depend upon our ability to pre-lease and lease our projects. Adverse economic or other conditions in the geographic markets in which we operate, including without limitation periods of economic slowdown or recession, industry slowdowns, periods of deflation, relocation of businesses, changing demographics, earthquakes and other natural disasters, fires, terrorist acts, civil disturbances or acts of war and other man-made disasters which may result in uninsured or underinsured losses, and changes in tax, real estate, zoning and other laws and regulations, may lower our occupancy levels and limit our ability to increase rents or require us to offer rental concessions.

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Our investments are concentrated in healthcare facilities and development projects.

We are subject to risks inherent in concentrated investments in real estate, and the risks resulting from a lack of diversification become even greater as a result of our business strategy to concentrate our investments in the healthcare sector. Any adverse effects that result from these risks could be more pronounced than if we diversified our investments outside of healthcare real estate. Given our concentration in this sector, our tenant base is especially concentrated and dependent upon the healthcare industry generally, and any industry downturn could harm the ability of our tenants to make lease payments and our ability to maintain current rental and occupancy rates.

Our healthcare real estate, the associated healthcare delivery systems with which our healthcare real estate projects are strategically aligned, and our tenants may be unable to compete successfully.

Our healthcare real estate and the associated healthcare delivery systems with which our healthcare real estate projects are strategically aligned often face competition from nearby hospitals and other healthcare real estate projects that provide comparable services. Any of our properties may be adversely affected if the healthcare delivery system with which it is strategically aligned is unable to compete successfully. There are numerous factors that determine the ability of a healthcare delivery system to compete successfully, most of which are outside of our control.

Our tenants face competition from other medical practices and service providers at nearby hospitals and other healthcare facilities. From time to time and for reasons beyond our control, managed care organizations may change their lists of preferred hospitals or in-network physicians. Physicians also may change hospital affiliations. Our tenants may not be able to successfully compete if their competitors, or competitors of the associated healthcare delivery systems with which our healthcare projects are strategically aligned, have greater geographic coverage, improve access and convenience to physicians and patients, provide or are perceived to provide higher quality services, recruit physicians to provide competing services at their facilities, expand or improve their services or obtain more favorable managed care contracts.

A material aspect of our business is investment in healthcare projects that can be highly illiquid.

Our activities are primarily focused in healthcare advisory and consulting, and real estate investment. Our operations will depend, among other things, upon our ability to finance or monetize our projects with additional or new equity partnerships. In the interim, such projects can be expected to be highly illiquid.

Our use of debt financing could decrease our cash flow and expose us to risk of default under our credit agreements.

The joint ventures we invest in borrow to finance the construction and acquisition of our properties. In addition, we may choose to invest directly in properties and borrow to finance these assets. In addition, we may choose to guarantee the repayment of some or all of the borrowings of our joint ventures and/or the Company. Our joint venture debt and any incurrence and increases in our debt may be detrimental to our business and financial results by:

- requiring us to use a substantial portion of our cash flow from operations to pay interest, which reduces the amount available for the operation of our properties or the payment of dividends;
- violating restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations and foreclose on our properties;
- placing us at a competitive disadvantage compared to our competitors that have less debt;
- making us more vulnerable to economic and industry downturns and reducing our flexibility in responding to changing business and economic conditions;
- requiring us to sell one or more properties, possibly on unfavorable terms; and
- limiting our ability to borrow funds for operations or to finance acquisitions in the future or to refinance our indebtedness at maturity on terms as or more favorable than the terms of our original indebtedness.

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We may not realize the benefits that we anticipate from focusing on healthcare projects.

As part of our business strategy, we focus on healthcare projects that are strategically aligned with healthcare delivery systems. We may not realize the benefits that we anticipate as a result of these strategic relationships. In particular, we may not obtain or realize increased rents, long-term tenants, or reduced tenant turnover rates as compared to healthcare projects with which we are not strategically aligned. Moreover, building a portfolio of healthcare facilities that are strategically aligned does not assure the success of any given property. The associated healthcare delivery system may not be successful and the strategic alignment that we seek for our healthcare projects could dissolve, and we may not succeed in replacing them.

Our investments in development and re-development projects may not yield anticipated returns.

A key component of our business plan is new-asset development and re-development opportunities. Our investment in these projects will be subject to the following risks:

- we may be unable to obtain financing for these projects on reasonable terms or at all;
- we may not complete development or re-development projects on schedule or within budgeted amounts due to a variety of factors, including without limitation material availability, labor shortages and price increases;
- we may encounter delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations; and
- we may be unable to achieve planned occupancy levels as quickly as expected or at all.

We may not be successful in identifying and consummating suitable acquisitions or development opportunities in our existing or new geographic markets.

Our ability to expand through acquisitions and development opportunities is integral to our business strategy and requires that we identify suitable acquisition or development opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable properties or other assets that meet our acquisition or development criteria or in consummating acquisitions or developments on satisfactory terms or at all for a number of reasons, including, among other things, unsatisfactory results of our due diligence investigations, a failure to obtain financing for the acquisition or development on favorable terms or at all, or a failure to accurately assess the value of an opportunity.

We may face increasing competition for the acquisition and development of healthcare projects.

We compete with many other entities engaged in real estate investment activities for acquisitions and development of healthcare projects, including without limitation national, regional and local operators, acquirers and developers of healthcare-related real estate properties. The competition for healthcare-related real estate properties may significantly increase the price that we must pay for healthcare real estate or other assets that we seek to acquire or the yield we can obtain on new development projects, and our competitors may succeed in acquiring or developing those properties or assets themselves.

We may not be successful in integrating and operating acquired or newly-developed healthcare projects in the future.

If we acquire or develop healthcare facilities, we will be required to operate and integrate them into our existing operations. Our systems and processes may not be able to efficiently handle the anticipated growth in our operations. We may not have the requisite resources and personnel necessary to successfully operate and integrate acquired or newly developed healthcare facilities into any existing portfolio of ours in the future, and we may need to incur substantial unanticipated costs to meet our operating needs.

In addition, any healthcare facilities that we acquire or develop in the future may be less compatible with our growth strategy than we originally anticipated, may cause disruptions in our operations or may divert management's attention away from daily operations.

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We are exposed to risks associated with real estate partnerships and joint ventures.

We anticipate that we will co-invest with third parties through real estate partnerships. Such third parties may acquire noncontrolling interests in, or share responsibility for, the management of such entities. We are not, and generally do not expect to be, in a position to exercise sole decision-making authority regarding each real estate partnership. Consequently, our real estate partnership investments may involve risks not otherwise present with other methods of investment in real estate. For example, our co-member, co-venturer or partner may have economic or business interests or goals that are or become inconsistent with our business interests or goals, and we and our partner may not agree on all proposed actions to certain aspects of the real estate partnership. Our partners might fail to fund their share of required capital contributions which may delay construction or development of a healthcare project or increase our financial commitment to the real estate partnership. In addition, relationships with venture partners are contractual in nature. These agreements may restrict our ability to sell our interest when we desire or on advantageous terms and, on the other hand, may be terminated or dissolved under the terms of the agreements and, in each event, we may not continue to own or operate the interests or assets underlying the relationship or may need to purchase these interests or assets to continue ownership.

We may develop and acquire healthcare facilities subject to ground or air space leases that will expose us to the loss of such buildings upon a breach or termination of the ground or air space leases.

We intend to develop and acquire healthcare facilities through leasehold interests in the land underlying the buildings or the air space above the buildings. Our ground or air space leases do, and in the future are expected to contain restrictions on use and transfer, such as limiting the subletting of the healthcare facilities only to practicing physicians or physicians in good standing with an affiliated hospital. The use and transfer restrictions in our ground and air space leases may delay or impede our ability to sell our buildings which, in turn, could harm the price realized from any such sale. Additionally, our ground and air space leases generally grant the lessor rights of purchase and rights of first offer and refusal in the event that we elect to sell the healthcare facility associated with the ground lease. As lessee under a ground or air space lease, we are also exposed to the possibility of losing the healthcare building upon termination, or an earlier breach by us, of the lease.

We are exposed to risks associated with real estate development that could adversely impact our results of operations, cash flows and financial condition.

Our real estate development activities entail risks that could adversely impact our results of operations, cash flows and financial condition, including:

- construction delays or cost overruns, which may increase project development costs;
- claims for construction defects after property has been developed, including claims by purchasers and property owners' associations;
- an inability to obtain required governmental permits and authorizations;
- an inability to secure tenants necessary to support commercial projects, and
- compliance with building codes and other local regulations.

The success of our business is dependent upon our management.

The success of our business is dependent upon the decision making of our directors and executive officers, particularly Gregory C. Venn, and Peter K. Kloepfer who not only are executives of the Company but also are on our board of directors, referred to as our Board, and have a controlling interest in our Board through a voting trust. These individuals intend to commit as much time as necessary to our business, but this commitment is no assurance of success. The loss of one or both of these individuals could have a material, adverse impact on our operations. We have

not obtained key man life insurance on the lives of any of these individuals.

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We may experience uninsured losses or losses in excess of our insurance coverage.

We intend to maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), extended coverage and rental loss insurance with respect to our properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, riots, acts of war or terrorism. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flows from a healthcare project. If any such loss is insured, we may be required to pay a significant deductible on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. In addition, future lenders may require such insurance, and our failure to obtain such insurance could constitute a default under loan agreements. We may determine not to insure some or all of our properties at levels considered customary in our industry, which would expose us to an increased risk of loss.

If any of our insurance carriers become insolvent, we could be adversely impacted.

We carry several different lines of insurance which are placed with several reputable insurance carriers. If any one of these insurance carriers were to become insolvent, we would be forced to replace the existing insurance coverage with another suitable carrier, and any outstanding claims would be at risk for collection. In such an event, we may not be able to realize proceeds from our insurance policies with respect to any claims that we have or replace the coverage at similar or otherwise favorable terms. Replacing insurance coverage at unfavorable rates and the potential for uncollectible claims due to carrier insolvency could be harmful.

We face environmental compliance costs and liabilities associated with owning, leasing, developing and operating our healthcare facilities.

Under various U.S. federal, state and local laws, ordinances and regulations, current and prior owners and operators of real estate may be jointly and severally liable for the costs of investigating, remediating and monitoring certain hazardous substances or other regulated materials on or in such property. In addition to these costs, the past or present owner or operator of a property from which a release emanates could be liable for any personal injury or property damage that results from such releases, including without limitation for the unauthorized release of asbestos-containing materials and other hazardous substances into the air, as well as any damages to natural resources or the environment that arise from such releases. These environmental laws often impose such liability without regard to whether the current or prior owner or operator knew of, or was responsible for, the presence or release of such substances or materials. Moreover, the release of hazardous substances or materials, or the failure to properly remediate such substances or materials, may adversely affect the owner’s or operator’s ability to lease, sell, develop or rent such property or to borrow by using such property as collateral. Persons who transport or arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, regardless of whether or not the property involved is owned or operated by such person.

Certain environmental laws impose compliance obligations on owners and operators of real property with respect to the management of hazardous substances and other regulated materials. For example, environmental laws govern the management and removal of asbestos-containing materials and lead-based paint. Failure to comply with these laws can result in penalties or other sanctions.

Risks Related to the Healthcare Industry

Healthcare reform legislation may affect our business in ways that are difficult to predict.

In March 2010, the President signed into law the Patient Protection and Affordable Care Act ("PPACA,") which will change how healthcare services are covered, delivered and reimbursed through expanded coverage of uninsured individuals and reduced Medicare program spending. In addition, the new law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality and contains provisions intended to strengthen fraud and abuse enforcement. The complexities and ramifications of PPACA are significant and have been implemented in a phased approach since 2010. At this time, it is difficult to predict the full effects of PPACA and its impact on our business, our revenues and financial condition and those of our tenants due to the law's complexity, lack of implementing regulations or interpretive guidance, gradual implementation and possible amendment. Further, we are unable to foresee how individuals and businesses will respond to the choices afforded them by PPACA. PPACA could adversely affect the reimbursement rates received by our tenants, the financial success of our tenants and strategic partners and consequently us.

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We may be impacted by adverse trends in healthcare provider operations.

The healthcare industry is currently experiencing, among other things:

- changes in the demand for and methods of delivering healthcare services;
- changes in third party reimbursement methods and policies;
- consolidation and pressure to integrate within the healthcare industry through acquisitions, partnerships and joint venture agreements; and
- increased scrutiny of billing, referral and other practices by U.S. federal and state authorities.

These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our revenues.

Reductions in reimbursement from third-party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent payments to us or renew their leases.

Sources of revenue for our clients and tenants typically include without limitation the U.S. federal Medicare program, state Medicaid programs, private insurance payors and health maintenance organizations. Healthcare providers continue to face increased government and private payor pressure to control or reduce healthcare costs and significant reductions in healthcare reimbursement, including without limitation reduced reimbursements and changes to payment methodologies under PPACA. In some cases, private insurers rely upon all or portions of the Medicare payment systems to determine payment rates which may result in decreased reimbursement from private insurers. PPACA will likely increase enrollment in plans offered by private insurers who choose to participate in state-run exchanges, but PPACA also imposes new requirements for the health insurance industry, including without limitation prohibitions upon excluding individuals based upon pre-existing conditions which may increase private insurer costs and, thereby, cause private insurers to reduce their payment rates to providers.

The slowdown in the United States economy has negatively affected state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, states have often attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Many states have adopted, or are considering the adoption of, legislation designed to enroll Medicaid recipients in managed care programs and/or impose additional taxes on hospitals to help finance or expand the states' Medicaid systems. Potential reductions to Medicaid program spending in response to state budgetary pressures could adversely affect the ability of our tenants to successfully operate their businesses.

Efforts by payors to reduce healthcare costs will likely continue which may result in reductions or slower growth in reimbursement for certain services provided by some of our tenants. A reduction in reimbursements to our tenants from third-party payors for any reason could adversely affect our tenants' ability to make rent payments to us.

The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could harm the Company and result in the inability of our tenants to make rent payments to us.

The healthcare industry is heavily regulated by U.S. federal, state and local governmental authorities. Our tenants generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, billing for services, privacy and security of health information and relationships with physicians and other referral sources. In addition, new laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could harm our financial condition and the financial condition of our tenants. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted.

Many states also regulate the construction of healthcare facilities, the expansion of healthcare facilities, the construction or expansion of certain services, including by way of example specific bed types and medical equipment, as well as certain capital expenditures through certificate of need, or CON laws. Under such laws, the applicable state regulatory body must determine a need exists for a project before the project can be undertaken. If one of our tenants seeks to undertake a CON-regulated project, but is not authorized by the applicable regulatory body to proceed with the project, the tenant would be prevented from operating in its intended manner. Failure to comply with these laws and regulations could harm us directly and our tenants' ability to make rent payments to us.

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Our tenants and the Company are subject to fraud and abuse laws, the violation of which by a tenant may jeopardize the tenant's ability to make rent payments to us.

There are various federal and state laws prohibiting fraudulent and abusive business practices by healthcare providers who participate in, receive payments from or are in a position to make referrals in connection with government-sponsored healthcare programs, including the Medicare and Medicaid programs. Our lease arrangements with certain tenants may also be subject to these fraud and abuse laws.

These laws include without limitation:

- the Federal Anti-Kickback Statute, which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for, or to induce, the referral of any federal or state healthcare program patients;
- the Federal Physician Self-Referral Prohibition (commonly called the "Stark Law,") which, subject to specific exceptions, restricts physicians who have financial relationships with healthcare providers from making referrals for designated health services for which payment may be made under Medicare or Medicaid programs to an entity with which the physician, or an immediate family member, has a financial relationship;
- the False Claims Act, which prohibits any person from knowingly presenting false or fraudulent claims for payment to the federal government, including under the Medicare and Medicaid programs;
- the Civil Monetary Penalties Law, which authorizes the Department of Health and Human Services to impose monetary penalties for certain fraudulent acts; and
- state anti-kickback, anti-inducement, anti-referral and insurance fraud laws which may be generally similar to, and potentially more expansive than, the federal laws set forth above.

Violations of these laws may result in criminal and/or civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and/or exclusion from the Medicare and Medicaid programs. In addition, PPACA clarifies that the submission of claims for items or services generated in violation of the Anti-Kickback Statute constitutes a false or fraudulent claim under the False Claims Act. The federal government has taken the position, and some courts have held, that violations of other laws, such as the Stark Law, can also be a violation of the False Claims Act. Additionally, certain laws, such as the False Claims Act, allow for individuals to bring whistleblower actions on behalf of the government for violations thereof. Imposition of any of these penalties upon one of our tenants or strategic partners could jeopardize that tenant's ability to operate or to make rent payments or affect the level of occupancy in our healthcare facilities. Further, we enter into leases and other financial relationships with healthcare delivery systems that are subject to or impacted by these laws. We also have other investors who are healthcare providers in certain of our subsidiaries that own our healthcare facilities. If any of our relationships, including those related to the other investors in our subsidiaries, are found not to comply with these laws, we and our physician investors may be subject to civil and/or criminal penalties.

Our healthcare-related tenants may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may harm their ability to pay their rent payments to us, and we could be subject to healthcare industry violations.

As is typical in the healthcare industry, our tenants may become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to

be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our healthcare facilities operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits.

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We also believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, particularly in the area of Medicare/Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, any settlements of such proceedings or investigations in excess of insurance coverage, whether currently asserted or arising in the future, could have a material adverse effect on a tenant's financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained or settlements reached in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action or investigation, the tenant could be exposed to substantial additional liabilities, which may affect the tenant's ability to pay rent. We could also be subject to costly government investigations or other enforcement actions.

Risks Related to our Common Stock

The market for our Common Stock is limited, which means that persons who purchase our Common Stock may not be able to resell their shares at or above the purchase price paid by them.

Our Common Stock trades on the Over-the-Counter Bulletin Board which is not a liquid market. There is currently only a limited public market for our Common Stock. We cannot assure you that an active public market for our Common Stock will develop or be sustained in the future. If an active market for our Common Stock does not develop or is not sustained, the price may decline.

We may be required to issue 8,000,000 additional shares of Common Stock for no additional consideration if we do not have sufficient net operating losses available for use during the period from September 29, 2010 through January 1, 2014.

In connection with our business combination with NexCore Group LP, which closed on September 29, 2010, we are required to issue an additional 8,000,000 shares of Common Stock for no additional consideration if we do not have a specified amount of net operating loss carry forwards ("NOLs") for State and Federal income tax purposes available for use during the period from the closing of the combination, September 29, 2010, to January 1, 2014. We refer to these shares as the "NOL Shares." If issued, the NOL Shares will be issued to each former partner of NexCore Group LP in proportion to the amount of shares such partner received in the combination. The determination of our NOLs will be based on our Federal income tax return for the year ending December 31, 2013. If we do not have the specified amount of NOLs available for use through January 1, 2014 and, as a result, the NOL Shares are issued, the ownership interests of our stockholders in the Company (other than the former partners of NexCore Group LP who are stockholders), will be significantly diluted.

A voting trust has the ability to significantly influence any matters to be decided by the stockholders.

As of December 31, 2012, a voting trust controlled by Messrs. Venn and Kloepfer owns 19,590,668 shares out of 49,895,841 shares issued and outstanding, or approximately a 39.3% interest. While this does not represent majority control, the number of shares subject to the voting trust gives the voting trust the ability to significantly influence any matters to be decided by the stockholders. As a result, if the voting trust chooses to vote, it would be able to significantly influence the outcome of any corporate matters submitted to our stockholders for approval, including without limitation the election and removal of directors or any transaction that might cause a change in control, such as a merger or acquisition. It would be difficult for stockholders in favor of a matter which is opposed by the voting trust to obtain the number of votes necessary to overrule the vote of the voting trust. Further, the significant influence by the voting trust means that unaffiliated stockholders will have a limited ability to meaningfully influence corporate matters and the Company may take actions with which you may disagree or that you may feel are not in the

Company's best interests. This arrangement could particularly create a conflict of interest with respect to our operations if the voting trust were to vote its shares in its own best interests and not in the interests of all stockholders.

Because we are subject to the "penny stock" rules, brokers cannot generally solicit the purchase of our Common Stock which adversely affects its liquidity and market price.

The Securities and Exchange Commission, referred to as the SEC, has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. The market price of our Common Stock on the Over-the-Counter Bulletin Board has been substantially less than $5.00 per share and therefore we are currently considered a "penny stock" according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

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We may not be able to attract the attention of major brokerage firms, which could have a material adverse impact upon the price of our Common Stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our Common Stock since the firm itself cannot recommend the purchase of our Common Stock under the penny stock rules referenced in the above risk factor. The absence of such coverage limits the likelihood that an active market will develop for our Common Stock. It may also make it more difficult for us to attract new investors at times when we need additional capital.

Due to factors beyond our control, our stock price may be volatile.

The market price for our Common Stock has been highly volatile at times. As long as the future market for our Common Stock is limited, investors who purchase our Common Stock may only be able to sell such shares at a loss.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's headquarters are currently located at 1621 18th Street, Suite 250, Denver, Colorado 80202. As of December 31, 2012, we leased office space in Denver, Colorado, Bethesda, Maryland, Vancouver, Washington and Chicago, Illinois. We believe that these facilities are suitable for our current requirements and foreseeable contemplated operations.

ITEM 3. LEGAL PROCEEDINGS

No material legal proceedings to which we are a party were pending during the reporting period. We know of no legal proceedings of a material nature pending or threatened or judgments entered against any of our directors or officers in their capacity as such.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock trades under the symbol NXCR.OB on the Over-the-Counter ("OTC") Bulletin Board. Because we trade on the OTC Bulletin Board, a stockholder may find it difficult to dispose of or obtain accurate quotations as to the price of our securities. Trading in our Common Stock on the OTC Bulletin Board has been limited and sporadic and the quotations set forth below are not necessarily indicative of actual market conditions. Further, these quotations reflect inter-dealer prices without retail mark-up, mark-down, or commission, and may not necessarily reflect actual transactions. Such quotes are not necessarily representative of actual transactions or of the value of our Common Stock, and are in all likelihood not based upon any recognized criteria of securities valuation as used in the investment banking community. In addition, The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure related to the market for penny stocks and for trades in any stock defined as a penny stock.

The following table sets forth the high and low sales price per share of our Common Stock for the periods indicated in 2012 and 2011.

Quarter Ended in 2012:	**High**	**Low**
December 31	$0.60	$0.40
September 30	$0.45	$0.40
June 30	$0.69	$0.45
March 31	$0.68	$0.03

Quarter Ended in 2011:	**High**	**Low**
December 31	$0.70	$0.03
September 30	$0.70	$0.51
June 30	$1.01	$0.70

March 31	$1.49	$1.01

On March 11, 2013, the closing price of our Common Stock in the OTC Bulletin Board was $0.28 per share. As of the March 11, 2013, 50,571,674 shares of our Common Stock were outstanding and the number of holders of record of our Common Stock at that date was 128. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one recordholder.

The Securities Enforcement and Penny Stock Reform Act of 1990

The Securities Enforcement and Penny Stock Reform Act of 1990 requires additional disclosure and documentation related to the market for penny stock and for trades in any stock defined as a penny stock. Unless we can trade at over $5.00 per share on the bid, it is more likely than not that our securities, for some period of time, would be defined under that Act as a “penny stock.” As a result, those who trade in our securities may be required to provide additional information related to their eligibility to trade our shares. These requirements present a substantial burden on any person or brokerage firm that plans to trade our securities and could thereby make it unlikely that any liquid trading market would ever result in our securities so long as the provisions of this Act are applicable to our securities.

Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

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The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which:

- contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;
- contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of the Exchange Act;
- contains a brief, clear, narrative description of a dealer market, including "bid" and "ask" prices for penny stocks and the significance of the spread between the bid and ask price;
- contains a toll-free telephone number for inquiries on disciplinary actions;
- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and
- contains such other information and is in such form (including language, type, size and format) as the SEC shall require by rule or regulation;

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- the bid and offer quotations for the penny stock;
- the compensation of the broker-dealer and its salesperson in the transaction;
- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and
- monthly account statements showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements will have the effect of reducing the trading activity in the secondary market for our stock because it will be subject to these penny stock rules. Therefore, stockholders may have difficulty selling their securities.

Dividend Policy

We do not have a history of paying regular dividends on our Common Stock. We paid a special dividend of $0.01 per share on February 18, 2013 to stockholders of record on February 4, 2013. The payment of dividends on our shares of Common Stock is within the discretion of our board of directors. Payment of dividends in the future will depend on our future earnings, future capital needs and our operating and financial condition, among other factors that our board of directors may deem relevant. However, upon completion of the Reorganization in which stockholders of the Company are expected to become members of HoldCo, HoldCo anticipates making periodic distributions on its Common Units (in accordance with its Operating Agreement and subject to Cash Available for Distribution as therein defined) in amounts that will allow its members to pay the income taxes attributable to any income that may be

allocated to its members.

ITEM 6. SELECTED FINANCIAL DATA

The Company qualifies as a smaller reporting company as defined in Item 10(f)(1) of SEC Regulation S-K, and is not required to provide the information required by this Item.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We provide comprehensive healthcare solutions to hospitals, healthcare systems and physician partners across the United States by providing a full spectrum of strategic and operational consulting, development, acquisition, financing, leasing and asset and property management services within the healthcare industry. We primarily focus on serving and advising our clients with planning and developing outpatient service facilities that target operational efficiencies and lower the cost of delivering healthcare services. We have historically been active in a wide range of healthcare project types, including medical office buildings, medical services buildings, outpatient centers of excellence, freestanding emergency departments, wellness centers and multi-specialty and single-specialty physician group facilities.

We have been recognized by *Modern Healthcare* as one of the top healthcare real estate developers, and we have become one of the nation’s most active and respected healthcare advisors. We and our principals have developed and acquired nearly 5.5 million square feet of commercial real estate. As of December 31, 2012, we managed 23 healthcare facilities comprised of approximately 1.8 million square feet and had one project under development comprised of approximately 43,000 square feet. We and our principals have completed over $880 million of healthcare related real estate transactions on behalf of our high net worth and institutional investors.

Business Strategy

Our business strategy is focused on anticipating the needs of our clients by providing innovative and flexible strategic planning solutions, targeting operational efficiencies and creating optimal financing and real estate structures often in partnership with nationally-competitive, institutional capital sources. Such services assist healthcare providers by lowering healthcare delivery costs and by providing efficient outpatient facilities. The majority of our revenue is derived from investor and project advisory, consultancy and management fees, investment and co-investment returns and profit sharing interests. Any such profit sharing interests are usually recognized upon the occurrence of a monetization event for the development projects in which we are invested or co-invested, such as when a stabilized development project is recapitalized with an institutional investor. We plan to continue our strategy of selectively investing and co-investing our capital with institutional partners and targeting profit sharing interests when appropriate investment opportunities arise.

Operating Strategy

Strong Hospital and Physician Relationships

Our extensive network of healthcare service providers and industry professionals has evolved over two decades and serves as a key asset for us. We continue to develop long-term, favorable relationships with hospital executives, physician practitioners and other healthcare service providers based upon high professional and ethical standards, creativity, reliability and trust. We are able to leverage these relationships along with our reputation, expertise and fully integrated national operating platform to generate new business opportunities with both existing and new clients.

Institutional Capital Sources

We have a successful history of partnering with reputable financial institutions that are often willing to commit relatively low cost capital to the healthcare sector. Having access to such capital sources allows us to effectively compete with much larger firms and pursue healthcare projects of considerable scale. In addition, these joint venture relationships allow us to selectively invest our own capital in conjunction with much greater amounts of institutional capital and target favorable, risk-adjusted investment returns.

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Extensive and Differentiated Product and Service Offerings

Our advisory and consulting services assist our clients with strategic, operational and logistical decision making including site location, facility design and the creation of synergetic practitioner mixes. We also provide creative real estate and financing structures so that clients can deploy their own capital more productively. This process begins with detailed attention to hospital and physician goals and business objectives, and by creating mutually beneficial referral networks and relationships between healthcare service providers to support the targeted long-term success of each project. Our broad product and service offerings allow us to add significant value during each phase of the healthcare delivery spectrum, which enhances our ability to generate additional business opportunities and revenue sources.

Experienced Property Management and Leasing

We manage healthcare projects through a continual focus on tenant satisfaction, retention and referrals. Healthcare real estate is integral to the mission and strategies of healthcare businesses and provides unique characteristics that often add complexities when compared to more generic real estate asset classes. Our experienced leasing team understands the business of healthcare delivery. As such, every effort is made to design each space to promote staffing and operational efficiency and increased throughput. In addition, our property and asset managers are dedicated to promoting long-term relationships and maintaining our reputation, as such attributes are critical assets needed to generate future investment opportunities.

Investment and Client Diversity

We pursue the development of business opportunities in most geographic regions of the country with hospitals, physicians and healthcare systems that operate throughout the United States, while focusing on maintaining and growing a portfolio of managed healthcare investments and projects diversified by characteristics such as geographic location, tenant, medical practice and lease term.

Investment Criteria

Our investment criteria are weighted towards projects that are likely to be successful over the long term, and as such, we focus on how each project or acquisition fits within a hospital and healthcare provider’s strategic business plan. To properly invest our capital, the long-term viability of the operations and business model of each project must be clearly understood. Equally important are industry trends such as regulatory influences and the ongoing focus to treat patients in lower costing offsite care facilities. Other factors influencing our underwriting and structuring decisions are competitive and demographic analysis, strength of clinical programs, alignment with physicians and hospitals, market share and the credit worthiness of the hospital and physician participants.

The healthcare facilities in which we invest are the tangible results of implementing the operational and logistical solutions that we develop to assist our clients in achieving their business objectives. We strive to plan, design and develop centers of excellence to promote staffing and operational efficiency and to reduce costs for our healthcare clients and their patients. This emphasis on operational efficiency and low cost delivery is expected to increase in importance as clinical integration and payment reform advance.

Acquisition and Development Activity

During the year ended December 31, 2012, we assisted our institutional partners in the acquisition and disposition of an assortment of medical office buildings across the country. We normally earn advisory fees upon the closing of such acquisitions and dispositions and begin earning management fees on the applicable acquisition dates.

In December of 2012, the Company invested approximately $1.1 million for a noncontrolling interest in a portfolio of seven medical office buildings with one of its institutional capital partners.

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As part of our healthcare advisory services and development business, we are co-invested in and managing the following healthcare projects through our development joint venture, which is referred to as Venture I:

- **Silver Cross Hospital Medical Services Building** — Construction commenced during October 2010 on this medical services building comprised of approximately 182,000 square feet, referred to as Silver Cross. Construction was completed during the fourth quarter of 2011. In association with this project, we have also successfully completed and leased our first two timeshare programs that focus on attracting additional physicians to the facility on a part-time basis to generate additional revenue and to serve as a potential source of longer-term tenants. The construction loan on this project was refinanced with longer-term debt during the second quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 89% leased.

- **Saint Anthony North Medical Pavilion** — Construction commenced during June 2011 on this medical office building and freestanding emergency department comprised of approximately 48,000 square feet. Construction was completed as of September 30, 2012 and building operation commenced during the third quarter of 2012. The construction loan on this project was refinanced with longer-term debt during the fourth quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 97% leased.

- **Saint Agnes Hospital Medical Office Building** — Construction commenced during November 2011 on this medical office building comprised of approximately 85,000 square feet. Construction was completed during the fourth quarter of 2012. The construction loan on this project was refinanced with longer-term debt during the fourth quarter of 2012. As of each of December 31, 2012 and February 1, 2013, this building was approximately 83% leased.

During the year ended December 31, 2012, we commenced the following projects:

- Three projects at one medical complex for which we provide project management services for the construction of a new catheterization laboratory and surgery room, and for electrical service upgrades. Construction is expected to be completed during the first half of 2013.

- We are providing client consulting services, including strategic planning, feasibility analysis, site selection, and development and project management services, on a medical office building comprised of approximately 42,000 square feet. Construction commenced during the fourth quarter of 2012 and is expected to be completed during the first quarter of 2014.

We have also successfully managed and completed the following development projects:

- Rex Healthcare of Knightdale Wellness Center — We completed the original construction of the approximately 63,000 square foot medical office building during the 2008-2009 timeframe. We later worked with the hospital to strategically locate an adjacent wellness center to complement the client’s orthopedic and cardiology programs, while

developing mutually beneficial relationships between the various healthcare tenants to expand and fully lease the facility. Construction for this wellness center expansion at the medical office building commenced during September 2011 and includes the addition of approximately 14,500 square feet. Construction of the wellness center was completed during the second quarter of 2012.

- United Health Services Outpatient Medical Facility — Construction commenced during December 2010 on this medical facility comprised of approximately 85,000 square feet for which we provided client consulting services including strategic planning, feasibility analysis, site selection and project management services. Construction was completed during the third quarter of 2012.

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Outlook for the Healthcare Industry

An increasing demand for healthcare services is being driven by the aging baby boomer generation. The first baby boomers turned 65 in 2011, beginning a prolonged increase of the senior population. This increase will create a significant pipeline of customers for medical providers, increasing the demand for hospital stays, outpatient treatments and doctor visits, as well as a greater need for the development of new outpatient facilities. In addition to the rising age of the baby boomer population, other factors that contribute to the increasing demand for healthcare services include inadequate hospital infrastructures, advancements in outpatient medical technology, the rising cost of inpatient procedures, the decentralization of hospitals and their need to preserve capital and industry regulations and trends focused on reducing healthcare costs.

Healthcare real estate has continued to be a desirable asset class because of its attractive returns and its inherently stabilizing forces including high barrier to entry markets, strong credit hospital sponsorship, stable rental growth rates, relatively long-term leases, low vacancy rates, and high tenant retention rates, all of which contribute to long-term stable property cash flows. In addition, outpatient medical facilities are driven by need, rather than by speculation and while the industry is not recession-proof, it has shown to be relatively recession-resistant because of its sound fundamentals and the non-cyclical nature of demand for healthcare services.

Competition

When pursuing business opportunities, we compete with regional and national private and public companies and investors. The market remains competitive for these types of assets due to the perceived attractiveness of the healthcare industry and healthcare real estate. Although some of our competitors have substantially greater financial and operational resources than we do, we feel we can effectively compete. We believe that significant growth opportunities will continue to be available for us within our targeted markets and healthcare sectors based upon our long-term relationships, access to institutional capital, level of expertise, the size of the healthcare industry and its fragmentation of facility ownership. When compared to more generic asset classes, healthcare real estate tends to be owned more by smaller private investors and less by public real estate investment trusts, or REITs, and other institutional investors.

We believe that we are well positioned to effectively compete within our targeted markets based upon the following factors:

- We maintain a fully integrated advisory, development, investment and management platform focused solely on the healthcare sector;
- We focus on maintaining robust new business pipelines sourced through a network of healthcare system relationships, property owners, developers, brokerage houses and other industry professionals;
-

- Our employees concentrate on employing a pro-active approach to achieving creative healthcare solutions, while balancing the needs and objectives of clients and investors;
- We have experience structuring investments and investing and managing capital for both high net worth individuals and institutional investors;
- We maintain a detailed underwriting process focused on mitigating risks and maximizing opportunities under varying scenarios;
- We employ strong risk management functions targeting on-time and on-budget project completion while minimizing risk exposures; and
- We maintain dedicated, hands-on property management and leasing teams working within a “high touch” industry.

Regulatory Matters

The healthcare industry is heavily regulated by U.S. federal, state and local governmental authorities. Our clients generally will be subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, billing for services, privacy and security of health information and relationships with physicians and other referral sources. In addition, there could be new laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations. These changes, in some cases, could apply retroactively. The enactment, timing or effect of legislative or regulatory changes cannot be predicted.

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Many states also regulate the construction of healthcare facilities, the expansion of healthcare facilities, the construction or expansion of certain services, including by way of example specific bed types and medical equipment, as well as certain capital expenditures through certificate of need, or CON, laws. Under such laws, the applicable state regulatory body must determine a need exists for a project before the project can be undertaken. If one of our clients seeks to undertake a CON-regulated project, but is not authorized by the applicable regulatory body to proceed with the project, the client would be prevented from operating in its intended manner.

Critical Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements include the financial position, results of operations and cash flows of NexCore Healthcare Capital Corp and our consolidated subsidiaries. Noncontrolling equity interests in two consolidated subsidiaries are reflected as noncontrolling interests in the Consolidated Financial Statements. We also have a noncontrolling partnership interest in one unconsolidated joint venture, which is accounted for under the equity method. All significant intercompany amounts have been eliminated.

Principles of Consolidation

We consolidate entities deemed to be voting interest entities if we own a majority of the voting interest. The equity method of accounting is used for investments in non-controlled affiliates in which we are able to exercise significant influence but not control. We also consolidate any variable interest entities (“VIEs”) in which we are determined to be the primary beneficiary.

A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) the group of holders of the equity investment at risk lack certain characteristics of a controlling financial interest. The primary beneficiary is the entity that has the ability to control those activities that most significantly impact the entity’s economic performance and has the obligation to absorb a majority of the expected losses or the right to receive the majority of the residual returns. We continually evaluate whether entities in which we have an interest are VIEs and whether we are the primary beneficiary of any VIEs identified in our analysis.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exit price or price at which an asset (in its highest and best use) would be sold or a liability assumed by an informed market participant in a transaction that is not distressed and is executed in the most advantageous market. Our fair value measurements are based on the assumptions that market participants would use to price the asset or liability. As a basis for considering market participant assumptions in fair value measurements, current guidance establishes that a fair value hierarchy exists that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions based on the best information available under the circumstances (unobservable inputs classified within Level 3 of the hierarchy).

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Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability that are typically based on management's own assumptions, as there is little, if any, related observable market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Our financial instruments include accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments as of December 31, 2012 and 2011 are considered to be representative of their fair value due to the short maturity of these instruments.

Accounts Receivable

Accounts receivable consists of amounts due from customers. We consider accounts more than 30 days old to be past due. We estimate our allowance for doubtful accounts based on specific customer balance collection issues identified. For the years ended December 31, 2012 and 2011, respectively, no bad debt expense was recorded. There was no allowance for doubtful accounts as of December 31, 2012 and 2011.

Pre-Development Costs

In accordance with GAAP, as set forth in the Accounting Standards Codification ("ASC"), we have capitalized certain third-party costs related to prospective development projects that we consider likely to proceed. If we subsequently determine that the project is no longer likely to proceed or such costs are not recoverable, any related capitalized costs are expensed and recorded as "Direct costs of revenue" on the Consolidated Statement of Operations. Upon commencement of the project, any related capitalized costs are submitted for reimbursement from the owner of the project. These costs include, but are not limited to, legal fees, marketing costs, travel expenses, architectural and engineering fees, due diligence expenses and other direct costs. We do not capitalize any internal costs as pre-development costs.

Investment in Unconsolidated Affiliates

We account for our investment in one unconsolidated affiliate under the equity method because we exercise significant influence over, but do not control, this entity. Under the equity method, this investment was initially recorded at cost and is subsequently adjusted to reflect our proportionate share of net earnings or losses of the unconsolidated affiliate, distributions received, contributions made and certain other adjustments, as appropriate. Such investment is included in “Investment in unconsolidated affiliates” in our Consolidated Balance Sheet. Distributions from this investment that are related to earnings from operations are included as operating activities and distributions that are related to capital transactions are included as investing activities in our Consolidated Statement of Cash Flows.

During the analysis of the investment, it was determined that the unconsolidated affiliate was a VIE. We determined the affiliate was a VIE based on several factors, including whether the affiliate’s total equity investment at risk upon inception was sufficient to finance the affiliate’s activities without additional subordinated financial support. We made judgments regarding the sufficiency of the equity at risk based first on a qualitative analysis, then a quantitative analysis. In a quantitative analysis, we incorporated various estimates, including estimated future cash flows, asset hold periods and discount rates, as well as estimates of the probabilities of various scenarios occurring. The determination of the appropriate accounting with respect to this VIE was based on the determination of the primary beneficiary. We determined we were not the primary beneficiary of the VIE as we do not have the ability to control those activities that most significantly impact the affiliate’s economic performance. As reconsideration events occur, or at a minimum each reporting period, we will reconsider our determination of whether an entity is a VIE and who the primary beneficiary is to determine if there is a change in the original determinations and will report such changes on a quarterly basis.

Additionally, during the year ended December 31, 2012, we invested in one unconsolidated affiliate that we account for under the cost method as we have a 1% interest in the affiliate and we have no influence or control.

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Revenue Recognition

Certain revenue arrangements require management judgments and estimates. Development fees are recognized over the life of a development project on the percentage-of-completion method where the circumstances are such that total profit can be estimated with reasonable accuracy and ultimate realization is reasonably assured. The percentage-of-completion method uses actual hours spent internally on the project compared to the total forecasted internal hours to be spent on the project as the best measure of progress. If estimates of total hours require adjustment, the impact on revenue is recognized prospectively in the period of adjustment. As of December 31, 2012, we recorded no such adjustment as our development projects subject to the percentage-of completion method were considered substantially complete. As of December 31, 2011, we recorded an asset of $248,874, for revenue recognized in excess of billings which represents the difference between actual billed revenue and the revenue recognized using the percentage-of-completion method.

We source tenants and negotiate leases for buildings we manage and in return are paid leasing commissions and tenant consulting fees. This revenue is recognized based on each negotiated contract with the building owner or development contract and is recognized accordingly per the contracts as services are performed and certain development benchmarks are achieved, unless future contingencies exist.

Property and asset management fees are recognized monthly as services are performed, unless future obligations exist. Investor advisory and other fees are typically recognized at the culmination of a transaction such as a purchase or sale of a building.

In addition, in regard to development service contracts, the owner of the property will typically reimburse us for certain expenses that are incurred on behalf of the owner. We base the treatment of reimbursable expenses for financial reporting purposes upon the fee structure of the underlying contract. Contracts are accounted for on a net basis when the fee structure is comprised of at least two distinct elements, namely (i) a fixed management fee and (ii) a separate component that allows for expenses to be billed directly to the client. When accounting on a net basis, we include the fixed management fee in reported revenue and net the reimbursement against expenses. We base this accounting on the following factors, which defines us as an agent rather than a principal:

- The property owner, with ultimate approval rights relating to the expenditures and bearing all of the economic costs of such expenditures, is determined to be the primary obligor in the arrangement;
- Because the property owner is contractually obligated to fund all operating costs of the property from existing cash flow or direct funding from its building operating account, we bear little or no credit risk; and
- We generally earn no margin on the reimbursement aspect of the arrangement, obtaining reimbursement only for actual costs incurred.

All of our service contracts are accounted for on a net basis.

Income Taxes

Deferred income taxes are provided for under the asset and liability method. Under this method, deferred tax assets, including those related to tax loss carry forwards and credits, and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is recorded to reduce deferred tax assets when it is more likely than not that the net deferred tax asset will not be realized.

We follow Financial Accounting Standards Board ("FASB") issued guidance for accounting for uncertainty in income taxes, which clarifies the accounting and disclosure for uncertainty in tax positions and seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. We have analyzed our various federal and state filing positions and consider our positions more likely than not to be sustained upon examination by the applicable taxing authorities based on the technical merits of the position.

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Stock-Based Compensation

We may grant stock options, restricted stock and other forms of equity compensation to certain employees and directors pursuant to our Amended and Restated 2008 Equity Compensation Plan. Awards granted under this plan are measured at fair value on the grant date and amortized to compensation expense on a straight-line basis over the service period during which the awards fully vest. Such expense is included in “General and administrative” expense in our Consolidated Statements of Operations. Options to purchase common stock issued under the Plan are valued using the Black-Scholes option pricing model, which relies on assumptions we make related to the expected term of the options, volatility, dividend yield and risk free interest rate.

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs" ("ASU No. 2011-04"), which amends current guidance to result in common fair value measurement and disclosures between accounting principles generally accepted in the United States and International Financial Reporting Standards. The amendments explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. ASU No. 2011-04 clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs. The amendments in ASU No. 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The adoption of the provisions of ASU No. 2011-04 did not have a material impact on our Consolidated Financial Statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Presentation of Comprehensive Income" ("ASU No. 2011-05"), which improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income ("OCI") by eliminating the option to present components of OCI as part of the statement of changes in stockholders' equity. The amendments in this standard require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently in December 2011, the FASB issued Accounting Standards Update No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU No. 2011-12"), which indefinitely defers the requirement in ASU No. 2011-05 to present on the face of the financial statements reclassification adjustments for items that are reclassified from OCI to net income in the statement(s) where the components of net income and the components of OCI are presented. The amendments in these standards do not change the items that must be reported in OCI, when an item of OCI must be reclassified to net income, or change the option for an entity to present components of OCI gross or net of the effect of income taxes. The amendments in ASU No. 2011-05 and ASU No. 2011-12 are effective for interim and annual periods beginning after December 15, 2011 and are to be applied retrospectively. The adoption of the provisions of ASU No. 2011-05 and ASU No. 2011-12 did not have a material impact on our Consolidated Financial Statements.

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Results of Operations

NexCore Healthcare Capital Corp provides comprehensive healthcare facility solutions to hospitals, healthcare systems and physician partners across the United States by providing a full spectrum of strategic and operational consulting, development, acquisition, financing, leasing and asset and property management services within the healthcare industry. As of December 31, 2012, we managed 23 healthcare facilities comprised of approximately 1.8 million square feet and had one project under development comprised of 43,000 square feet. As of December 31, 2011, we managed 20 healthcare facilities and one retail facility comprised of approximately 1.5 million square feet and had four projects under development comprised of approximately 0.2 million square feet.

Summary of the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

	For the Years Ended December 31,			
	2012	2011	$ Change	% Change
REVENUE:				
Development, facilities consulting and construction management fees	$5,552,354	$5,920,447	$(368,093)	(6.2)%
Leasing commissions and tenant consulting fees	1,222,779	2,118,060	(895,281)	(42.3)%
Property and asset management fees	2,361,915	1,657,211	704,704	42.5 %
Investor advisory and other fees	4,823,714	883,633	3,940,081	445.9 %
Total revenue	13,960,762	10,579,351	3,381,411	32.0 %
OPERATING EXPENSES:				
Direct costs of revenue	1,139,076	754,411	384,665	51.0 %
Depreciation and amortization	169,182	116,218	52,964	45.6 %
Selling, general and administrative	9,444,862	8,718,533	726,329	8.3 %
Total operating expenses	10,753,120	9,589,162	1,163,958	12.1 %
Income (loss) from operations	$3,207,642	$990,189	$2,217,543	223.9 %

Revenue

Development, facilities consulting and construction management fees for the year ended December 31, 2012 decreased by approximately 6.2% compared to the year ended December 31, 2011 primarily due to the timing of the completion of three development projects, two of which broke ground during the year ended December 31, 2011. Our development revenues for 2011 included fees for breaking ground break on two projects and a completion bonus for one project that was completed as of December 31, 2011. During the year ended December 31, 2012, we recognized the completion bonuses for the other two projects that were completed as of December 31, 2012. We did not break ground on any development projects during the year ended December 31, 2012, however we completed two fee-based construction projects and commenced four fee-based projects that are expected to be completed during 2013.

Leasing commissions and tenant consulting fees for the year ended December 31, 2012 decreased by approximately 42.3% compared to the year ended December 31, 2011 primarily due to the timing of the completion of the three development projects. During the year ended December 31, 2011, we recognized the second half of the leasing commissions for the executed leases associated with the completed project and the first half of the pre-leasing commissions for the executed leases associated with the other two projects which were still under development as of December 31, 2011. During the year ended December 31, 2012, we recognized the second half of the leasing commissions for the executed leases associated with the two projects that were completed as of December 31, 2012. We typically recognize 50% of contractual leasing commissions upon execution of the lease and 50% upon lease commencement. However, for commissions related to development projects, no such commissions are recognized until commencement of the development project.

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Property and asset management fees include property management fees, asset management fees and maintenance revenue. Such fees increased by approximately 42.5% for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to our management of three additional properties and a full year of management of our largest completed development project. As of December 31, 2012, we managed 23 healthcare properties with average occupancy of 93.3% compared to 20 properties managed as of December 31, 2011 with average occupancy of 92.5%.

Investor advisory and other fees increased by approximately 445.9% for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to higher acquisition and advisory activity on behalf of our institutional partners. During the year ended December 31, 2012, we received advisory fees for securing permanent financing to replace the construction debt on several development projects and for several additional assets under our management. Additionally, during the year ended December 31, 2012, we assisted our institutional partners in the acquisition and disposition of an assortment of medical office buildings across the country. During the year ended December 31, 2011, we assisted one of our institutional partners in acquiring two medical office buildings. We normally earn advisory fees upon the closing of such acquisitions and dispositions and begin earning management fees on the applicable acquisition dates.

The recognition of certain fees and other revenue is dependent on specific performance milestones associated with our projects and as a result will also tend to fluctuate significantly from period to period.

Operating Expenses

Direct costs of revenue represent expenses paid to third parties for services related to predevelopment, property management, tenant leasing and due diligence, and incremental internal costs as they are incurred for projects that have commenced. We capitalize all third-party predevelopment costs related to future projects until a project is no longer probable or construction commences, at which time we are either reimbursed by the owners of the project or the capitalized costs are expensed.

Direct costs of revenue increased by approximately 51.0%for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily due to increased third-party property management fees and non-recoverable direct costs related to prospective development deals.

Expenses related to depreciation and amortization increased by approximately 45.6%for the year ended December 31, 2012 compared to the year ended December 31, 2011 primarily as a result of additional tenant improvements completed at our main office and additional computer equipment and software purchased subsequent to December 31, 2011.

Selling, general and administrative expenses increased by approximately 8.3% for the year ended December 31, 2012 compared to the year ended December 31, 2011. The increase was primarily due to professional expenses related to the corporate restructuring and higher employee costs.

Liquidity and Capital Resources

Cash and cash equivalents were $7,504,549 on December 31, 2012 compared to $1,930,441 on December 31, 2011. The increase in cash and cash equivalents is primarily related to the receipt of payments from ongoing and completed development projects and advisory fees. Our primary source of liquidity is cash provided by operations.

Cash provided by operating activities improved significantly during the year ended December 31, 2012 compared to the year ended December 31, 2011, primarily due to income from operations and operating cash distributions from our development joint venture which we began receiving during the year ended December 31, 2012. Additional operating cash flows during the year ended December 31, 2012 resulted from the decrease in the accounts receivable balance from December 31, 2011 due to collections. These cash inflows were partially offset by the reduction of current payables from December 31, 2011.

During the year ended December 31, 2012, cash used by investing activities decreased compared to the same period in the prior year because our development joint venture required less capital contributions and began paying out cash distributions as operations commenced. This source was offset by an investment of $1,114,300 in a new joint venture. During the year ended December 31, 2011, we used $1,940,282 to invest in our development joint venture and $344,950 for improvements to our Denver office space and the purchase of additional office equipment. These uses were partially offset by a decrease in our restricted cash.

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During the year ended December 31, 2012, we made a cash distribution to our noncontrolling interest of $9,974 and accrued $3,144 for an additional distribution. For the year ended December 31, 2011, we had no financing activities.

We intend to meet our liquidity needs from our available cash and funds provided by operations. We believe that these resources are sufficient to meet our reasonably foreseeable cash requirements. However, management continues to assess our capital resources in relation to our ability to fund operations and new investments on an ongoing basis. As such, management may seek to access the capital markets to raise additional capital through the issuance of additional equity, debt or a combination of both in order to fund our operations and future growth.

Contractual Obligations

The following table reflects our contractual obligations as of December 31, 2012. Specifically, the table includes our obligations under operating and lease agreements. We had no other contractual obligations as of December 31, 2012.

Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Operating lease commitments	$1,412,473	$271,952	$838,796	$ 301,725	$—
Total	$1,412,473	$271,952	$838,796	$301,725	$—

Adjusted EBITDA

To supplement our Consolidated Financial Statements, we use EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. We define EBITDA as consolidated net income before interest expense, income tax expense and depreciation and amortization. Our EBITDA includes noncontrolling interests and may not be comparable to EBITDA reported by other companies. We define Adjusted EBITDA as EBITDA before noncash equity based compensation expense.

We provide this information as a supplement to GAAP information to help us and our investors understand the impact of various items on our Consolidated Financial Statements. We use Adjusted EBITDA as one of several metrics when assessing our performance. In addition, we use Adjusted EBITDA to define certain performance targets under our compensation programs. Because EBITDA and Adjusted EBITDA exclude items that are included in our Consolidated Financial Statements, they do not provide a complete measure of our operating performance and should not be used as a substitute for GAAP measures. Therefore, investors are encouraged to use our Consolidated Financial Statements when evaluating our financial performance.

The reconciliation of EBITDA and Adjusted EBITDA to consolidated net income is set forth in the table below for the years ended December 31, 2012 and 2011.

	For the Years Ended December 31,	
	2012	2011
Consolidated net income	$ 3,679,781	$1,001,605
Exclude: Interest income	(1,469)	(957)
Exclude: Depreciation and amortization	169,182	116,218
Exclude: Income tax provision	195,095	—
EBITDA	4,042,589	1,116,866
Exclude: Equity-based compensation expense	198,807	102,238
Adjusted EBITDA	$4,241,396	$1,219,104

In addition to Adjusted EBITDA referenced in the table above, we received $1,746,153 of cash distributions from our development joint venture during the year ended December 31, 2012, as compared to equity earnings from this unconsolidated joint venture recognized on a GAAP basis of $665,765 for the same period, which is included in consolidated net income. There were no such cash distributions during 2011. We anticipate the receipt of additional cash distributions from our existing development joint venture on a monthly basis until the three development assets in which we have co-invested are sold.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company qualifies as a smaller reporting company as defined in Item 10(f)(1) of SEC Regulation S-K, and is not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Consolidated Financial Statements set forth on the "Index to Financial Statements" on Page 44 of this Form 10-K, which Consolidated Financial Statements are incorporated by reference into this Item 8.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act were effective as of December 31, 2012 to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U. S. generally accepted accounting principles.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on its assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2012.

Inherent Limitations Over Internal Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error and circumvention by collusion or overriding of controls. Accordingly, even an effective internal control system may not prevent or detect material misstatements on a timely basis. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

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(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report in this Annual Report.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position held by each of our executive officers and directors as of December 31, 2012:

Name	Age	Position Held
Gregory C. Venn	52	Chief Executive Officer and Director
Peter K. Kloepfer	54	Chief Investment Officer and Director
Robert D. Gross	48	Chief Operating Officer and Treasurer
Robert E. Lawless	46	Chief Financial Officer
Richard A. Bloom	45	Director
Brian L. Klemsz	53	Director
Loren E. Snyder	63	Director

Each director serving on the Board of Directors (the "Board") will serve until the next annual meeting of the stockholders of the Company or until his successor is elected and qualified.

Biographical Information

Gregory C. Venn has been our Chief Executive Officer and a director since the Acquisition on September 29, 2010. Prior to the Acquisition, he served as Chief Executive Officer of NexCore Group LP from its inception in May 2004 until the Acquisition. He was Senior Vice President of The Neenan Company from August 1990 to May 2004. He has developed and/or managed projects ranging in size from 30,000 to 300,000 square feet and from $10 million to $100 million. His background includes architecture and planning, finance, real estate brokerage, business administration, and construction management. Mr. Venn holds a Bachelor of Environmental Design degree from the College of Architecture & Planning at the University of Colorado Boulder, and commenced MBA studies with a Real Estate Finance & Construction Management emphasis at the University of Denver.

Peter K. Kloepfer has served as our Chief Investment Officer since the Acquisition. Mr. Kloepfer served as Senior Managing Director of NexCore Group LP for six years prior to the Acquisition. Prior to that time, he was a founding partner of the law firm of Kloepfer and Gorrell from August 2003 to January 2005, where among other things he served as outside counsel to NexCore Group LP. Mr. Kloepfer received his Juris Doctorate from the University of Colorado and a Master of Law, specializing in taxation from the University of Denver. He holds a Certified Public Accountant license and his ongoing industry involvement includes the American Bar Association, American Society of CPAs, Colorado Bar Association and Colorado Society of CPAs. He also serves as a director of the Ecological Building Network, a non-profit organization.

Robert D. Gross has been our Chief Operating Officer and Treasurer since the Acquisition. Prior to the Acquisition, he served as the Chief Financial Officer of NexCore Group LP from its inception in May 2004 until the Acquisition. He served as Chief Financial Officer of The Neenan Company from August 2000 to May 2004. Mr. Gross earned a Bachelor of Science degree in Finance and Accounting from Minnesota State University and holds a Certified Public Accountant License and is a member of the American Institute of Certified Public Accountants, and the North Dakota Society of CPAs.

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Robert E. Lawless has served as our Chief Financial Officer since August 2011. He previously served from August 2007 to August 2009 as Executive Vice President and Chief Financial Officer for HDG Mansur Capital Group, LLC, a fund management and development company managing over $2 billion of international real estate investments. Prior to this and from August 2005 to July 2009, he served as Chief Financial Officer and Treasurer for Specialty Financial Corp., Specialty Mortgage Corp., and Specialty Trust, Inc., which were affiliated entities that focused on real estate advisory services, development and mortgage lending within a private real estate investment trust, or REIT, and other organizational structures. During a portion of this period, Mr. Lawless also served as Managing Director and Chief Compliance Officer for Specialty Capital, LLC, a FINRA-registered broker-dealer focused on raising capital for affiliated entities. From June 1998 to August 2005, Mr. Lawless served various financial and operational roles for Trustreet Properties, Inc., a NYSE-traded REIT with approximately $2.5 billion of assets before leaving the company as Senior Vice President and Treasurer. Mr. Lawless earned Bachelor of Science degrees in Finance and Accounting from Sacred Heart University and St. Leo's University and an MBA from Vanderbilt University. He is a Certified Public Accountant, Chartered Financial Analyst, and Certified Treasury Professional.

Richard A. Bloom has served as a Director of the Company since December 31, 2010. Additionally, he served as Executive Chairman of Arcata LLC, (formerly Myprint LLC), a marketing execution services company, from 2009 through October 2011. He served as President and Chief Operating Officer of Renaissance Acquisition Corporation from the date of its initial public offering in 2007 until 2009. Mr. Bloom served as the Chief Executive Officer of Caswell Massey, a personal care consumer product company, from 2006 to 2007, and as a director and Vice Chairman of Caswell Massey from 2003 to 2007. From 1999 to 2006, Mr. Bloom served in various positions at Marietta Corporation, a maker and marketer of personal care and household products, most recently as its Chief Executive Officer and President. Mr. Bloom also served as a director of Marietta Holding Corporation, the successor entity to Marietta Corporation, from 2004 to 2007, and as a director and President of BFMA Holding Corporation, which owned and operated Marietta Corporation, from 1996 to 2004. Mr. Bloom also served as a director of AmeriQual Group, LLC, the largest producer and supplier of meals ready-to-eat to the United States military, from 2005 to 2007.

Brian L. Klemsz has served as a Director of the Company since December 31, 2010. Additionally, he has served as the Chief Investment Officer of BOCO Investments, LLC since 2007. Prior to that time, he served as President and Chief Investment Officer of GDBA Investments LLLP, or GDBA, for seven years. He currently serves as President, Treasurer and the sole director of WestMountain Distressed Debt, Inc., WestMountain Alternative Energy, Inc. and WestMountain Asset Management, Inc.

Loren E. Snyder has served as a Director of the Company since December 31, 2010. Additionally, he has served as an "advisory director" to NexCore Group LP from the time of its formation until the Acquisition. Mr. Snyder also serves as President, Treasurer and as a director of Snyder Realty Group, Inc., which he founded in 1989. Mr. Snyder co-founded Integrated Property Management, Inc. and has served as its Executive Vice President of Operations since 1990. Mr. Snyder also serves as Secretary and as a director of Integrated Property Management, Inc. Mr. Snyder assisted in organizing Grand Mountain Bank in Grand County, Colorado in 2004 and served as a director from 2004 to 2009.

Family Relationships

There are no family relationships among any of the executive officers and directors.

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Board Committee Assignments

The Board has established an Audit Committee, Compensation Committee, Governance Committee and Capital Committee. The composition of each committee is as follows:

	Audit	Compensation	Governance	Capital
Chair	**Klemsz**	**Snyder**	**Klemsz**	**Bloom**
Members	Bloom	Klemsz	Bloom	Klemsz
			Snyder	

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics, or the Code, which applies to all of the Company's Directors, officers and employees, including its executive officers. The Code is posted in the Company's internal policies and procedures manual and is available upon request to stockholders.

Transactions With Management And Others

Except for the Acquisition, there were no transactions during our current or last fiscal years, or any currently proposed transaction that, to our knowledge, any director, executive officer, nominee, future director, five percent shareholder, or any member of the immediate family of the foregoing persons, have or will have a direct or indirect material interest in which the amount involved exceeds $120,000. In addition, none of the foregoing persons have been indebted to us during such periods in an amount exceeding $120,000.

NexCore Group LP had a revolving line of credit with BOCO. The line of credit was in the amount of up to $2,000,000 with an annual interest rate of 8% and was secured by substantially all of our assets. This line was never drawn upon, matured in July 2012 and was not renewed.

Additionally, affiliates of Messrs. Klemsz and Snyder formed an entity which executed limited payment guaranties with various banks related to construction loans and the completion guaranties, as discussed below in ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE, for which they received fees upon completion of the projects. Messrs. Venn, Kloepfer and Gross agreed, subject to certain limitations, to indemnify the related party entity had it been required to make payments under these limited payment guaranties. As of December 31, 2012, all projects were completed and the associated guaranties were released.

NexCore Group LP has a contract with WestMountain Asset Management, Inc., whereby they provide marketing consulting services to us for approximately $6,000 per month.

Compliance With Section 16(a) of the Exchange Act

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's executive officers, directors and holders of more than 10% of our outstanding shares of Common Stock to file reports of ownership and reports of changes in ownership of Common Stock with the Securities and Exchange Commission. Executive officers, directors and greater than 10% beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) reports they file. The Company believes that during its most recent fiscal year ended December 31, 2012, its executive officers, directors and greater than 10% stockholders complied with the filing requirements under Section 16(a), except that a Form 3 due for filing by Mr. Lawless on August 18, 2011 in connection with commencing his employment with the Company was not filed until January 17, 2012, and a Form 4 due for filing by Mr. Lawless on August 18, 2011 in connection with the issuance of an option to purchase Common Stock was not filed until January 17, 2012.

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ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth certain information concerning the compensation for services rendered to us in all capacities for the fiscal years ended December 31, 2012, 2011 and 2010, of (i) our principal executive officer, (ii) our principal financial officer, and (iii) the two other most highly compensated executive officers, each of whose total compensation exceeded $100,000 during the fiscal year ended December 31, 2012. The officers described in (i) — (iii) are collectively referred to as our "named executive officers."

Name and Principal Position	Fiscal Year Ended 12/31	Salary Paid or Accrued	Bonus Paid or Accrued	Stock Awards	Option Awards	All Other Compensation	Total
Gregory C. Venn	2012	$425,227	$475,000	$53,333	$—	$ —	$953,560
President and Chief	2011	425,000	384,062	—	—	—	809,062
Executive Officer	2010	323,333	55,000	—	—	—	378,333
Peter K. Kloepfer	2012	350,227	415,000	45,333	—	—	810,560
Chief Investment	2011	350,000	338,156	—	—	—	688,156
Officer	2010	273,333	55,000	—	—	—	328,333
Robert D. Gross	2012	225,159	250,000	26,667	—	—	501,826
Chief Operating	2011	225,000	203,437	—	—	—	428,437
Officer	2010	190,000	55,000	—	—	—	245,000
Robert E. Lawless[1]	2012	250,030	150,000	16,000	2,529	—	418,559
Chief Financial	2011	94,712	40,000	—	127,992	18,400	281,104
Officer							

(1) Mr. Lawless has served as our Chief Financial Officer from August 15, 2011. Under his employment agreement, he was granted an option to purchase up to 500,000 shares of Common Stock. Mr. Lawless was reimbursed for approximately $18,400 related to moving expenses pursuant to his employment agreement during the year ended December 31, 2011.

Employment Agreement

On August 15, 2011, we entered into an employment agreement (the “Employment Agreement”) with Robert E. Lawless. The Employment Agreement provides for Mr. Lawless to serve as our Chief Financial Officer for a two-year term, commencing August 15, 2011, unless his employment is earlier terminated as provided in the Employment Agreement. The Employment Agreement may be extended for successive one-year periods by an amendment executed by the parties.

The Employment Agreement provides for an annual salary of $250,000 and target bonus of up to 0.75 times his base salary, prorated for partial years. Mr. Lawless was granted an option to purchase up to 500,000 shares of Common Stock upon his first day of employment. The exercise price for the option was $0.51 per share, which was equal to the fair market value of the Common Stock on the grant date, and one-third of the shares of Common Stock subject to the option vested on the first anniversary of his employment date with the remaining two-thirds scheduled to vest in equal amounts on each of the two successive anniversaries of his employment date. On January 12, 2012, this option was cancelled and Mr. Lawless was granted an option to purchase up to 500,000 shares of Common Stock at an exercise price of $0.16 per share, which was equal to the fair market value of the Common Stock on the grant date. One-third of the shares of Common Stock subject to the new option vested on the first anniversary of his employment date and the remaining two-thirds will vest on each of the successive two anniversaries of his employment date.

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Pursuant to the Employment Agreement, Mr. Lawless was reimbursed for reasonable moving and relocation expenses related to his relocation to the Denver, Colorado area. If Mr. Lawless's employment is terminated by us other than as a "Termination for Cause" (including expiration of the Employment Agreement) or by him as a "Voluntary Termination for Good Reason," each as defined in the Employment Agreement, he will be entitled to severance generally equal to one year's salary, subject to Mr. Lawless entering into a prescribed waiver of claims with the Company.

Under the Employment Agreement, Mr. Lawless is subject to certain restrictive covenants, including a non-competition provision for up to one year that becomes applicable following certain terminations, and non-solicitation, non-interference and confidentiality provisions.

Executive Compensation

Our Board has adopted Incentive Compensation Guidelines (the "Plan"), which will be used for determining annual cash bonuses and long-term equity compensation for the Company's senior management team. Participants in the Plan include the Company's Chief Executive Officer, Chief Investment Officer, Chief Operating Officer and Chief Financial Officer.

The components of the Plan shall consist of five (5) elements:

1. Base Salary

2. Annual Base Bonuses

3. Equity Grants

4. Extraordinary Event Cash Bonuses

5. Employment Agreements

Each Participant's Employment Agreement will contain the minimum Base Salary for the duration of the Agreement. On an annual basis, senior management may recommend to the Board increases in Base Salary based upon Participant and Company performance as well as market-based salaries for comparable positions.

Each Participant will be eligible for an Annual Base Bonus which may be paid through a combination of cash and/or equity grants. The total Annual Base Bonus will be equal to a Base Target Multiplier on Base Salary. The Maximum Base Target Multiplier for each Participant shall be as follows:

	Maximum Base Target Multiplier	Targeted Cash Bonus %	Targeted Equity Grant
President/CEO	1.50	70%	30%
CIO	1.50	70%	30%
CFO	0.75	70%	30%
COO	1.25	70%	30%

Any equity grants will be based upon fair market value on the date such grants are approved by the Board and shall vest one-third on the grant date and one-third over each of the following two years. The grants shall fully vest upon retirement, change of control as defined in the Participant Employment Agreement and not-for-cause termination. For purposes of calculating the number of equity grants, the value of the common shares shall be agreed upon by senior management and the Board and shall be adjusted for any stock splits.

In the event of extraordinary circumstances the Board may approve Annual Base Bonuses to senior management even if the target financial metrics are not achieved, but other performance measures are achieved which the Board determines justify the bonuses. In such event, Annual Base Bonuses will be more heavily weighted toward equity grants versus cash bonuses.

A portion of the Base Target Multiplier will be earned by achieving certain annual financial goals established by the management team and approved annually by the Board such as increases in Adjusted EBITDA, net asset value and revenue. A portion of the Base Target Multiplier will be earned by achieving certain annual Company and Participant goals related to activities such as new product and business development, capital raising and restructuring, and other events and accomplishments that enhance the value of the Company.

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In recognition of past, current and future services performed on behalf of the Company and its subsidiaries, the Board approved the creation of Equity Participation LLC, a limited liability company owned by various officers and employees of the Company, which holds a 16.2% interest in any future profits that may be realized from the appreciation of existing and future real estate assets owned by a company subsidiary, NexCore Development LLC. Participating officers and employees will be entitled to pre-determined profit interests on a project-by-project basis as determined by the Board and subject to forfeiture if an employee voluntarily resigns (other than if due to retirement) or is terminated by the Company for cause.

For any future profit interests received by Equity Participation LLC from the Company's existing three development projects, which are owned through a joint venture structure, 35.0% of such profit interests is held by our Chief Executive Officer, 31.7% is held by our Chief Investment Officer, 16.7% is held by our Chief Operating Officer, and 1.0% to 2.5%, dependent upon the specific project, is held by our Chief Financial Officer. The remaining portion of any such future profits interests is owned by other employees of the Company.

Director Compensation

The Board adopted a compensation policy for our non-employee directors. Directors who are employees do not receive any additional compensation for their Board service. Under the policy, each non-employee director will receive an annual retainer of $20,000 and a fee of $1,500 for each meeting of the full Board they attend. Additionally, each non-employee director will receive a fee of $1,000 for each committee meeting and annual retainers as follows in the table below:

	Audit Committee	Compensation Committee	Governance Committee	Capital Committee
Chair	$9,000	$8,000	$6,000	$15,000
Member	6,000	5,000	3,000	6,000

Each non-employee director was also granted an option to purchase up to 225,000 shares of our Common Stock at an exercise price of $0.15 per share at the time they were initially elected to the Board, which was December 31, 2010. The shares subject to these options vest 33% on each of the first three anniversaries of the date of grant.

We will reimburse our directors for their reasonable out-of-pocket costs in connection with their Board service. Upon completion of our reincorporation into Delaware during 2011, we entered into indemnification agreements with each of our directors and executive officers.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Table of Beneficial Ownership

The following table sets forth, as of February 1, 2013, beneficial ownership information with respect to our Common Stock for (i) each director, (ii) each of our named executive officers, (iii) all of our executive officers and directors as a group, and (iv) each person we know to be the beneficial owner of 5% or more of our outstanding Common Stock. We have determined beneficial ownership in accordance with the rules promulgated by the SEC. Unless otherwise indicated in the footnotes to the table, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of Common Stock, except to the extent authority is shared by spouses under community property laws. Unless otherwise listed, the address for each of the stockholders is c/o NexCore Healthcare Capital Corp, 1621 18th Street, Suite 250, Denver, Colorado, 80202.

Name and Address of Beneficial Owner	**Number of Shares Beneficially Owned (1)**		**Percent of Common Stock (1)**	
Directors and Executive Officers				
Gregory C. Venn	19,593,668	(2)	39.3	%
Peter K. Kloepfer	19,592,668	(3)	39.3	%
Robert D. Gross	—	(4)	—	%
Robert E. Lawless	166,667	(5)	0.3	%
Brian L. Klemsz	2,542,625	(6)	5.1	%
Richard A. Bloom	150,000	(7)	0.3	%
Loren E. Snyder	160,000	(8)	0.3	%
All directors and executive officers as a group (7 persons)	49,772,447	(9)	98.4	%
Five Percent Stockholders				
G. Brent Backman	11,899,710	(10)	23.8	%
BOCO Investments, LLC 103 West Mountain Ave. Fort Collins, Colorado, 80524	15,137,385		30.3	%
GDBA Investments LLLP 1440 Blake Street, Suite 310 Denver, Colorado 80202	11,948,102		23.9	%