

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)

February 5, 2014 (February 5, 2014)

Brookdale Senior Living Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-32641

(Commission File Number)

20-3068069

(IRS Employer
Identification No.)

111 Westwood Place, Suite 400, Brentwood, Tennessee

(Address of principal executive offices)

37027

(Zip Code)

Registrant's telephone number, including area code

(615) 221-2250

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 — Financial Information

Item 2.02 Results of Operations and Financial Condition.

On February 5, 2014, Brookdale Senior Living Inc. (the "Company") issued a press release announcing its fourth quarter and full year 2013 financial results and announcing a conference call to review these results. A copy of the press release is furnished herewith as Exhibit 99.1.

Supplemental information relating to the Company's fourth quarter and full year 2013 results is furnished herewith as Exhibit 99.2.

The information furnished pursuant to this Current Report on Form 8-K (including the exhibits hereto) shall not be considered "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filing by the Company under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, unless the Company expressly sets forth by specific reference in such filing that such information is to be considered "filed" or incorporated by reference therein.

Section 7 — Regulation FD

Item 7.01 Regulation FD Disclosure.

The information set forth in Item 2.02 of this report is incorporated herein by reference.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

- | | |
|------|--------------------------------------|
| (d) | Exhibits |
| 99.1 | Press Release dated February 5, 2014 |
| 99.2 | Supplemental Information |
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SIGNATURE

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

BROOKDALE SENIOR LIVING INC.

Date: February 5, 2014

By: /s/ Chad C. White

Name: Chad C. White

Title: Vice President, Co-General Counsel and Secretary

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Exhibit</u>
99.1	Press Release dated February 5, 2014.
99.2	Supplemental Information.

FOR IMMEDIATE RELEASE

Contact:

Brookdale Senior Living Inc.
Ross Roadman 615-564-8104

Brookdale Announces Fourth Quarter and Full Year 2013 Results

Nashville, Tenn. February 5, 2014 – Brookdale Senior Living Inc. (NYSE: BKD) (the "Company") today reported financial and operating results for the fourth quarter and full year 2013. Highlights were:

- Cash From Facility Operations ("CFFO") was \$88.5 million, or \$0.71 per share, excluding \$4.1 million of integration, transaction-related and electronic medical records ("EMR") roll-out costs in the fourth quarter of 2013. Full year CFFO was \$308.5 million, or \$2.50 per share, excluding \$14.5 million of integration, transaction-related and EMR roll-out costs during the year.
- Adjusted EBITDA for the fourth quarter was \$129.1 million, an 18.1% increase from the fourth quarter of 2012, and Adjusted EBITDA for the full year was \$477.7 million, a 10.2% increase from 2012, excluding integration, transaction-related and EMR roll-out costs in all periods.
- Fourth quarter same community Facility Operating Income grew by 12.5% over the fourth quarter of 2012, as same community revenue grew by 2.9% and same community expenses decreased by 1.5%.
- Entry Fee CCRCs completed 130 independent living entry fee unit closings and produced \$21.7 million of net cash flow, an increase of \$6.6 million over the fourth quarter of 2012. For the full year of 2013, independent living entry fee closings produced \$57.0 million of net cash flow.
- Fourth quarter average occupancy increased 30 basis points from the fourth quarter of 2012 and average monthly revenue per unit for the senior housing portfolio improved by 2.5% from the prior year quarter.
- Execution of key growth strategy to build national Brookdale brand, including national print, broadcast and social media, drives increased inquiries, interaction and move-ins.

Andy Smith, Brookdale's CEO, said, "We had an outstanding year with a strong finish, producing record CFFO and Adjusted EBITDA for the fourth quarter and full year 2013. Our results reflect increasing strength of the senior living sector's fundamentals as well as the success of our key operational strategies. We expect our ongoing investments in our systems, real estate assets, branding and operational excellence will continue to optimize value for all of our stakeholders in 2014 and beyond, with the uppermost priority of providing the highest level of service and care to our residents."

Financial Results

Total revenue for the fourth quarter was \$734.2 million, an increase of \$34.8 million, or 5.0%, from the fourth quarter of 2012. Revenue for the full year 2013 was \$2.9 billion, a 4.5% increase from \$2.8 billion for the full year 2012. Fourth quarter 2013 total revenue is comprised of resident fee revenue of \$638.6 million, which increased \$29.8 million, or 4.9%, from the fourth quarter of 2012, management fee revenue of \$8.2 million, which decreased \$0.3 million, or 3.4%, from the fourth quarter of 2012, and managed community reimbursed costs of \$87.5 million, which increased \$5.3 million, or 6.5%.

Resident fee revenue for the fourth quarter increased primarily as a result of an increase in the average monthly revenue per unit compared to the prior year period, an increase in occupancy and the inclusion of revenue from communities acquired during the period. Average monthly revenue per unit for the senior housing portfolio was \$4,387 in the fourth quarter, an increase of \$105, or 2.5%, over the fourth quarter of 2012. Average occupancy for all consolidated communities for the fourth quarter of 2013 was 89.0%, compared to 88.7% for the fourth quarter of 2012 and 89.0% for the third quarter of 2013. For the managed community portfolio, which includes a number of pre-stabilized communities in the initial fill-up phase, average occupancy for the fourth quarter was 86.1%, compared to 85.4% for the fourth quarter of 2012 and 85.7% for the third quarter of 2013.

For the full year of 2013, resident fee revenue increased from \$2.4 billion to \$2.5 billion. Average monthly revenue per unit increased to \$4,383 for the full year of 2013, a 2.6% increase over the full year of 2012. Average occupancy for all consolidated communities for the full year was 88.7%, compared to 88.0% for the full year of 2012.

Facility operating expenses for the fourth quarter were \$422.3 million, an increase of \$5.2 million, or 1.2%, from the fourth quarter of 2012. Facility operating expenses for the full year 2013 were \$1.7 billion, a 2.5% increase from \$1.6 billion for the full year 2012.

General and administrative expenses for the fourth quarter were \$46.1 million. Excluding integration, transaction-related and EMR roll-out costs of \$4.1 million and \$7.2 million in the fourth quarters of 2013 and 2012, respectively, and non-cash stock-based compensation expense from both periods, general and administrative expenses were \$36.8 million in the fourth quarter of 2013 versus \$31.0 million for the prior year same period. General and administrative expenses, excluding these items, were 4.6% of resident fee revenue (including resident fee revenues under management) in the fourth quarter of 2013.

Non-GAAP Financial Measures

Brookdale's management utilizes Adjusted EBITDA and CFFO to evaluate the Company's performance and liquidity because these metrics exclude non-cash items such as depreciation and amortization, asset impairment charges, non-cash stock-based compensation expense, gain on facility lease termination and straight-line lease expense, net of deferred gain amortization. Adjusted EBITDA and CFFO include integration, transaction-related and EMR roll-out costs of \$4.1 million and \$14.5 million for the three months and year ended December 31, 2013,

respectively, and \$7.2 million and \$23.5 million for the three months and year ended December 31, 2012, respectively. Brookdale also uses Facility Operating Income to assess the performance of its communities.

For the quarter ended December 31, 2013, Facility Operating Income was \$206.5 million, an increase of \$19.2 million, or 10.2%, over the fourth quarter of 2012, and Adjusted EBITDA, excluding integration, transaction-related and EMR roll-out costs in 2013 and 2012, was \$129.1 million, an increase of \$19.8 million, or 18.1%, over the fourth quarter of 2012. For the year ended December 31, 2013, Facility Operating Income was \$812.2 million, an increase of \$53.3 million, or 7.0%, over the full year of 2012, and Adjusted EBITDA, excluding integration, transaction-related and EMR roll-out costs in 2013 and 2012, was \$477.7 million, an increase of \$44.3 million, or 10.2%, over the full year of 2012.

Cash From Facility Operations was \$84.5 million for the fourth quarter of 2013, or \$0.68 per share. CFFO, excluding integration, transaction-related and EMR roll-out costs for both periods, was \$88.5 million for the fourth quarter of 2013, or \$0.71 per share, an increase of \$19.9 million, or 29%, over CFFO of \$68.7 million, or \$0.56 per share, for the fourth quarter of 2012. CFFO, excluding integration, transaction-related and EMR roll-out costs for both periods, was \$308.5 million for the year ended December 31, 2013, or \$2.50 per share, an increase of \$46.1 million, or 17.6%, over CFFO of \$262.4 million, or \$2.15 per share, for the full year of 2012.

Net Loss

Net loss for the fourth quarter of 2013 was \$(1.0) million, or \$(0.01) per diluted common share, versus a net loss of \$(24.7) million, or \$(0.20) per diluted common share, in the fourth quarter of 2012.

Operating Activities

The Company reports information on six segments. Four segments (Retirement Centers, Assisted Living, CCRCs – Rental and CCRCs – Entry Fee) constitute the Company's consolidated senior housing portfolio. The fifth segment, Brookdale Ancillary Services, includes the Company's outpatient therapy, home health and hospice services. The sixth segment, Management Services, includes the services provided to unconsolidated communities that are operated under management agreements.

Senior Housing

Revenue for the consolidated senior housing portfolio was \$576.5 million for the fourth quarter of 2013, an increase of 4.3% from the fourth quarter of 2012. Revenue was positively impacted by a 30 basis point increase in occupancy and a 2.5% increase in rate over the fourth quarter of 2012. Facility operating expenses were \$369.9 million for the fourth quarter of 2013, a decrease of 0.6% from the fourth quarter of 2012. Operating income for the senior housing portfolio for the fourth quarter of 2013 increased by \$26.0 million, or 14.4%, to \$206.6 million from the fourth quarter of 2012, with operating margin increasing from 32.7% to 35.8%.

Same community results for the consolidated senior housing portfolio for the three months ended December 31, 2013 showed revenues grew 2.9% over the corresponding period in 2012 as revenue per unit increased by 2.5% and occupancy grew by 40 basis points. Same community expenses decreased by 1.5% over the fourth quarter of 2012. Same community Facility Operating Income for the senior housing portfolio increased by 12.5% over the fourth quarter of 2012.

Brookdale Ancillary Services (formerly called Innovative Senior Care)

Revenue for the Company's ancillary services segment increased \$6.0 million, or 10.7%, to \$62.1 million for the fourth quarter of 2013, primarily due to the roll-out of the Company's ancillary services programs to additional locations. In comparison to the fourth quarter of 2012, a volume increase in home health was offset by a reduction in volume in outpatient therapy and a reduction in Medicare reimbursement rates. The ancillary services operating expenses increased \$7.4 million, or 16.5%, primarily due to an increase in expenses incurred in connection with the continued expansion of the Company's ancillary services programs. As a result, ancillary services operating income for the fourth quarter of 2013 was \$9.6 million, a decrease of \$1.4 million, or 12.8%, versus the fourth quarter of 2012.

By the end of the fourth quarter, the Company's ancillary services programs provided outpatient therapy services to approximately 38,300 units and the Company's home health agencies were serving approximately 33,900 units across the consolidated Brookdale portfolio. Including non-consolidated communities, the Company's outpatient therapy and home health operations serve approximately 52,300 and 46,800 units, respectively. The Company had 11 markets where hospice services were provided during the fourth quarter, with three more markets waiting for licensure approval.

Liquidity

Brookdale had \$58.5 million of unrestricted cash and cash equivalents and \$95.8 million of restricted cash on its balance sheet at the end of the fourth quarter. As of December 31, 2013, the Company had \$250.0 million of availability on its secured line of credit (of which \$30.0 million had been drawn as of that date). The Company also had secured and unsecured letter of credit facilities of up to \$92.5 million in the aggregate as of December 31, 2013. Letters of credit totaling \$72.5 million had been issued under these facilities as of that date.

Transactions

Effective October 1, 2013, the Company acquired seven communities for an aggregate purchase price of \$80.9 million. The Company managed six of the communities since the acquisition of Horizon Bay in September 2011. The Company financed the transaction with \$60.8 million of first mortgage financing (substantially through the assumption of existing debt), with the balance of the purchase price paid from cash on hand. The results of operations of the communities acquired are reported in the Assisted Living segment.

During the fourth quarter, the Company sold two communities for an aggregate selling price of \$28.0 million. The results of operations of the communities were previously reported in the Assisted Living and CCRCs - Rental segments.

2014 Outlook

For the full year 2014, the Company expects Cash From Facility Operations to range between \$2.68 and \$2.75 per share, excluding integration, transaction-related and EMR roll-out costs. These estimates do not include the impact on operating results from possible future acquisitions or dispositions.

Supplemental Information

The Company will shortly post on the Investor Relations section of the Company's website at www.brookdale.com supplemental information relating to the Company's fourth quarter and full year 2013 results. This information will also be furnished in a Form 8-K to be filed with the SEC.

Earnings Conference Call

Brookdale's management will conduct a conference call to review the financial results of its fourth quarter and full year ended December 31, 2013 on Thursday, February 6, 2014 at 10:00 AM ET. The conference call can be accessed by dialing (866) 900-2996 (from within the U.S.) or (706) 643-2685 (from outside of the U.S.) ten minutes prior to the scheduled start and referencing the "Brookdale Senior Living Fourth Quarter Earnings Call."

A webcast of the conference call will be available to the public on a listen-only basis at www.brookdale.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available through the website for three months following the call.

For those who cannot listen to the live call, a replay will be available until 11:59 PM ET on February 20, 2014 by dialing (855) 859-2056 (from within the U.S.) or (404) 537-3406 (from outside of the U.S.) and referencing access code "57838935". A copy of this earnings release is posted on the Investor Relations page of the Brookdale website (www.brookdale.com).

About Brookdale Senior Living

Brookdale Senior Living Inc. is a leading owner and operator of senior living communities throughout the United States. The Company is committed to providing senior living solutions within properties that are designed, purpose-built and operated to provide the highest-quality service, care and living accommodations for residents. Currently Brookdale operates independent living, assisted living, and dementia-care communities and continuing care retirement centers, with 649 communities in 36 states and the ability to serve approximately 67,000 residents. Through its ancillary services programs, the Company also offers a range of outpatient therapy, home health, personalized living and hospice services.

Safe Harbor

Certain items in this press release and the associated earnings conference call may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements relating to our operational initiatives and growth strategies and our expectations regarding their effect on our results; our expectations regarding the economy, the senior living industry, occupancy, revenue, cash flow, operating income, expenses, capital expenditures, Program Max opportunities, cost savings, the demand for senior housing, the home resale market, expansion, development and construction activity, acquisition opportunities, asset dispositions, our share repurchase program, taxes, capital deployment, returns on invested capital and CFFO; our expectations regarding returns to shareholders and our growth prospects; our expectations concerning the future performance of recently acquired communities and the effects of acquisitions on our financial results; our ability to secure financing or repay, replace or extend existing debt at or prior to maturity; our ability to remain in compliance with all of our debt and lease agreements (including the financial covenants contained therein); our expectations regarding liquidity and leverage; our expectations regarding financings and refinancings of assets (including the timing thereof) and their effect on our results; our expectations regarding changes in government reimbursement programs and their effect on our results; our plans to generate growth organically through occupancy improvements, increases in annual rental rates and the achievement of operating efficiencies and cost savings; our plans to expand our offering of ancillary services (therapy, home health and hospice); our plans to expand, renovate, redevelop and reposition existing communities; our plans to acquire additional communities, asset portfolios, operating companies and home health agencies; the expected project costs for our expansion, redevelopment and repositioning program; our expected levels of expenditures and reimbursements (and the timing thereof); our expectations regarding our sales, marketing and branding initiatives and their impact on our results; our expectations for the performance of our entrance fee communities; our ability to anticipate, manage and address industry trends and their effect on our business; our expectations regarding the payment of dividends; and our ability to increase revenues, earnings, Adjusted EBITDA, Cash From Facility Operations, and/or Facility Operating Income. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "would," "project," "predict," "continue," "plan" or other similar words or expressions. Forward-looking statements are based on certain assumptions or estimates, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition, or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, actual results and performance could differ materially from those set forth in the forward-looking statements. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from these forward-looking statements include, but are not limited to, the risk associated with the current global economic situation and its impact upon capital markets and liquidity; changes in governmental reimbursement programs; our inability to extend (or refinance) debt (including our credit and letter of credit facilities) as it matures; the risk that we may not be able to satisfy the conditions precedent to exercising the extension options associated with certain of our debt

agreements; events which adversely affect the ability of seniors to afford our monthly resident fees or entrance fees; the conditions of housing markets in certain geographic areas; our ability to generate sufficient cash flow to cover required interest and long-term operating lease payments; the effect of our indebtedness and long-term operating leases on our liquidity; the risk of loss of property pursuant to our mortgage debt and long-term lease obligations; the possibilities that changes in the capital markets, including changes in interest rates and/or credit spreads, or other factors could make financing more expensive or unavailable to us; our determination from time to time to purchase any shares under the repurchase program; our ability to fund any repurchases; our ability to effectively manage our growth; our ability to maintain consistent quality control; delays in obtaining regulatory approvals; the risk that we may not be able to expand, redevelop and reposition our communities in accordance with our plans; our ability to complete acquisitions and integrate them into our operations; competition for the acquisition of assets; our ability to obtain additional capital on terms acceptable to us; a decrease in the overall demand for senior housing; our vulnerability to economic downturns; acts of nature in certain geographic areas; terminations of our resident agreements and vacancies in the living spaces we lease; early terminations or non-renewal of management agreements; increased competition for skilled personnel; increased union activity; departure of our key officers; increases in market interest rates; environmental contamination at any of our facilities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us; the cost and difficulty of complying with increasing and evolving regulation; and other risks detailed from time to time in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such SEC filings. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this press release and/or the associated earnings conference call. The factors discussed above and the other factors noted in our SEC filings from time to time could cause our actual results to differ significantly from those contained in any forward-looking statement. We cannot guarantee future results, levels of activity, performance or achievements and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Consolidated Statements of Operations
(in thousands, except per share data)

	Three Months Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Revenue				
Resident fees	\$ 638,581	\$ 608,807	\$ 2,515,033	\$ 2,412,936
Management fees	8,150	8,436	31,125	30,786
Reimbursed costs incurred on behalf of managed communities	87,502	82,169	345,808	325,016
Total revenue	734,233	699,412	2,891,966	2,768,738
Expense				
Facility operating expense (excluding depreciation and amortization of \$60,558, \$56,090, \$238,153, and \$229,072, respectively)	422,336	417,168	1,671,945	1,630,919
General and administrative expense (including non-cash stock-based compensation expense of \$5,202, \$6,335, \$25,978 and \$25,520, respectively)	46,078	44,627	184,548	178,829
Facility lease expense	69,701	70,785	276,729	284,025
Depreciation and amortization	68,200	62,500	268,757	252,281
Asset impairment	10,233	19,348	12,891	27,677
Loss on acquisition	-	-	-	636
Gain on facility lease termination	-	(8,804)	-	(11,584)
Costs incurred on behalf of managed communities	87,502	82,169	345,808	325,016
Total operating expense	704,050	687,793	2,760,678	2,687,799
Income from operations	30,183	11,619	131,288	80,939
Interest income	312	1,792	1,339	4,012
Interest expense:				
Debt	(30,869)	(31,595)	(121,325)	(128,338)
Amortization of deferred financing costs and debt discount	(4,037)	(4,479)	(17,054)	(18,081)
Change in fair value of derivatives and amortization	386	7	980	(364)
Loss on extinguishment of debt	(319)	-	(1,265)	(221)
Equity in earnings (loss) of unconsolidated ventures	493	(3,277)	1,484	(3,488)
Other non-operating income	1,360	201	2,725	593
Loss before income taxes	(2,491)	(25,732)	(1,828)	(64,948)
Benefit (provision) for income taxes	1,516	1,040	(1,756)	(1,519)
Net loss	\$ (975)	\$ (24,692)	\$ (3,584)	\$ (66,467)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.20)	\$ (0.03)	\$ (0.54)
Weighted average shares used in computing basic and diluted net loss per share	124,308	122,608	123,671	121,991

Consolidated Balance Sheets
(in thousands)

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Cash and cash equivalents	\$ 58,511	\$ 69,240
Cash and escrow deposits - restricted	38,191	43,096
Accounts receivable, net	104,262	100,401
Other current assets	93,898	96,301
Total current assets	294,862	309,038
Property, plant, and equipment and leasehold intangibles, net	3,895,475	3,879,977
Other assets, net	547,420	517,753
Total assets	<u>\$ 4,737,757</u>	<u>\$ 4,706,768</u>
Current liabilities	\$ 870,844	\$ 1,130,898
Long-term debt, less current portion	2,434,624	2,169,826
Other liabilities	411,352	409,058
Total liabilities	3,716,820	3,709,782
Stockholders' equity	1,020,937	996,986
Total liabilities and stockholders' equity	<u>\$ 4,737,757</u>	<u>\$ 4,706,768</u>

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,	
	2013	2012
Cash Flows from Operating Activities		
Net loss	\$ (3,584)	\$ (66,467)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on extinguishment of debt	1,265	221
Depreciation and amortization	285,811	270,362
Asset impairment	12,891	27,677
Equity in (earnings) loss of unconsolidated ventures	(1,484)	3,488
Distributions from unconsolidated ventures from cumulative share of net earnings	2,691	1,507
Amortization of deferred gain	(4,372)	(4,372)
Amortization of entrance fees	(29,009)	(25,362)
Proceeds from deferred entrance fee revenue	44,191	40,105
Deferred income tax benefit	(183)	(525)
Change in deferred lease liability	2,597	6,668
Change in fair value of derivatives and amortization	(980)	364
(Gain) loss on sale of assets	(972)	332
Loss on acquisition	-	636
Gain on facility lease termination	-	(11,584)
Change in future service obligation	(1,917)	2,188
Non-cash stock-based compensation	25,978	25,520
Other	-	(487)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,449)	(3,415)
Prepaid expenses and other assets, net	7,483	8,687
Accounts payable and accrued expenses	33,837	4,854
Tenant refundable fees and security deposits	(792)	(1,547)
Deferred revenue	(1,881)	12,119
Net cash provided by operating activities	366,121	290,969
Cash Flows from Investing Activities		
Increase in lease security deposits and lease acquisition deposits, net	(2,051)	(7,999)
Decrease (increase) in cash and escrow deposits — restricted	10,726	(4,810)
Purchase of marketable securities — restricted	-	(1,557)
Sale of marketable securities — restricted	-	35,124
Additions to property, plant, and equipment and leasehold intangibles, net	(257,527)	(208,412)
Acquisition of assets, net of related payables and cash received	(34,686)	(272,523)
Payments on notes receivable, net	168	131
Investment in unconsolidated ventures	(17,172)	(5,368)
Distributions received from unconsolidated ventures	1,600	350
Proceeds from sale of assets, net	34,136	9,243
Other	-	487
Net cash used in investing activities	(264,806)	(455,334)
Cash Flows from Financing Activities		
Proceeds from debt	662,934	372,291
Repayment of debt and capital lease obligations	(724,133)	(191,835)
Proceeds from line of credit	425,000	375,000
Repayment of line of credit	(475,000)	(360,000)
Payment of financing costs, net of related payables	(11,576)	(5,563)
Refundable entrance fees:		
Proceeds from refundable entrance fees	48,140	42,600
Refunds of entrance fees	(35,325)	(27,356)
Cash portion of loss on extinguishment of debt	(502)	(118)
Purchase of derivatives and payment of swap termination	(2,863)	(1,908)
Other	1,281	(342)
Net cash (used in) provided by financing activities	(112,044)	202,769
Net (decrease) increase in cash and cash equivalents	(10,729)	38,404
Cash and cash equivalents at beginning of year	69,240	30,836
Cash and cash equivalents at end of year	<u>\$ 58,511</u>	<u>\$ 69,240</u>

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is a measure of operating performance that is not calculated in accordance with U.S. generally accepted accounting principles ("GAAP"). Adjusted EBITDA should not be considered in isolation or as a substitute for net income, income from operations or cash flows provided by or used in operations, as determined in accordance with GAAP. Adjusted EBITDA is a key measure of the Company's operating performance used by management to focus on operating performance and management without mixing in items of income and expense that relate to long-term contracts and the financing and capitalization of the business. We define Adjusted EBITDA as net income (loss) before provision (benefit) for income taxes, non-operating (income) expense items, (gain) loss on sale or acquisition of communities (including gain (loss) on facility lease termination), depreciation and amortization (including non-cash impairment charges), straight-line lease expense (income), amortization of deferred gain, amortization of deferred entrance fees, non-cash stock-based compensation expense, and change in future service obligation and including entrance fee receipts and refunds (excluding (i) first generation entrance fee receipts from the sale of units at a recently opened entrance fee CCRC prior to stabilization and (ii) first generation entrance fee refunds not replaced by second generation entrance fee receipts at the recently opened community prior to stabilization).

We believe Adjusted EBITDA is useful to investors in evaluating our performance, results of operations and financial position for the following reasons:

- It is helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance to our day-to-day operations;
- It provides an assessment of controllable expenses and affords management the ability to make decisions which are expected to facilitate meeting current financial goals as well as achieve optimal financial performance; and
- It is an indication to determine if adjustments to current spending decisions are needed.

The table below reconciles Adjusted EBITDA from net loss for the three months and years ended December 31, 2013 and 2012 (*in thousands*):

	Three Months Ended December 31⁽¹⁾,		Years Ended December 31⁽¹⁾,	
	2013	2012	2013	2012
Net loss	\$ (975)	\$ (24,692)	\$ (3,584)	\$ (66,467)
(Benefit) provision for income taxes	(1,516)	(1,040)	1,756	1,519
Equity in (earnings) loss of unconsolidated ventures	(493)	3,277	(1,484)	3,488
Loss on extinguishment of debt	319	-	1,265	221
Other non-operating income	(1,360)	(201)	(2,725)	(593)
Interest expense:				
Debt	24,840	24,492	96,131	98,183
Capitalized lease obligation	6,029	7,103	25,194	30,155
Amortization of deferred financing costs and debt discount	4,037	4,479	17,054	18,081
Change in fair value of derivatives and amortization	(386)	(7)	(980)	364
Interest income	(312)	(1,792)	(1,339)	(4,012)
Income from operations	30,183	11,619	131,288	80,939
Gain on facility lease termination	-	(8,804)	-	(11,584)
Loss on acquisition	-	-	-	636
Depreciation and amortization	68,200	62,500	268,757	252,281
Asset impairment	10,233	19,348	12,891	27,677
Straight-line lease expense	347	1,344	2,597	6,668
Amortization of deferred gain	(1,093)	(1,093)	(4,372)	(4,372)
Amortization of entrance fees	(7,831)	(6,527)	(29,009)	(25,362)
Non-cash stock-based compensation expense	5,202	6,335	25,978	25,520
Change in future service obligation	(1,917)	2,188	(1,917)	2,188
Entrance fee receipts ⁽²⁾	32,482	22,890	92,331	82,705
Entrance fee disbursements	(10,821)	(7,801)	(35,325)	(27,356)
Adjusted EBITDA	\$ 124,985	\$ 101,999	\$ 463,219	\$ 409,940

- (1) The calculation of Adjusted EBITDA includes integration, transaction-related and EMR roll-out costs of \$4.1 million and \$14.5 million for the three months and year ended December 31, 2013, respectively. The calculation of Adjusted EBITDA includes integration, transaction-related and EMR roll-out costs of \$7.2 million and \$23.5 million for the three months and year ended December 31, 2012, respectively.
- (2) Includes the receipt of refundable and non-refundable entrance fees.

Cash From Facility Operations

Cash From Facility Operations (CFFO) is a measurement of liquidity that is not calculated in accordance with GAAP and should not be considered in isolation as a substitute for cash flows provided by or used in operations, as determined in accordance with GAAP. We define CFFO as net cash provided by (used in) operating activities adjusted for changes in operating assets and liabilities, deferred interest and fees added to principal, refundable entrance fees received, first generation entrance fee receipts at a recently opened entrance fee CCRC prior to stabilization, entrance fee refunds disbursed adjusted for first generation entrance fee refunds not replaced by second generation entrance fee receipts at the recently opened community prior to stabilization, lease financing debt amortization with fair market value or no purchase options, gain (loss) on facility lease termination, recurring capital expenditures (net), distributions from unconsolidated ventures from cumulative share of net earnings, CFFO from unconsolidated ventures, and other. Recurring capital expenditures include routine expenditures capitalized in accordance with GAAP that are funded from current operations. Amounts excluded from recurring capital expenditures consist primarily of major projects, renovations, community repositionings, expansions, systems projects or other non-recurring or unusual capital items (including integration capital expenditures) or community purchases that are funded using lease or financing proceeds, available cash and/or proceeds from the sale of communities that are held for sale.

We believe CFFO is useful to investors in evaluating our liquidity for the following reasons:

- It provides an assessment of our ability to facilitate meeting current financial and liquidity goals.
- To assess our ability to:
 - (i) service our outstanding indebtedness;
 - (ii) pay dividends; and
 - (iii) make regular recurring capital expenditures to maintain and improve our facilities.

The table below reconciles CFFO from net cash provided by operating activities for the three months and years ended December 31, 2013 and 2012 (*in thousands*):

	Three Months Ended December 31 ⁽¹⁾ ,		Years Ended December 31 ⁽¹⁾ ,	
	2013	2012	2013	2012
Net cash provided by operating activities	\$ 117,046	\$ 82,991	\$ 366,121	\$ 290,969
Changes in operating assets and liabilities	(27,473)	(14,772)	(33,198)	(20,698)
Refundable entrance fees received ⁽²⁾	18,875	13,088	48,140	42,600
Entrance fee refunds disbursed	(10,821)	(7,801)	(35,325)	(27,356)
Recurring capital expenditures, net	(10,786)	(10,168)	(42,901)	(38,306)
Lease financing debt amortization with fair market value or no purchase options	(3,594)	(3,132)	(13,927)	(12,120)
Distributions from unconsolidated ventures from cumulative share of net earnings	(602)	(72)	(2,691)	(1,507)
CFFO from unconsolidated ventures	1,825	1,279	7,804	5,376
Cash From Facility Operations	\$ 84,470	\$ 61,413	\$ 294,023	\$ 238,958

- (1) The calculation of Cash From Facility Operations includes integration, transaction-related and EMR roll-out costs of \$4.1 million and \$14.5 million for the three months and year ended December 31, 2013, respectively. The calculation of Cash From Facility Operations includes integration, transaction-related and EMR roll-out costs of \$7.2 million and \$23.5 million for the three months and year ended December 31, 2012, respectively.
- (2) Total entrance fee receipts for the three months ended December 31, 2013 and 2012 were \$32.5 million and \$22.9 million, respectively, including \$13.6 million and \$9.8 million, respectively, of non-refundable entrance fee receipts included in net cash provided by operating activities. Total entrance fee receipts for the years ended December 31, 2013 and 2012 were \$92.3 million and \$82.7 million, respectively, including \$44.2 million and \$40.1 million, respectively, of non-refundable entrance fee receipts included in net cash provided by operating activities.

The calculation of CFFO per share is based on weighted average outstanding common shares for the period, excluding any unvested restricted shares. Annual CFFO per share for all periods is calculated as the sum of the quarterly amounts for the year.

Facility Operating Income

Facility Operating Income is not a measurement of operating performance calculated in accordance with GAAP and should not be considered in isolation as a substitute for net income, income from operations, or cash flows provided by or used in operations, as determined in accordance with GAAP. We define Facility Operating Income as net income (loss) before provision (benefit) for income taxes, non-operating (income) expense items, (gain) loss on sale or acquisition of communities (including gain (loss) on facility lease termination), depreciation and amortization (including non-cash impairment charges), facility lease expense, general and administrative expense, including non-cash stock-based compensation expense, change in future service obligation, amortization of deferred entrance fee revenue and management fees.

We believe Facility Operating Income is useful to investors in evaluating our facility operating performance for the following reasons:

- It is helpful in identifying trends in our day-to-day facility performance;
- It provides an assessment of our revenue generation and expense management; and
- It provides an indicator to determine if adjustments to current spending decisions are needed.

The table below reconciles Facility Operating Income from net loss for the three months and years ended December 31, 2013 and 2012 (*in thousands*):

	Three Months Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Net loss	\$ (975)	\$ (24,692)	\$ (3,584)	\$ (66,467)
(Benefit) provision for income taxes	(1,516)	(1,040)	1,756	1,519
Equity in (earnings) loss of unconsolidated ventures	(493)	3,277	(1,484)	3,488
Loss on extinguishment of debt	319	-	1,265	221
Other non-operating income	(1,360)	(201)	(2,725)	(593)
Interest expense:				
Debt	24,840	24,492	96,131	98,183
Capitalized lease obligation	6,029	7,103	25,194	30,155
Amortization of deferred financing costs and debt discount	4,037	4,479	17,054	18,081
Change in fair value of derivatives and amortization	(386)	(7)	(980)	364
Interest income	(312)	(1,792)	(1,339)	(4,012)
Income from operations	30,183	11,619	131,288	80,939
Gain on facility lease termination	-	(8,804)	-	(11,584)
Depreciation and amortization	68,200	62,500	268,757	252,281
Asset impairment	10,233	19,348	12,891	27,677
Loss on acquisition	-	-	-	636
Facility lease expense	69,701	70,785	276,729	284,025
General and administrative (including non-cash stock-based compensation expense)	46,078	44,627	184,548	178,829
Change in future service obligation	(1,917)	2,188	(1,917)	2,188
Amortization of entrance fees	(7,831)	(6,527)	(29,009)	(25,362)
Management fees	(8,150)	(8,436)	(31,125)	(30,786)
Facility Operating Income	\$ 206,497	\$ 187,300	\$ 812,162	\$ 758,843

Brookdale Senior Living Inc.
Corporate Overview - selected financial information
As of December 31, 2013

Corporate Overview

Brookdale Senior Living Inc. ("Brookdale") is a leading owner and operator of senior living communities throughout the United States. The Company is committed to providing an exceptional living experience through properties that are designed, purpose-built and operated to provide the highest-quality service, care and living accommodations for residents. As of December 31, 2013, the Company operates independent living, assisted living, and dementia-care communities and continuing care retirement centers, with 649 communities in 36 states and the ability to serve approximately 67,000 residents. Through Brookdale Ancillary Services, the Company also offers a range of outpatient therapy, home health and hospice services, primarily to residents of its communities.

Stock Listing

Common Stock
NYSE: BKD

Community Information

Ownership Type	Number of Communities	Number of Units	Percentage of Q4 2013 Resident and Management Fees	Percentage of Q4 2013 Facility Operating Income	Percentage of FY 2013 Resident and Management Fees	Percentage of FY 2013 Facility Operating Income
Owned	225	23,283	42.3%	42.1%	42.2%	41.5%
Leased	329	25,819	46.8%	50.0%	47.1%	49.7%
Brookdale Ancillary Services	N/A	N/A	9.6%	4.3%	9.5%	5.2%
Managed	95	17,422	1.3%	3.6%	1.2%	3.6%
Total	649	66,524	100.0%	100.0%	100.0%	100.0%

Operating Type - By Segment

Retirement Centers	76	14,549	20.7%	25.8%	20.7%	25.4%
Assisted Living	438	22,176	41.5%	44.8%	41.3%	44.6%
CCRCs - Rental	26	6,504	15.3%	12.2%	15.6%	12.5%
CCRCs - Entry Fee	14	5,873	11.6%	9.3%	11.7%	8.7%
Brookdale Ancillary Services	N/A	N/A	9.6%	4.3%	9.5%	5.2%
Management Services	95	17,422	1.3%	3.6%	1.2%	3.6%
Total	649	66,524	100.0%	100.0%	100.0%	100.0%

CFFO Per Share

(\$ except where indicated)	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year ⁽¹⁾	Q1	Q2	Q3	Q4	Full Year ⁽¹⁾
Reported CFFO	\$ 0.45	\$ 0.51	\$ 0.50	\$ 0.50	\$ 1.96	\$ 0.55	\$ 0.58	\$ 0.57	\$ 0.68	\$ 2.38
Add: integration, transaction-related and EMR roll-out costs	0.03	0.06	0.04	0.06	0.19	0.02	0.03	0.04	0.03	0.12
Adjusted CFFO	\$ 0.48	\$ 0.57	\$ 0.54	\$ 0.56	\$ 2.15	\$ 0.57	\$ 0.61	\$ 0.61	\$ 0.71	\$ 2.50
Weighted average shares (000's)	121,145	121,708	122,493	122,608		122,823	123,405	124,128	124,308	
Period end outstanding shares (excluding unvested restricted shares) (000's)	121,197	122,474	122,575	122,738		123,040	124,061	124,285	124,354	

(1) Full year CFFO for all periods is calculated as the sum of the quarterly amounts for the year.

Investor Relations

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Note: See accompanying fourth quarter earnings release for non-GAAP financial measure definitions and reconciliations.

Brookdale Senior Living Inc.
Segment Operating Information
As of December 31, 2013

Senior Housing Operating Information

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Retirement Centers										
Number of communities (period end)	76	76	76	76	76	76	76	76	76	76
Total average units(1)	14,452	14,451	14,445	14,433	14,445	14,429	14,429	14,444	14,454	14,439
Weighted average unit occupancy	88.8%	88.8%	89.1%	89.7%	89.1%	89.5%	89.4%	90.2%	90.1%	89.8%
Senior Housing average monthly revenue per unit(2)	\$ 3,235	\$ 3,268	\$ 3,275	\$ 3,276	\$ 3,263	\$ 3,328	\$ 3,362	\$ 3,408	\$ 3,426	\$ 3,381
Assisted Living										
Number of communities (period end)	434	434	434	433	433	431	432	432	438	438
Total average units(1)	21,635	21,637	21,652	21,577	21,625	21,556	21,499	21,513	22,149	21,679
Weighted average unit occupancy	88.5%	88.6%	89.1%	89.7%	88.9%	89.1%	89.4%	90.0%	90.1%	89.7%
Senior Housing average monthly revenue per unit(2)	\$ 4,379	\$ 4,390	\$ 4,393	\$ 4,401	\$ 4,390	\$ 4,523	\$ 4,519	\$ 4,518	\$ 4,480	\$ 4,510
CCRCs - Rental										
Number of communities (period end)	26	27	27	27	27	27	27	27	26	26
Total average units(1)	6,626	6,659	6,691	6,691	6,667	6,687	6,684	6,687	6,617	6,669
Weighted average unit occupancy	86.5%	85.8%	85.8%	87.0%	86.3%	87.6%	86.2%	86.7%	86.8%	86.8%
Senior Housing average monthly revenue per unit(2)	\$ 5,536	\$ 5,561	\$ 5,619	\$ 5,639	\$ 5,588	\$ 5,709	\$ 5,649	\$ 5,759	\$ 5,742	\$ 5,715
CCRCs - Entry Fee										
Number of communities (period end)	14	14	14	14	14	14	14	14	14	14
Total average units(1)	5,171	5,199	5,221	5,249	5,210	5,281	5,295	5,308	5,329	5,303
Weighted average unit occupancy	83.7%	83.4%	83.4%	84.1%	83.7%	84.6%	83.8%	84.1%	84.3%	84.2%
Senior Housing average monthly revenue per unit(2)	\$ 5,055	\$ 4,963	\$ 4,975	\$ 4,921	\$ 4,978	\$ 5,011	\$ 5,025	\$ 4,994	\$ 5,023	\$ 5,013

Senior Housing Totals										
Number of communities (period end)	550	551	551	550	550	548	549	549	554	554
Total average units(1)	47,884	47,946	48,009	47,950	47,947	47,953	47,907	47,952	48,549	48,090
Weighted average unit occupancy	87.8%	87.7%	88.0%	88.7%	88.0%	88.5%	88.3%	89.0%	89.0%	88.7%
Senior Housing average monthly revenue per unit(2)	\$ 4,257	\$ 4,266	\$ 4,279	\$ 4,282	\$ 4,271	\$ 4,375	\$ 4,373	\$ 4,397	\$ 4,387	\$ 4,383

Management Services										
Number of communities (period end)	96	96	97	97	97	101	101	102	95	95
Total average units(1)	18,253	18,144	18,081	18,141	18,155	18,114	18,310	18,291	17,618	18,083
Weighted average occupancy	84.3%	84.0%	84.3%	85.4%	84.5%	84.9%	84.9%	85.7%	86.1%	85.4%
Average monthly revenue per unit(2)	\$ 3,373	\$ 3,369	\$ 3,386	\$ 3,399	\$ 3,382	\$ 3,460	\$ 3,505	\$ 3,499	\$ 3,588	\$ 3,512

Brookdale Ancillary Services Operating Information

	FY 2012				FY 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Brookdale Ancillary Services								
Brookdale units served:								
Outpatient Therapy consolidated	35,909	36,844	38,016	37,961	38,017	38,075	38,253	38,308
Home Health consolidated	32,655	31,944	32,650	32,242	32,389	32,864	33,940	33,894
Outpatient Therapy non-consolidated	9,685	9,861	12,540	13,448	13,502	14,177	14,733	14,017
Home Health non-consolidated	4,735	10,667	12,597	13,569	13,326	13,232	13,601	12,884
Total Brookdale units served:								
Outpatient Therapy	45,594	46,705	50,556	51,409	51,519	52,252	52,986	52,325
Home Health	37,390	42,611	45,247	45,811	45,715	46,096	47,541	46,778
Outpatient Therapy treatment codes	907,816	957,364	939,241	762,233	821,308	840,076	818,758	844,987
Home Health average census	3,448	3,554	3,651	4,187	4,289	4,366	4,574	4,762

(1) Total average units operated represent the average units operated during the period, excluding equity homes.

(2) Average monthly revenue per unit represents the average of the total monthly revenues, excluding amortization of entrance fees and Brookdale Ancillary Services segment revenue, divided by average occupied units.

Brookdale Senior Living Inc.
Senior Housing Data by Ownership Type
As of December 31, 2013

Senior Housing Operating Information

	FY 2012				FY 2013			
	Q1	Q2	Q3	Q4 (1)	Q1	Q2	Q3 (2)	Q4
Owned Properties								
Number of communities (period end)	209	210	210	221	219	220	220	225
Total average units(3)	21,281	21,350	21,425	22,243	22,243	22,153	22,190	22,754
Weighted average unit occupancy	87.2%	87.4%	87.6%	89.0%	88.8%	88.7%	89.1%	89.2%
Senior Housing average monthly revenue per unit(4)	\$ 4,302	\$ 4,297	\$ 4,318	\$ 4,323	\$ 4,416	\$ 4,416	\$ 4,438	\$ 4,402
Leased Properties with Bargain Purchase Options								
Number of communities (period end)	18	18	18	9	9	9	9	9
Total average units(3)	3,263	3,263	3,261	2,948	2,949	2,945	2,944	2,943
Weighted average unit occupancy	88.4%	87.6%	88.0%	88.3%	88.2%	88.0%	88.6%	88.5%
Senior Housing average monthly revenue per unit(4)	\$ 3,878	\$ 3,874	\$ 3,903	\$ 3,802	\$ 3,891	\$ 3,896	\$ 3,929	\$ 4,001
Leased Properties with Fair Market Value Purchase Options								
Number of communities (period end)	77	77	77	74	74	74	75	75
Total average units(3)	3,929	3,927	3,927	3,364	3,364	3,364	3,413	3,438
Weighted average unit occupancy	91.1%	91.2%	92.0%	91.8%	90.8%	90.6%	90.9%	90.9%
Senior Housing average monthly revenue per unit(4)	\$ 4,384	\$ 4,423	\$ 4,482	\$ 4,549	\$ 4,675	\$ 4,638	\$ 4,645	\$ 4,637
Leased Properties without Purchase Options								
Number of communities (period end)	246	246	246	246	246	246	245	245
Total average units(3)	19,411	19,406	19,396	19,395	19,397	19,445	19,405	19,414
Weighted average unit occupancy	87.6%	87.3%	87.6%	87.9%	87.9%	87.6%	88.5%	88.6%
Senior Housing average monthly revenue per unit(4)	\$ 4,241	\$ 4,264	\$ 4,256	\$ 4,256	\$ 4,344	\$ 4,348	\$ 4,381	\$ 4,377
Senior Housing Totals								
Number of communities (period end)	550	551	551	550	548	549	549	554
Total average units(3)	47,884	47,946	48,009	47,950	47,953	47,907	47,952	48,549
Weighted average unit occupancy	87.8%	87.7%	88.0%	88.7%	88.5%	88.3%	89.0%	89.0%
Senior Housing average monthly revenue per unit(4)	\$ 4,257	\$ 4,266	\$ 4,279	\$ 4,282	\$ 4,375	\$ 4,373	\$ 4,397	\$ 4,387

- (1) During the three months ended December 31, 2012, the Company acquired the underlying real estate interest in 12 communities that the Company previously leased. The results of operations of the previously leased communities are included within Owned Properties beginning in the fourth quarter of FY 2012. Prior quarters have not been recast.
- (2) During the three months ended September 30, 2013, the Company amended a lease agreement for one community and, in connection therewith, obtained a fair market value purchase option. The results of operations of the community are included within Leased Properties with Fair Market Value Purchase Options beginning in the third quarter of FY 2013. Prior quarters have not been recast.
- (3) Total average units operated represent the average units operated during the period, excluding equity homes.
- (4) Average monthly revenue per unit represents the average of the total monthly revenues, excluding amortization of entrance fees and Brookdale Ancillary Services segment revenue, divided by average occupied units.

Brookdale Senior Living Inc.
Segment Financial Data
As of December 31, 2013

Financial Data

(\$ in 000s)

Retirement Centers

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	124,512	125,813	126,401	127,176	503,902	128,922	130,170	133,272	133,920	526,284
Expenses	73,521	73,138	75,679	75,979	298,317	75,588	75,993	76,452	75,969	304,002
Segment Operating Income	50,991	52,675	50,722	51,197	205,585	53,334	54,177	56,820	57,951	222,282
Segment Operating Margin	41.0%	41.9%	40.1%	40.3%	40.8%	41.4%	41.6%	42.6%	43.3%	42.2%

Assisted Living

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	251,352	252,399	254,179	255,407	1,013,337	260,615	260,497	262,524	268,232	1,051,868
Expenses	160,789	162,233	163,017	166,114	652,153	164,330	164,316	165,774	167,770	662,190
Segment Operating Income	90,563	90,166	91,162	89,293	361,184	96,285	96,181	96,750	100,462	389,678
Segment Operating Margin	36.0%	35.7%	35.9%	35.0%	35.6%	36.9%	36.9%	36.9%	37.5%	37.0%

CCRCs - Rental

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	95,112	95,258	96,681	98,428	385,479	100,327	97,562	100,076	99,010	396,975
Expenses	67,093	68,494	71,581	72,248	279,416	71,250	71,995	73,063	71,641	287,949
Segment Operating Income	28,019	26,764	25,100	26,180	106,063	29,077	25,567	27,013	27,369	109,026
Segment Operating Margin	29.5%	28.1%	26.0%	26.6%	27.5%	29.0%	26.2%	27.0%	27.6%	27.5%

CCRCs - Entry Fee

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	71,719	70,858	71,413	71,711	285,701	74,308	74,016	74,110	75,322	297,756
Expenses	54,914	55,341	56,249	57,792	224,296	54,737	56,244	55,892	54,490	221,363
Segment Operating Income	16,805	15,517	15,164	13,919	61,405	19,571	17,772	18,218	20,832	76,393
Segment Operating Margin	23.4%	21.9%	21.2%	19.4%	21.5%	26.3%	24.0%	24.6%	27.7%	25.7%

Bridge to Cash Basis for CCRCs - Entry Fee segment

Revenue	71,719	70,858	71,413	71,711	285,701	74,308	74,016	74,110	75,322	297,756
Less: revenue amortization (non-cash)	(6,066)	(6,310)	(6,459)	(6,527)	(25,362)	(7,133)	(7,032)	(7,013)	(7,831)	(29,009)
Add: net entrance fees (cash)	6,887	14,265	19,108	15,089	55,349	7,553	16,422	11,370	21,661	57,006
Adjusted revenue	72,540	78,813	84,062	80,273	315,688	74,728	83,406	78,467	89,152	325,753
Expenses	54,914	55,341	56,249	57,792	224,296	54,737	56,244	55,892	54,490	221,363
Adjusted Segment Operating Income	17,626	23,472	27,813	22,481	91,392	19,991	27,162	22,575	34,662	104,390
Adjusted Segment Operating Margin	24.3%	29.8%	33.1%	28.0%	29.0%	26.8%	32.6%	28.8%	38.9%	32.0%

Total Senior Housing

(GAAP Basis)	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	542,695	544,328	548,674	552,722	2,188,419	564,172	562,245	569,982	576,484	2,272,883
Expenses	356,317	359,206	366,526	372,133	1,454,182	365,905	368,548	371,181	369,870	1,475,504
Operating Income	186,378	185,122	182,148	180,589	734,237	198,267	193,697	198,801	206,614	797,379
Operating Margin	34.3%	34.0%	33.2%	32.7%	33.6%	35.1%	34.5%	34.9%	35.8%	35.1%
G&A Allocation (1)	22,751	20,876	21,402	20,374	85,403	25,526	23,224	22,647	24,658	96,055
G&A Allocation as a % of revenue	4.2%	3.8%	3.9%	3.7%	3.9%	4.5%	4.1%	4.0%	4.3%	4.2%
Adjusted Operating Income	163,627	164,246	160,746	160,215	648,834	172,741	170,473	176,154	181,956	701,324
Adjusted Operating Margin	30.2%	30.2%	29.3%	29.0%	29.6%	30.6%	30.3%	30.9%	31.6%	30.9%

Brookdale Senior Living Inc.
Segment Financial Data
As of December 31, 2013

Financial Data (continued)

(\$ in 000s)

Brookdale Ancillary Services	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	53,854	57,722	56,856	56,085	224,517	60,198	58,693	61,162	62,097	242,150
Expenses	42,452	44,309	44,941	45,035	176,737	47,098	47,479	49,398	52,466	196,441
Segment Operating Income	11,402	13,413	11,915	11,050	47,780	13,100	11,214	11,764	9,631	45,709
Segment Operating Margin	21.2%	23.2%	21.0%	19.7%	21.3%	21.8%	19.1%	19.2%	15.5%	18.9%
G&A Allocation (1)	5,954	5,453	5,467	5,358	22,232	6,055	6,005	5,516	5,806	23,382
G&A Allocation as a % of revenue	11.1%	9.4%	9.6%	9.6%	9.9%	10.1%	10.2%	9.0%	9.3%	9.7%
Adjusted Segment Operating Income	5,448	7,960	6,448	5,692	25,548	7,045	5,209	6,248	3,825	22,327
Adjusted Segment Operating Margin	10.1%	13.8%	11.3%	10.1%	11.4%	11.7%	8.9%	10.2%	6.2%	9.2%

Total Senior Housing and Brookdale Ancillary Services										
<i>(GAAP Basis)</i>	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	596,549	602,050	605,530	608,807	2,412,936	624,370	620,938	631,144	638,581	2,515,033
Expenses	398,769	403,515	411,467	417,168	1,630,919	413,003	416,027	420,579	422,336	1,671,945
Operating Income	197,780	198,535	194,063	191,639	782,017	211,367	204,911	210,565	216,245	843,088
Operating Margin	33.2%	33.0%	32.0%	31.5%	32.4%	33.9%	33.0%	33.4%	33.9%	33.5%
G&A Allocation (1)	28,705	26,329	26,869	25,732	107,635	31,581	29,229	28,163	30,464	119,437
G&A Allocation as a % of revenue	4.8%	4.4%	4.4%	4.2%	4.5%	5.1%	4.7%	4.5%	4.8%	4.7%
Adjusted Operating Income	169,075	172,206	167,194	165,907	674,382	179,786	175,682	182,402	185,781	723,651
Adjusted Operating Margin	28.3%	28.6%	27.6%	27.3%	27.9%	28.8%	28.3%	28.9%	29.1%	28.8%

Management Services	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue (Management Fees)	7,444	7,499	7,407	8,436	30,786	7,609	7,744	7,622	8,150	31,125
Expenses (G&A Allocation) (1)	5,929	5,325	5,644	5,311	22,209	6,031	6,192	6,106	6,334	24,663
Segment Operating Income	1,515	2,174	1,763	3,125	8,577	1,578	1,552	1,516	1,816	6,462
Segment Operating Margin	20.4%	29.0%	23.8%	37.0%	27.9%	20.7%	20.0%	19.9%	22.3%	20.8%

Total Senior Housing, Brookdale Ancillary and Management Services										
<i>(GAAP Basis)</i>	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	603,993	609,549	612,937	617,243	2,443,722	631,979	628,682	638,766	646,731	2,546,158
Expenses	398,769	403,515	411,467	417,168	1,630,919	413,003	416,027	420,579	422,336	1,671,945
Operating Income	205,224	206,034	201,470	200,075	812,803	218,976	212,655	218,187	224,395	874,213
Operating Margin	34.0%	33.8%	32.9%	32.4%	33.3%	34.6%	33.8%	34.2%	34.7%	34.3%
G&A Allocation (1)	34,634	31,654	32,513	31,043	129,844	37,612	35,421	34,269	36,798	144,100
G&A Allocation as a % of revenue	5.7%	5.2%	5.3%	5.0%	5.3%	6.0%	5.6%	5.4%	5.7%	5.7%
Adjusted Operating Income	170,590	174,380	168,957	169,032	682,959	181,364	177,234	183,918	187,597	730,113
Adjusted Operating Margin	28.2%	28.6%	27.6%	27.4%	27.9%	28.7%	28.2%	28.8%	29.0%	28.7%

(1) Excludes non-cash stock-based compensation expense and integration, transaction-related and EMR roll-out costs.

Brookdale Senior Living Inc.
Senior Housing Data by Ownership Type
As of December 31, 2013

Financial Data

(\$ in 000s)

Owned Properties	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4 (1)	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	243,302	244,720	247,473	260,980	996,475	266,322	265,139	267,922	273,439	1,072,822
Expenses	163,822	165,862	171,356	177,350	678,390	175,672	176,623	178,382	178,941	709,618
Segment Operating Income	79,480	78,858	76,117	83,630	318,085	90,650	88,516	89,540	94,498	363,204
Segment Operating Margin	32.7%	32.2%	30.8%	32.0%	31.9%	34.0%	33.4%	33.4%	34.6%	33.9%

Bridge to Cash Basis for CCRCs - Entry Fee

Revenue	243,302	244,720	247,473	260,980	996,475	266,322	265,139	267,922	273,439	1,072,822
Less: revenue amortization (non-cash)	(3,692)	(4,208)	(4,294)	(4,265)	(16,459)	(4,664)	(4,821)	(4,660)	(5,404)	(19,549)
Add: net entrance fees (cash)	5,802	10,487	14,234	11,481	42,004	5,449	10,936	8,014	13,694	38,093
Adjusted revenue	245,412	250,999	257,413	268,196	1,022,020	267,107	271,254	271,276	281,729	1,091,366
Expenses	163,822	165,862	171,356	177,350	678,390	175,672	176,623	178,382	178,941	709,618
Adjusted Segment Operating Income	81,590	85,137	86,057	90,846	343,630	91,435	94,631	92,894	102,788	381,748
Adjusted Segment Operating Margin	33.2%	33.9%	33.4%	33.9%	33.6%	34.2%	34.9%	34.2%	36.5%	35.0%

Leased Properties with Bargain Purchase Options

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4 (1)	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	35,394	34,853	35,362	31,494	137,103	32,254	32,096	32,667	33,177	130,194
Expenses	23,287	23,433	24,264	21,334	92,318	20,766	21,308	21,230	21,518	84,822
Segment Operating Income	12,107	11,420	11,098	10,160	44,785	11,488	10,788	11,437	11,659	45,372
Segment Operating Margin	34.2%	32.8%	31.4%	32.3%	32.7%	35.6%	33.6%	35.0%	35.1%	34.8%

Leased Properties with Fair Market Value Purchase Options

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4 (1)	Full Year	Q1	Q2	Q3 (2)	Q4	Full Year
Revenue	47,104	47,534	48,560	42,140	185,338	42,842	42,408	43,235	43,474	171,959
Expenses	29,974	30,192	28,999	27,443	116,608	26,940	27,011	27,228	27,293	108,472
Segment Operating Income	17,130	17,342	19,561	14,697	68,730	15,902	15,397	16,007	16,181	63,487
Segment Operating Margin	36.4%	36.5%	40.3%	34.9%	37.1%	37.1%	36.3%	37.0%	37.2%	36.9%

Leased Properties without Purchase Options

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3 (2)	Q4	Full Year
Revenue	216,895	217,221	217,279	218,108	869,503	222,754	222,602	226,158	226,394	897,908
Expenses	139,234	139,719	141,907	146,006	566,866	142,527	143,606	144,341	142,118	572,592
Segment Operating Income	77,661	77,502	75,372	72,102	302,637	80,227	78,996	81,817	84,276	325,316
Segment Operating Margin	35.8%	35.7%	34.7%	33.1%	34.8%	36.0%	35.5%	36.2%	37.2%	36.2%

Total Senior Housing (GAAP Basis)	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue	542,695	544,328	548,674	552,722	2,188,419	564,172	562,245	569,982	576,484	2,272,883
Expenses	356,317	359,206	366,526	372,133	1,454,182	365,905	368,548	371,181	369,870	1,475,504
Operating Income	186,378	185,122	182,148	180,589	734,237	198,267	193,697	198,801	206,614	797,379
Operating Margin	34.3%	34.0%	33.2%	32.7%	33.6%	35.1%	34.5%	34.9%	35.8%	35.1%

- (1) During the three months ended December 31, 2012, the Company acquired the underlying real estate interest in 12 communities that the Company previously leased. The results of operations of the previously leased communities are included within Owned Properties beginning in the fourth quarter of FY 2012. Prior quarters have not been recast.
- (2) During the three months ended September 30, 2013, the Company amended a lease agreement for one community and, in connection therewith, obtained a fair market value purchase option. The results of operations of the community are included within Leased Properties with Fair Market Value Purchase Options beginning in the third quarter of FY 2013. Prior quarters have not been recast.

Brookdale Senior Living Inc.
Same Community and Capital Expenditure Information
As of December 31, 2013

Same Community Information

(\$ in 000s, except Avg. Mo. Revenue/Unit)

	Senior Housing			Senior Housing		
	Three Months Ended December 31,			Year Ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	\$ 527,736	\$ 512,769	2.9%	\$ 2,094,416	\$ 2,026,393	3.4%
Operating Expense	345,588	350,802	-1.5%	1,383,293	1,367,445	1.2%
Facility Operating Income	\$ 182,148	\$ 161,967	12.5%	\$ 711,123	\$ 658,948	7.9%
Facility Operating Margin	34.5%	31.6%	2.9%	34.0%	32.5%	1.5%
# Communities	524	524		523	523	
Avg. Period Occupancy	89.0%	88.6%	0.4%	88.8%	88.0%	0.8%
Avg. Mo. Revenue/Unit	\$ 4,423	\$ 4,315	2.5%	\$ 4,406	\$ 4,301	2.4%

	Brookdale Ancillary Services			Brookdale Ancillary Services		
	Three Months Ended December 31,			Year Ended December 31,		
	2013	2012	% Change	2013	2012	% Change
Revenue	\$ 32,580	\$ 33,533	-2.8%	\$ 113,868	\$ 126,081	-9.7%
Operating Expense	27,090	26,672	1.6%	92,174	98,417	-6.3%
Facility Operating Income	\$ 5,490	\$ 6,861	-20.0%	\$ 21,694	\$ 27,664	-21.6%
Facility Operating Margin	16.9%	20.5%	-3.6%	19.1%	21.9%	-2.8%
# Units served (1)	26,821	26,821		24,187	24,187	

(1) Units are included in same store calculation where either the therapy or home health, whichever came later, has stabilized or produced revenue for twenty-four months.

Schedule of Capital Expenditures

(\$ in 000s)

<u>Type</u>	Three Months Ended December 31,	
	2013	2012
Recurring	\$ 10,786	\$ 10,668
Reimbursements	-	(500)
Net Recurring	10,786	10,168
Corporate (2)	3,282	7,377
EBITDA-enhancing / Major Projects (3)	50,598	22,979
Program Max / Development, net (4)	17,119	12,328
Net Total Capital Expenditures (5)	\$ 81,785	\$ 52,852

(2) Corporate includes capital expenditures for information technology systems and equipment and expenditures supporting the expansion of our support platform and ancillary services programs.

(3) Includes EBITDA-enhancing projects (primarily community renovations and apartment upgrades) and other major building infrastructure projects.

(4) Includes community expansions and major repositioning or upgrade projects. Also includes de novo community developments. Amounts shown are amounts invested, net of third party lender or lessor funding received of \$14.2 million and \$3.7 million for the three months ended December 31, 2013 and 2012, respectively.

(5) Approximately \$11.2 million and \$11.6 million of expense was recognized during the three months ended December 31, 2013 and 2012, respectively, for normal repairs and maintenance and capital spend under \$1,500 per invoice, except for unit turnovers.

Brookdale Senior Living Inc.
Capital Structure - selected financial information
As of December 31, 2013
(\$ in 000s)

Debt Maturities and Scheduled Principal Repayments

	Maturities						
	Mortgage Debt (1)	weighted rate (2)	Line of Credit	weighted rate (2)	Capital Leases	weighted rate (2)	Total Debt
2014	\$ 168,591	5.40%	\$ -	-	\$ 33,363	8.28%	\$ 201,954
2015	26,333	3.99%	-	-	34,400	8.30%	60,733
2016	58,478	4.55%	-	-	29,772	8.39%	88,250
2017	358,721	5.30%	-	-	61,251	8.15%	419,972
2018	777,085	3.41%	30,000	3.75%	24,169	8.51%	831,254
Thereafter	917,546	3.67%	-	-	116,869	7.89%	1,034,415
Total	\$ 2,306,754	3.99%	\$ 30,000	3.75%	\$ 299,824	8.14%	\$ 2,636,578

Coverage Ratios

Year ended December 31, 2013						
	Units	FOI	Adj. FOI **	Interest/Cash Lease Payments	Coverage	
Owned communities	23,283	\$ 382,544	\$ 316,233	\$ 96,131	3.3x	
Leased communities *	25,819	\$ 456,044	\$ 381,595	\$ 317,625	1.2x	

* The leased communities include the capital leases.

** Adjusted for 5% management fee and capital expenditures @ \$350/unit.

Debt Amortization

	Year ended December 31,	
	2013	2012
Scheduled debt amortization	\$ 50,425	\$ 44,866
Lease financing debt amortization - FMV or no purchase option (3)	13,927	12,120
Lease financing debt amortization - bargain purchase option	17,244	14,470
Total debt amortization	<u>\$ 81,596</u>	<u>\$ 71,456</u>

Line Availability

(\$000s)	12/31/12	03/31/13	06/30/13	09/30/13	12/31/13
Total line commitment	\$ 230,000	\$ 230,000	\$ 250,000	\$ 250,000	\$ 250,000
Line availability (6)	\$ 191,436	\$ 198,563	\$ 225,331	\$ 238,565	\$ 250,000
Ending line balance	80,000	45,000	70,000	45,000	30,000
Available to draw	\$ 111,436	\$ 153,563	\$ 155,331	\$ 193,565	\$ 220,000
Cash and cash equivalents	69,240	28,242	30,946	42,690	58,511
Total liquidity (available to draw + cash)	<u>\$ 180,676</u>	<u>\$ 181,805</u>	<u>\$ 186,277</u>	<u>\$ 236,255</u>	<u>\$ 278,511</u>
Total letters of credit outstanding	<u>\$ 78,112</u>	<u>\$ 77,952</u>	<u>\$ 75,031</u>	<u>\$ 71,762</u>	<u>\$ 72,464</u>

Leverage Ratios

	Balance	Annualized Leverage
Debt (1)	\$ 2,306,754	
Capital leases	299,824	
Total Debt	\$ 2,606,578	5.6x
Plus: Line of credit (cash borrowings)	30,000	
Less: Unrestricted cash	<u>(58,511)</u>	

Subtotal	\$ 2,578,067	5.6x
2013 Adjusted EBITDA	\$ 463,219	
Annual cash lease expense multiplied by 8	2,228,032	
Total adjusted debt	\$ 4,806,099	6.5x
2013 Adjusted EBITDAR	\$ 741,723	

Debt Structure

	Balance	Weighted rate (2)
Fixed rate debt (1)	\$ 1,356,224	4.82%
Variable rate debt (1)	950,530	2.74%
Capital leases	299,824	8.14%
Line of credit (cash borrowings)	30,000	3.75%
Total debt	\$ 2,636,578	

	Balance	% of total
Variable rate debt with interest rate swaps (1) (4)	\$ 26,973	2.8%
Variable rate debt with interest rate caps (1) (5)	696,570	73.3%
Variable rate debt - unhedged (1)	226,987	23.9%
Total variable rate debt (1)	\$ 950,530	100.0%

(1) Includes mortgage debt and convertible notes, but excludes capital leases and line of credit.

(2) Pertaining to variable rate debt, reflects a) market rates for stated reporting period and b) applicable swap rates / cap rates for hedged debt.

(3) Payments are included in CFFO.

(4) Weighted swap rate for stated reporting period is 5.49%.

(5) Weighted cap rate for stated reporting period of 4.69% is materially above current market rates, therefore caps have no impact on consolidated interest expense for given period.

(6) The actual amount available to borrow under the line may vary from time to time as it is based on borrowing base calculations related to the value and performance of the communities securing the facility.

Brookdale Senior Living Inc.
CFFO Reconciliation
As of December 31, 2013

CFFO Calculation

(\$ in 000s)

	Three Months Ended December 31,	
	2013	2012
Net cash provided by operating activities (includes non-refundable entrance fees)	\$ 117,046	\$ 82,991
Changes in operating assets and liabilities (eliminates cash flow effect)	(27,473)	(14,772)
Add: Refundable entrance fees received	18,875	13,088
Less: Entrance fee refunds disbursed	(10,821)	(7,801)
Less: Recurring capital expenditures, net	(10,786)	(10,168)
Less: Lease financing debt amortization with fair market value or no purchase options	(3,594)	(3,132)
Less: Distributions from unconsolidated ventures from cumulative share of net earnings	(602)	(72)
Add: CFFO from unconsolidated ventures	1,825	1,279
Cash From Facility Operations	\$ 84,470	\$ 61,413
Add: Integration, transaction-related and EMR roll-out costs	4,078	7,249
Adjusted Cash From Facility Operations	\$ 88,548	\$ 68,662

Revenue Reconciliation (1)

(\$ in 000s except average monthly revenue per quarter)

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year	Q1	Q2	Q3	Q4	Full Year
Revenue reconciliation excl. entrance fee amortization										
Average monthly revenue per quarter	4,257	4,266	4,279	4,282	4,271	4,375	4,373	4,397	4,387	4,383
Average monthly units (excluding equity homes) available	47,858	47,935	47,998	47,935	47,959	47,956	47,929	47,953	48,548	48,097
Average occupancy for the quarter	87.8%	87.7%	88.0%	88.7%	88.0%	88.5%	88.3%	89.0%	89.0%	88.7%
Senior Housing resident fee revenue	\$536,629	\$538,018	\$542,215	\$546,195	\$2,163,057	\$557,039	\$555,213	\$562,969	\$568,653	\$2,243,874
Add: Brookdale Ancillary Services segment revenue	53,854	57,722	56,856	56,085	224,517	60,198	58,693	61,162	62,097	242,150
Add: management fee revenue	7,444	7,499	7,407	8,436	30,786	7,609	7,744	7,622	8,150	31,125
Total revenues excluding entrance fee amortization	<u>\$597,927</u>	<u>\$603,239</u>	<u>\$606,478</u>	<u>\$610,716</u>	<u>\$2,418,360</u>	<u>\$624,846</u>	<u>\$621,650</u>	<u>\$631,753</u>	<u>\$638,900</u>	<u>\$2,517,149</u>

CFFO Reconciliation to the Income Statement

Resident and management fee revenue	\$ 603,993	\$ 609,549	\$ 612,937	\$ 617,243	\$ 2,443,722	\$ 631,979	\$ 628,682	\$ 638,766	\$ 646,731	\$ 2,546,158
Less: Entrance fee amortization	(6,066)	(6,310)	(6,459)	(6,527)	(25,362)	(7,133)	(7,032)	(7,013)	(7,831)	(29,009)
Adjusted revenues	597,927	603,239	606,478	610,716	2,418,360	624,846	621,650	631,753	638,900	2,517,149

Less: Facility operating expenses	(398,769)	(403,515)	(411,467)	(417,168)	(1,630,919)	(413,003)	(416,027)	(420,579)	(422,336)	(1,671,945)
Add: Change in future service obligation	-	-	-	2,188	2,188	-	-	-	(1,917)	(1,917)
Adjusted facility operating expenses	(398,769)	(403,515)	(411,467)	(414,980)	(1,628,731)	(413,003)	(416,027)	(420,579)	(424,253)	(1,673,862)
Less: G&A including non-cash stock-based compensation expense	(44,973)	(46,071)	(43,158)	(44,627)	(178,829)	(46,611)	(46,035)	(45,824)	(46,078)	(184,548)
Add: G&A non-cash stock-based compensation expense	6,435	6,729	6,021	6,335	25,520	6,894	6,988	6,894	5,202	25,978
Net G&A	(38,538)	(39,342)	(37,137)	(38,292)	(153,309)	(39,717)	(39,047)	(38,930)	(40,876)	(158,570)
Less: Facility lease expense	(71,445)	(70,628)	(71,167)	(70,785)	(284,025)	(69,019)	(68,777)	(69,232)	(69,701)	(276,729)
Add: Straight-line lease expense	1,642	1,564	2,118	1,344	6,668	748	684	818	347	2,597
Less: Amortization of deferred gain	(1,093)	(1,093)	(1,093)	(1,093)	(4,372)	(1,093)	(1,093)	(1,093)	(1,093)	(4,372)
Net lease expense	(70,896)	(70,157)	(70,142)	(70,534)	(281,729)	(69,364)	(69,186)	(69,507)	(70,447)	(278,504)
Add: Entrance fee receipts	14,989	19,694	25,132	22,890	82,705	16,873	23,878	19,098	32,482	92,331
Less: Entrance fee disbursements	(8,102)	(5,429)	(6,024)	(7,801)	(27,356)	(9,320)	(7,456)	(7,728)	(10,821)	(35,325)
Net entrance fees	6,887	14,265	19,108	15,089	55,349	7,553	16,422	11,370	21,661	57,006
Adjusted EBITDA	96,611	104,490	106,840	101,999	409,940	110,315	113,812	114,107	124,985	463,219
Less: Recurring capital expenditures, net	(8,064)	(8,599)	(11,475)	(10,168)	(38,306)	(9,324)	(10,664)	(12,127)	(10,786)	(42,901)
Less: Interest expense, net	(31,198)	(31,739)	(31,586)	(29,803)	(124,326)	(30,668)	(29,591)	(29,170)	(30,557)	(119,986)
Less: Lease financing debt amortization with fair market value or no purchase options	(2,929)	(2,993)	(3,066)	(3,132)	(12,120)	(3,371)	(3,444)	(3,518)	(3,594)	(13,927)
Add: CFFO from unconsolidated ventures	1,228	1,310	1,559	1,279	5,376	1,958	2,099	1,922	1,825	7,804
Less: Other	(1,062)	(990)	(792)	1,238	(1,606)	(1,068)	(1,060)	(655)	2,597	(186)
Reported CFFO	\$ 54,586	\$ 61,479	\$ 61,480	\$ 61,413	\$ 238,958	\$ 67,842	\$ 71,152	\$ 70,559	\$ 84,470	\$ 294,023
Add: integration, transaction-related and EMR roll-out costs	3,904	7,688	4,624	7,249	23,465	2,105	3,626	4,661	4,078	14,470
Adjusted CFFO	\$ 58,490	\$ 69,167	\$ 66,104	\$ 68,662	\$ 262,423	\$ 69,947	\$ 74,778	\$ 75,220	\$ 88,548	\$ 308,493

CFFO Per Share

(\$ except where indicated)

	FY 2012					FY 2013				
	Q1	Q2	Q3	Q4	Full Year(2)	Q1	Q2	Q3	Q4	Full Year(2)
Reported CFFO	\$ 0.45	\$ 0.51	\$ 0.50	\$ 0.50	\$ 1.96	\$ 0.55	\$ 0.58	\$ 0.57	\$ 0.68	\$ 2.38
Add: integration, transaction-related and EMR roll-out costs	0.03	0.06	0.04	0.06	0.19	0.02	0.03	0.04	0.03	0.12
Adjusted CFFO	\$ 0.48	\$ 0.57	\$ 0.54	\$ 0.56	\$ 2.15	\$ 0.57	\$ 0.61	\$ 0.61	\$ 0.71	\$ 2.50
Shares used in calculation of CFFO (000's)	121,145	121,708	122,493	122,608		122,823	123,405	124,128	124,308	

(1) Revenue excludes reimbursed costs incurred on behalf of managed communities.

(2) Full year CFFO for all periods is calculated as the sum of the quarterly amounts for the year.

Note: CFFO is a measurement of liquidity that is not calculated in accordance with GAAP and should not be considered in isolation as a substitute for any GAAP financial measure. CFFO is not a measure of financial performance under GAAP. We strongly urge you to review the reconciliation of CFFO to GAAP net cash provided by operating activities, along with our consolidated financial statements, included in the accompanying earnings release.

Brookdale Senior Living Inc.
Quarterly Entry Fee Information
As of December 31, 2013

Cash Basis (\$ in 000's except average resale and refund)

	FY 2012				FY 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
# Closings	94	106	147	121	91	128	100	130
# of Refunds	92	62	66	79	87	88	86	103
Resale Receipts:								
Proceeds from non-refundable entrance fees (1)	7,000	10,377	12,926	9,802	9,237	12,124	9,223	13,607
Proceeds from refundable entrance fees (2)	7,989	9,317	12,206	13,088	7,636	11,754	9,875	18,875
Total Cash Proceeds	14,989	19,694	25,132	22,890	16,873	23,878	19,098	32,482
Refunds of entrance fees (3)	(8,102)	(5,429)	(6,024)	(7,801)	(9,320)	(7,456)	(7,728)	(10,821)
Net Resale Cash Flow	6,887	14,265	19,108	15,089	7,553	16,422	11,370	21,661

MyChoice proceeds included in refundable resale receipts above	2,363	3,602	2,466	4,881	1,768	4,041	3,205	10,008
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Average Resale \$ (excluding MyChoice proceeds)	134,319	151,811	154,190	148,835	165,989	154,977	158,930	172,877
Average Refund \$ (excluding MyChoice refunds)	(84,283)	(77,500)	(87,273)	(95,025)	(98,540)	(80,773)	(86,372)	(94,621)

Value of Unsold Inventory (\$ in 000's except average resale price)

Gross Value @ Average Resale Price of \$155,000	91,915
Refund Attachments	(13,876)
Net Cash Value	78,039

Income Statement Impact (\$ in 000's)

On Brookdale's income statement, non-refundable entrance fees are amortized into revenue based on the unamortized balance per contract divided by the actuarial life of the resident. The following are the non-cash amortized non-refundable entrance fees for each quarter:

	FY 2012				FY 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Amortization of entrance fees (incl. gains on terminations)	(6,066)	(6,310)	(6,459)	(6,527)	(7,133)	(7,032)	(7,013)	(7,831)

Principles of Entry Fee Accounting

Certain of Brookdale's communities have residency agreements which require the resident to pay an upfront fee prior to occupying the community and in return for a reduced monthly service fee and certain healthcare benefits. Brookdale has a number of options for residents that give a choice of the amount of refundability of the upfront fee, the amount of entry fee for the unit and the amount of health care benefit in the community's various levels of care. The non-refundable portion of the entrance fee is recorded as deferred revenue and amortized over the estimated stay of the resident based on an actuarial valuation. The refundable portion of a resident's entrance fee is generally refundable within a certain time period following contract termination or in certain agreements, upon the resale of a comparable unit or 12 months after the resident vacates the unit and is not amortized.

Notes:

- (1) From Statement of Cash Flows (Operating Activities section) with line description: Proceeds from deferred entrance fee revenue.
- (2) From Statement of Cash Flows (Financing Activities section) with line description: Proceeds from refundable entrance fees (which includes MyChoice proceeds).
- (3) From Statement of Cash Flows (Financing Activities section) with line description: Refunds of entrance fees.

[illegible]

[illegible]

termination	(99)	(1,190)	-	(619)	(1,908)	-	(1,489)	(1,374)	-	(2,863)
Other	(86)	(178)	(31)	(47)	(342)	315	321	327	318	1,281
Net cash provided by (used in) financing activities	106,976	(23,223)	(6,658)	125,674	202,769	(47,321)	(30,176)	(20,227)	(14,320)	(112,044)
Net increase (decrease) in cash and cash equivalents	11,277	(3,437)	3,828	26,736	38,404	(40,998)	2,704	11,744	15,821	(10,729)
Cash and cash equivalents at beginning of period	30,836	42,113	38,676	42,504	30,836	69,240	28,242	30,946	42,690	69,240
Cash and cash equivalents at end of period	<u>\$ 42,113</u>	<u>\$ 38,676</u>	<u>\$ 42,504</u>	<u>\$ 69,240</u>	<u>\$ 69,240</u>	<u>\$ 28,242</u>	<u>\$ 30,946</u>	<u>\$ 42,690</u>	<u>\$ 58,511</u>	<u>\$ 58,511</u>