

EMERITUS CORP\WA\  
Form 425  
June 04, 2014

Company Update

June 2014

Filed by Brookdale Senior Living Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Emeritus Corporation

(Commission File No. 001-14012)

The following investor presentation was posted by Brookdale on its web site:

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### Forward-Looking Statements

Certain statements in this Annual Report and other information we provide from time to time (including statements with respect to the proposed Merger ("Merger") and the pending transactions with HCP, Inc. (the "HCP Transactions")) may constitute forward-looking statements within the meaning of the Private Securities Reform Act of 1995. Those forward-looking statements include all statements that are not historical statements of fact and those statements, but not limited to, statements relating to our operational initiatives and growth strategies and our expectations regarding their effect on the economy, the senior living industry, occupancy, revenue, cash flow, operating income, expenses, capital expenditures, Program of Support, housing, the home resale market, expansion, development and construction activity, acquisition opportunities, asset disposition, operating returns on invested capital and taxes; our expectations regarding returns to shareholders and our growth prospects; our expectations regarding acquired communities and the effects of acquisitions on our financial results; our ability to secure financing or repay, replace or restructure our debt and remain in compliance with all of our debt and lease agreements (including the financial covenants contained therein); our expectations regarding financings and refinancings of assets (including the timing thereof) and their effect on our results; our expectations regarding reimbursement programs and their effect on our results; our plans to generate growth organically through occupancy improvement, the achievement of operating efficiencies and cost savings; our plans to expand our offering of ancillary services (therapy, home health care, etc.); to redevelop and reposition existing communities; our plans to acquire additional communities, asset portfolios, operating companies and joint ventures; our costs for our expansion, redevelopment and repositioning program; our expected levels of expenditures and reimbursements (including sales, marketing and branding initiatives and their impact on our results; our expectations for the performance of our entrance fees); our ability to address industry trends and their effect on our business; our expectations regarding the payment of dividends; our ability to increase income from Facility Operations, and/or Facility Operating Income (as such terms are defined herein); and our expectations regarding the use of "anticipate(s)", "expect(s)", "intend(s)", "plan(s)", "target(s)", "project(s)", "predict(s)", "believe(s)", "may", "will", "would", "could", "might", "should", "may be", "may not", "may not be", "may not have", "may not have been", "may not have been able to", "may not have been able to do so", "may not have been able to do so as a result of", "may not have been able to do so as a result of", "may not have been able to do so as a result of", "may not have been able to do so as a result of" expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and are subject to risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although our forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could affect our future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to, the current economic situation and its impact upon capital markets and liquidity; changes in governmental reimbursement programs; our inability to obtain financing (including of credit facilities) as it matures; the risk that we may not be able to satisfy the conditions precedent to exercising the extension of our debt; events which adversely affect the ability of seniors to afford our monthly resident fees or entrance fees; the conditions of housing which may not generate sufficient cash flow to cover required interest and long-term operating lease payments; the effect of our indebtedness on our ability of loss of property pursuant to our mortgage debt and long-term lease obligations; the possibilities that changes in the capital markets, spreads, or other factors could make financing more expensive or unavailable to us; our determination from time to time to purchase or sell assets; our ability to fund any repurchases; our ability to effectively manage our growth; our ability to maintain consistent quality control; our ability to may not be able to expand, redevelop and reposition our communities in accordance with our plans; our ability to complete acquisitions; our ability to compete for the acquisition of assets; our ability to obtain additional capital on terms acceptable to us; a decrease in the overall economic downturns; acts of nature in certain geographic areas; terminations of our resident agreements and vacancies in the line of business; the renewal of management agreements; increased competition for skilled personnel; increased union activity; departure of our key personnel; environmental contamination at any of our communities; failure to comply with existing environmental laws; an adverse determination of the cost and difficulty of complying with increasing and evolving regulation; risks relating to the Merger and the HCP Transactions; our ability to obtain conditions to such transactions; unanticipated difficulties and/or expenditures relating to such transactions; the risk that regulatory requirements may be obtained or are obtained subject to conditions that are not anticipated; uncertainties as to the timing of such transactions; litigation relating to such transactions on relationships with residents, employees and third parties; and the inability to obtain, or delays in obtaining cost estimates for such transactions as other risks detailed from time to time in our filings with the Securities and Exchange Commission, press releases and other communications. Factors" included in the accompanying Annual Report on Form 10-K. Such forward-looking statements speak only as of the date of this report and we have no obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or circumstances on which any statement is based.

Additional Information

In connection with the Merger, the Company has filed with the SEC a Registration Statement on Form S-4 that includes a joint proxy statement of the Company and Emeritus that also constitutes a prospectus of the Company, as well as other relevant documents concerning the proposed transaction. **STOCKHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS REGARDING THE MERGER AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS TO THOSE DOCUMENTS, BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** A free copy of the joint proxy statement and other filings containing information about the Company and Emeritus may be obtained at the SEC's Internet site (<http://www.sec.gov>) and you are also able to obtain these documents, free of charge, from the Company at [www.brookdale.com](http://www.brookdale.com) under the heading "About Brookdale" or from Emeritus at [www.emeritus.com](http://www.emeritus.com) under the heading "Investor Relations."

The Company and Emeritus and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from

the  
Company's  
and  
Emeritus'  
stockholders  
in  
connection  
with  
the  
Merger.  
Information  
about  
the  
directors  
and  
executive  
officers  
of  
the  
Company  
and  
their  
ownership  
of  
Company  
Common  
Stock  
is  
set  
forth  
in  
the  
Annual

Report  
on  
Form  
10-K/A,  
as  
filed  
with  
the  
SEC  
on  
April  
30,

2014. Information about the directors and executive officers of Emeritus and their ownership of Emeritus Common Stock is set forth in Emeritus' Annual Report on Form 10-K/A, as filed with the SEC on April 30, 2014. Additional information regarding the interests of the following participants

and  
other  
persons  
who  
may  
be  
deemed  
participants  
in  
the  
Merger  
may  
be  
obtained  
by  
reading  
the  
joint  
proxy  
statement  
regarding

the Merger. Free copies of this document may be obtained as described in the preceding paragraph. This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in

any  
jurisdiction  
in  
which  
such  
offer,  
solicitation  
or  
sale  
would  
be  
unlawful

prior  
to  
registration  
or  
qualification  
under  
the  
securities  
laws  
of  
any

such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10  
Securities Act of 1933, as amended.

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Brookdale Overview  
Unit Mix by Product Type  
4  
Company Highlights  
Favorable Payor Mix  
Independent Living  
Rental  
22,333  
34%  
Independent Living  
Entry Fee  
5,679  
9%  
Assisted Living  
27,350

41%  
Alzheimer's Care  
6,971

11%  
Skilled Nursing  
3,992

6%  
Note: All data as of March 31, 2014.  
Largest operator of senior housing in the  
United States  
Operates 647 communities in 36 states

Most diversified service continuum and  
broadest geographic footprint in the industry

Capacity to serve approximately 66,000  
residents  
Ancillary services platform unique to  
Brookdale

Offers a fully-integrated set of ancillary  
services (home health, therapy, and/or  
hospice) to its residents  
Real estate ownership of 44% of its units  
80% of revenue generated from private pay  
sources

Medicare  
Ancillary

8%  
Medicare

SNF  
6%

Medicaid  
3%

Insurance  
3%

Private Pay  
80%

Key Investment Considerations

Positive industry dynamics

Broadest range of solutions to meet the needs of a growing and increasingly frail senior population

Largest provider with broad geographic presence and national brand

Significant near and long-term growth opportunities

Sustainable organic growth

Opportunities to redevelop and enhance current portfolio

Accretive acquisition opportunities in highly fragmented market

Definitive agreement to merge with Emeritus

Definitive  
agreement



with  
HCP  
to  
restructure  
Emeritus  
leases  
and  
create Entry Fee CCRC joint venture  
5

Improving Industry Operating Environment

(\$ in millions)

6

Facility Operating Income

Adjusted EBITDA

(2)

Total Fee Revenues

Cash From Facility Operations

(2)

(1)

Note: See reconciliations of Non-GAAP measures at the end of the presentation

(2)

Excludes integration, transaction and EMR roll-out costs of \$14.4 million, \$23.5 million and \$14.5 million for the full years of 2013 and 2014, and \$14.5 million for the first quarter of 2014

2,023

2,213  
2,305  
2,445  
2,546  
2,631  
-  
500  
1,000  
1,500  
2,000  
2,500  
3,000  
2009  
2010  
2011  
2012  
2013  
2014 Q1  
Ann.  
690  
744  
758  
759  
812  
853  
0  
100  
200  
300  
400  
500  
600  
700  
800  
900  
2009  
2010  
2011  
2012  
2013  
2014 Q1  
Ann.  
349  
408  
417  
433  
478  
479  
0  
100

200  
300  
400  
500  
600  
2009  
2010  
2011  
2012  
2013  
2014 Q1  
Ann.  
197  
241  
254  
262  
308  
317  
0  
50  
100  
150  
200  
250  
300  
350  
2009  
2010  
2011  
2012  
2013  
2014 Q1  
Ann.

Favorable Demographics

Sources: U.S Census Bureau National Health Interview 2003-2007 and Population projections; Alzheimer's Association 2013

Senior population is estimated to grow 3x faster than base population

According to the U.S. Census Bureau, people 75 and over are expected to represent 12% of the population by 2030 (compared to just 6% in 2012)

Need for assistance increases progressively with aging; one in three over the age of 85 have Alzheimer's

Strong Population Growth

Millions of People

Need for Assistance Grows Dramatically

% of Population with limitation in three or more Activities of Daily Living

Population projection for 75 and older

7

15.0

20.0  
25.0  
30.0  
35.0  
7%  
15%  
40%  
0%  
5%  
10%  
15%  
20%  
25%  
30%  
35%  
40%  
45%  
65-74  
75-84  
85+

Supply-Demand Fundamentals

New construction starts increasing, but remain at historic low levels

Currently, only 1.9 million units serving a population of 12.0 million seniors

(approx. 15% penetration rate)

1% increase in penetration is more than 100,000 new residents

(1) Source: American Seniors Housing Association, NIC Map, PREI Research

Construction Starts in Top 31 Metros (Units)

(1)

8

-

5,000

10,000

15,000

20,000

25,000

30,000  
35,000  
40,000  
45,000  
50,000  
1997  
1998  
1999  
2000  
2001  
2002  
2003  
2004  
2005  
2006  
2007  
2008  
2009  
2010  
2011  
2012  
2013



Organic Growth

Improving revenue growth with controlled costs produces significant cash flow growth

High incremental margins from fixed cost structure

Upside potential in occupancy and rate

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Improving Occupancy Trends

(1)

Improving Same Store Pricing Growth

4.5%

4.0%

2.0%

1.0%

2.5%

1.6%

2.4%  
-1.0%  
0.0%  
1.0%  
2.0%  
3.0%  
4.0%  
5.0%

2007  
2008  
2009  
2010  
2011  
2012  
2013

Same Store Pricing Growth

Inflation

-  
CPI  
90.7%  
89.6%  
86.5%  
87.1%  
87.3%  
88.0%  
88.7%  
84.0%  
85.0%  
86.0%  
87.0%  
88.0%  
89.0%  
90.0%  
91.0%  
92.0%

2007  
2008  
2009  
2010  
2011  
2012  
2013

10

Ancillary Services Growth Opportunities

Brookdale has a unique, fully-integrated ancillary services platform

Strategic  
component  
of  
our  
service  
offerings  
providing  
solutions  
to

address rising acuity, increases length of stay

Strategic differentiator in evolving post-acute care continuum  
Growth Opportunities

Rolling out services to new unit capacity through acquisitions,  
expansions or additional third-party management agreements

Adding services such as hospice, private pay home care, private pay  
case  
management  
and  
taking  
services  
outside  
the  
walls  
to  
the  
community in general

Development Growth (Program Max)

Current development program focused on repositioning and expanding communities in current portfolio

Respond to changing customer needs by adding higher demand levels of care and services

Expect to generate 12% - 15% unlevered returns with lowest risk profile

Large pipeline of potential future Program Max projects  
Highest capital deployment priority, with best returns

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**Building Market Leading Brand**

Began in May 2013 to build the industry's first truly national brand  
Striving to become the recognized provider of solutions as seniors and  
their adult children grapple with the confusing landscape of choices  
Diversified service continuum positions Brookdale with many of the  
potential choices

National ad campaign is focused on facilitating  
conversations regarding those choices before  
it becomes critical

Involves a multi-layered approach that  
combines national and local market activities  
Brand equity creates preference and drives  
loyalty with residents and their families and  
with lessors and managed / JV partners

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Name of Presentation | Date of Presentation  
Brookdale Merger with Emeritus

Transaction Overview

Exchange Ratio

Each share of ESC will be converted into 0.95 of a share of BKD

Ownership

73.1% BKD / 26.9% ESC

Shares Outstanding

Expect to have 172mm (approx.) shares outstanding following the merger

Expected Close

Expected to close in the third quarter of 2014

Brookdale

Senior

Living

( BKD )

is



merging  
with  
Emeritus  
Corporation  
( ESC )  
in  
a  
100% stock-for-stock transaction  
14

Combined Company Overview

Merger creates the largest owner-operator of senior housing in the U.S with approximately 1,200 properties and 113,000 units

\$4.9bn of combined revenues in 2013

over 80% from private pay sources

Diversified Product Mix

Diversified Operating Model

Independent

Living

Managed

Skilled Nursing

Assisted

Living

Owned

Leased

Memory  
Care  
15  
(Properties)  
(% of Total)  
(Properties)  
(% of Total)  
38,442  
34%  
55,352  
49%  
18,900  
17%  
59,026  
52%  
14,055  
12%  
34,449  
31%  
5,164  
5%

Builds Out Geographic Coverage

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Emeritus Significantly Expands Brookdale's Coverage and Density in Key Geographies

Will have a presence  
in all top 31 markets,  
with a #1 position in  
18 markets

Will have a presence  
in 88 of the top 100  
markets

There will be 6.5  
million of those 80+  
and 37.7 million of  
those age 50 to 69  
(adult influencers)

living within 10 miles  
of a post-merger  
community

Brookdale

Emeritus

Combined portfolio reaches 330 markets, covering 81% of the U.S. population

Agreement with HCP to Restructure ESC Leases

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HCP has agreed to restructure all 202 ESC leases

Adds \$0.10 of Year 3 accretion through rent reductions and improved economics of RIDEA assets

Deleverage and de-risk ESC NNN lease portfolios through rent reductions

Immediate monetization and value creation from ESC purchase options with HCP

In consideration, BKD will cancel 49 purchase options and pay \$34 million (\$24 million net of deposits) for lease restructuring over 2 years

(1)

Annual rent reductions drive cash flow; \$8.0 million in 2016 and \$9.0 million thereafter

HCP to provide \$100 million of capital

expenditures through 2017

Eliminates all FMV rent resets

Amended initial term to 15 years on average  
with new purchase options totaling \$60 million  
on under-performing properties

BKD acquires 20% JV interest for \$68 million,  
financed by HCP at 7%

Eliminates

negative

EBITDA

terminates

leases with negative coverage and above  
market escalators

Current rent coverage 0.84x before

capex

BKD receives management fees, all ancillary  
revenues and future participation in 20% of  
net cash flows 2017 and beyond

(1)

49 purchase options reflect present value of \$130-\$160 mm based on 7.25% to 7.75% FMV cap rate range on seniors housing

5,400

Units

79.7%

occupancy

17

year

Avg.

Age

12,800

Units

90.6%

occupancy

16

year

Avg.

Age

49 Properties    Converted to RIDEA JV

153 Properties    Amended NNN Leases

Also Creates Unique \$1.2 billion CCRC Joint Venture  
BKD  
will  
own  
51%  
and  
HCP  
49%  
of  
a  
JV  
that  
owns  
and  
operates



\$1.2  
billion  
of  
entry  
fee CCRCs

5% management fee, 2% of entry fee resale cash receipts, 2% incentive fee

Pro rata sharing of cash flows; all ancillary revenue stays with  
BKD  
Significant consolidation potential in entry fee CCRC industry

1,860 entry fee CCRC communities  
81% are typically highly levered non-profits

Little new supply being developed

Benefit as housing market continues to recover  
18

Portfolio Snapshot  
JV Capitalization at Inception

7,000  
Units  
81.0%  
occupancy  
22  
year  
Avg.  
Age  
(1)

Contribution of eight owned and two leasehold campuses (with related purchase options)

IL 67%  
AL 11%  
ALZ 4%  
SNF 18%

Sources  
(millions)  
BKD Equity  
(1)

\$516  
HCP  
Equity  
\$495  
In-Place  
Mortgage Debt  
\$220  
Total  
\$1,231

Partnership & Merger Drive Potential Upside

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Management

Base

Case

Year

3

Accretion

Levers for Potential Upside

Value of remaining purchase options

Program Max 2.0 at ESC properties

Implement innovative products/services

to capture residents

healthcare spend

Additional synergies and cost savings

New RIDEA joint venture

New EF CCRC joint venture

G&A

\$0.14

Property Level OpEx

\$0.12

New Ancillary Services

\$0.14

Additional Accretion from

Enhanced

HCP Partnership

\$0.10

Total CFFO/Share Accretion

\$0.50

Roadmap to Closing

1.  
Customary regulatory and lender approvals

2.  
BKD and ESC shareholder approvals

3.  
Closing expected in the third quarter of 2014

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Brookdale Non-GAAP Financial Measure Definitions

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Adjusted EBITDA

Cash From Facility Operations

Facility Operating Income

Facility Operating Income is not a measurement of operating performance calculated in accordance with GAAP and should not substitute for net income, income from operations, or cash flows provided by or used in operations, as determined in accordance with GAAP. Facility Operating Income is defined as net income (loss) before provision (benefit) for income taxes, non-operating (income) expense items, (gain) loss on disposal of assets, gain (loss) on disposal of real estate communities (including gain (loss) on facility lease termination), depreciation and amortization (including non-cash impairment losses), general and administrative expense, including non-cash stock-based compensation expense, change in future service obligations, and entrance fee revenue and management fees.

Cash From Facility Operations (CFFO) is a measurement of liquidity that is not calculated in accordance with GAAP and should not substitute for cash flows provided by or used in operations, as determined in accordance with GAAP. We define CFFO as net cash provided by operating activities adjusted for changes in operating assets and liabilities, deferred interest and fees added to principal, refund of entrance fees, and entrance fee receipts at a recently opened entrance fee CCRC prior to stabilization, entrance fee refunds disbursed at the end of the period.

entrance fee refunds not replaced by second generation entrance fee receipts at the recently opened community prior to stabilization, amortization with fair market value or no purchase options, gain (loss) on facility lease termination, recurring capital expenditures from unconsolidated ventures from cumulative share of net earnings, CFFO from unconsolidated ventures, and other. Recurring capital expenditures capitalized in accordance with GAAP that are funded from current operations. Amounts excluded from recurring capital expenditures primarily of major projects, renovations, community repositionings, expansions, systems projects or other non-recurring or unusual integration capital expenditures) or community purchases that are funded using lease or financing proceeds, available cash and other resources of communities that are held for sale.

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

Brookdale Adjusted EBITDA Reconciliation

The table below reconciles Adjusted EBITDA from net (loss) income for the full years 2009 through 2013 and three months ended March 31, 2014 (*in thousands*):

22

Three Months

Ended March 31,

2009

2010

2011

2012

2013

2014

Net loss

(66,255)

\$

(48,901)  
 \$  
 (68,175)  
 \$  
 (66,467)  
 \$  
 (3,584)  
 \$  
 (2,299)  
 \$  
 Provision (benefit) for income taxes  
 (32,926)  
 (31,432)  
 2,340  
 1,519  
 1,756  
 1,006  
 Equity in (earnings) loss of unconsolidated ventures  
 (440)  
 (168)  
 (1,432)  
 3,488  
 (1,484)  
 (636)  
 Loss on extinguishment of debt, net  
 1,292  
 1,557  
 18,863  
 221  
 1,265  
 -  
 Other non-operating expense (income)  
 (4,146)  
 1,454  
 (56)  
 (593)  
 (2,725)  
 (465)  
 Interest expense:  
 Debt  
 99,653  
 102,245  
 93,229  
 98,183  
 96,131  
 23,844  
 Capitalized lease obligation  
 29,216  
 30,396  
 31,644



30,155  
 25,194  
 6,154  
 Amortization of deferred financing costs and debt discount  
 9,505  
 8,963  
 13,427  
 18,081  
 17,054  
 4,018  
 Change in fair value of derivatives and amortization  
 (3,765)  
 4,118  
 3,878  
 364  
 (980)  
 847  
 Interest income  
 (2,354)  
 (2,238)  
 (3,538)  
 (4,012)  
 (1,339)  
 (321)  
 Income from operations  
 29,780  
 65,994  
 90,180  
 80,939  
 131,288  
 32,148  
 Facility lease termination (gain) expense  
 -  
 4,608  
 -  
 (11,584)  
 -  
 -  
 Depreciation and amortization  
 271,935  
 292,341  
 268,506  
 252,281  
 268,757  
 70,316  
 Asset impairment  
 10,073  
 13,075  
 16,892  
 27,677

12,891  
 -  
 Loss (gain) on sale of communities  
 2,043  
 (3,298)  
 -  
 -  
 -  
 -  
 Loss (gain) on acquisition  
 -  
 -  
 (1,982)  
 636  
 -  
 -  
 Straight-line lease expense  
 15,851  
 10,521  
 8,608  
 6,668  
 2,597  
 (223)  
 Amortization of deferred gain  
 (4,345)  
 (4,343)  
 (4,373)  
 (4,372)  
 (4,372)  
 (1,093)  
 Amortization of entrance fees  
 (21,661)  
 (24,397)  
 (25,401)  
 (25,362)  
 (29,009)  
 (7,202)  
 Non-cash stock-based compensation expense  
 26,935  
 20,759  
 19,856  
 25,520  
 25,978  
 7,572  
 Change in future service obligation  
 (2,342)  
 (1,064)  
 -  
 2,188  
 (1,917)

-  
Entrance fee receipts  
68,875  
73,906  
67,989  
82,705  
92,331  
14,959  
First generation entrance fees received  
(25,673)  
(18,548)  
(12,617)

-  
-  
-  
Entrance fee disbursements  
(22,916)  
(21,060)  
(24,993)  
(27,356)  
(35,325)  
(8,446)

Adjusted EBITDA

348,555

\$

408,494

\$

402,665

\$

409,940

\$

463,219

\$

108,031

\$

Years Ended December 31,

(2)

(3)

(4)

Brookdale Cash From Facility Operations Reconciliation

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The table below reconciles Cash from Facility Operations (CFFO) from net (loss) income for the full years 2009 through 2013 ended March 31, 2014 (*in thousands*):

Three Months

Ended March 31,

2009

2010

2,011

2012

2013

2014

Net cash provided by operating activities

237,220

\$

228,244

\$

268,427

\$

290,969

\$

366,121

\$

52,696

\$

Changes in operating assets and liabilities

4,532

46,674

20,914

(20,698)

(33,198)

28,558

Refundable entrance fees received

30,386

36,420

29,611

42,600

48,140

5,924

First generation entrance fees received

(25,673)

(18,548)

(12,617)

-

-

-

Entrance fee refunds disbursed

(22,916)

(21,060)

(24,993)

(27,356)

(35,325)

(8,446)

Recurring capital expenditures, net

(19,522)

(27,969)

(33,661)

(38,306)

(42,901)

(9,369)

Lease financing debt amortization with fair market value or no purchase options

(7,195)

(8,972)

(10,465)

(12,120)

(13,927)

(3,897)

Facility lease termination (gain) expense

-

4,608

-

-

-

-

Distributions from unconsolidated ventures from cumulative share of net earnings

-

(775)

(582)

(1,507)

(2,691)

(245)

CFFO from unconsolidated ventures

-

2,050

3,289

5,376

7,804

2,241

Cash From Facility Operations

196,832

\$

240,672

\$

239,923

\$

238,958

\$

294,023

\$

67,462

\$

Years Ended December 31,

Brookdale Facility Operating Income Reconciliation

24

Three Months

Ended March 31,

2009

2010

2011

2012

2013

2014

Net loss

(66,255)

\$

(48,901)

\$

(68,175)  
 \$  
 (66,467)  
 \$  
 (3,584)  
 \$  
 (2,299)  
 \$  
 Provision (benefit) for income taxes  
 (32,926)  
 (31,432)  
 2,340  
 1,519  
 1,756  
 1,006  
 Equity in (earnings) loss of unconsolidated ventures  
 (440)  
 (168)  
 (1,432)  
 3,488  
 (1,484)  
 (636)  
 Loss on extinguishment of debt  
 1,292  
 1,557  
 18,863  
 221  
 1,265  
 -  
 Other non-operating expense (income)  
 (4,146)  
 1,454  
 (56)  
 (593)  
 (2,725)  
 (465)  
 Interest expense:  
     Debt  
 99,653  
 102,245  
 93,229  
 98,183  
 96,131  
 23,844  
     Capitalized lease obligation  
 29,216  
 30,396  
 31,644  
 30,155  
 25,194



6,154  
 Amortization of deferred financing costs and debt discount  
 9,505  
 8,963  
 13,427  
 18,081  
 17,054  
 4,018  
 Change in fair value of derivatives and amortization  
 (3,765)  
 4,118  
 3,878  
 364  
 (980)  
 847  
 Interest income  
 (2,354)  
 (2,238)  
 (3,538)  
 (4,012)  
 (1,339)  
 (321)  
 Income from operations  
 29,780  
 65,994  
 90,180  
 80,939  
 131,288  
 32,148  
 Facility lease termination (gain) expense  
 -  
 4,608  
 -  
 (11,584)  
 -  
 -  
 Loss (gain) on sale of communities  
 2,043  
 (3,298)  
 -  
 -  
 -  
 Depreciation and amortization  
 271,935  
 292,341  
 268,506  
 252,281  
 268,757  
 70,316

Asset impairment  
 10,073  
 13,075  
 16,892  
 27,677  
 12,891  
 -  
 Loss (gain) on acquisition  
 -  
 -  
 (1,982)  
 636  
 -  
 -  
 Change in future service obligation  
 (2,342)  
 (1,064)  
 -  
 2,188  
 (1,917)  
 -  
 Facility lease expense  
 272,096  
 270,905  
 274,858  
 284,025  
 276,729  
 69,869  
 General and administrative (including non-cash  
 stock-based compensation expense)  
 134,864  
 131,709  
 148,327  
 178,829  
 184,548  
 55,509  
 Amortization of entrance fees  
 (21,661)  
 (24,397)  
 (25,401)  
 (25,362)  
 (29,009)  
 (7,202)  
 Management fees  
 (6,719)  
 (5,591)  
 (13,595)  
 (30,786)  
 (31,125)  
 (7,402)

Facility Operating Income

690,069

\$

744,282

\$

757,785

\$

758,843

\$

812,162

\$

213,238

\$

Years Ended December 31,

The table below reconciles Facility Operating Income from net (loss) income for the full years 2009 through 2013 and three months ended December 31, 2014 (*in thousands*):