Brookdale Senior Living Inc.
Form S-1/A
July 10, 2006
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As filed with the Securities and Exchange Commission on July 10, 2006

Registration No. 333-135030

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
to
FORM S-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

BROOKDALE SENIOR LIVING INC.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| Delaware<br>(State or Other Jurisdiction of Incorporation or Organization) | 8050<br>(Primary Standard Industrial Classification Code Number) | 20-3068069<br>(I.R.S. Employer Identification No.) |

330 North Wabash Avenue
Suite 1400
Chicago, Illinois 60611
(312) 977-3700

(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)

Deborah C. Paskin, Esq.
Executive Vice President, Secretary and General Counsel
Brookdale Senior Living Inc.
330 North Wabash Avenue
Suite 1400
Chicago, Illinois 60611
(312) 977-3700

(Name, Address, Including Zip Code, and Telephone
Number, Including Area Code, of Agent For Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any state or jurisdiction where the offer or sale is not permitted.

Subject to completion, dated July 10, 2006.

PROSPECTUS

17,215,000 Shares

Brookdale Senior Living Inc.

Common Stock

Brookdale Senior Living Inc. is offering 15,350,000 of the shares to be sold in this offering. The selling stockholder identified in this prospectus is offering an additional 1,865,000 shares. Brookdale Senior Living Inc. will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder. After this offering, new investors will own approximately 15% of the Company's common stock and funds managed by affiliates of Fortress Investment Group LLC will beneficially own over 60% of the Company's common stock. These funds are not selling any shares of common stock in this offering.

Our common stock is listed on the New York Stock Exchange under the symbol ''BKD''. The last reported sale price of the common stock on July 6, 2006, was $45.62 per share.

Closing of this offering will occur concurrently with, and is conditioned upon, the consummation of the ARC Merger, as described in this prospectus. In connection with the ARC Merger, we received a $1.3 billion equity commitment from a fund managed by an affiliate of Fortress. This offering will reduce the amount of the fund's equity commitment by $650.0 million. We intend to use a portion of the net proceeds received from the shares to be sold in this offering together with the proceeds to be received from the fund to consummate the ARC Merger.

See ''Risk Factors'' on page 17 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to Brookdale | $ | $ |
| Proceeds, before expenses, to the selling stockholder | $ | $ |

To the extent that the underwriters sell more than 17,215,000 shares of common stock, the underwriters have the option to purchase up to an additional 2,582,250 shares from the selling stockholder at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on, 2006.

Goldman, Sachs & Co.
Joint Bookrunning Lead Manager

Lehman Brothers
Joint Bookrunning Lead Manager

Citigroup
Joint Lead Manager

JPMorgan Banc of America Securities LLC Cohen & Steers

Prospectus dated , 2006.

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This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities offered hereby in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. The information contained in this prospectus speaks only as of the date of this prospectus unless the information specifically indicates that another date applies. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by us. Neither the delivery of this prospectus nor any sales made hereunder shall under any circumstances create an implication that there has been no change in our affairs or that of our subsidiaries since the date hereof.

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# PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the section entitled ‘‘Risk Factors’’ and our financial statements and the related notes included elsewhere in this prospectus, before making an investment decision. Unless the context suggests otherwise, references in this prospectus to ‘‘Brookdale,’’ the ‘‘Company,’’ ‘‘we,’’ ‘‘us’’ and ‘‘our’’ refer to Brookdale Senior Living Inc. and its subsidiaries and predecessor entities. References in this prospectus to ‘‘Fortress’’ refer to Fortress Investment Group LLC, affiliates of which manage funds that are stockholders of ours, and certain of its affiliates. References in this prospectus to ‘‘ARC’’ refer to American Retirement Corporation. Unless the context suggests otherwise, references in this prospectus to our financial and operating information is intended to be pro forma for the formation transactions described in ‘‘Business—History.’’ Unless the context suggests otherwise, references in this prospectus to our operating information ‘‘as of the date of this prospectus’’ include the Recent Acquisitions described in ‘‘—Recent Acquisitions’’ that have closed as of the date of this prospectus, and do not include the Recent Acquisitions that have not closed as of the date of this prospectus or the ARC Merger as described in ‘‘Business—ARC Merger’’.

## Overview

Upon consummation of the merger with ARC, or the ARC Merger, as described in this prospectus, we will become the largest operator of senior living facilities in the United States based on total capacity with over 530 facilities in 33 states and the ability to serve over 50,000 residents. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we would have operated 97 independent living facilities with 18,890 units/beds, 409 assisted living facilities with 21,284 units/beds, 27 continuing care retirement communities, or CCRCs, with 9,874 units/beds and three skilled nursing facilities with 395 units/beds. We believe that the consummation of the ARC Merger and the Recent Acquisitions will bring us significant additional incremental revenue and help us to attain additional synergies and cost savings.

## Brookdale Senior Living Inc.

Prior to the consummation of the ARC Merger, as of the date of this prospectus, we operate 453 facilities in 32 states and have the ability to serve over 34,000 residents. We offer our residents access to a full continuum of services across all sectors of the senior living industry. As of the date of this prospectus, we operate 77 independent living facilities with 13,733 units/beds, 368 assisted living facilities with 17,447 units/beds, seven CCRCs with 3,084 units/beds (including 817 resident-owned cottages on our CCRC campuses managed by us) and one skilled nursing facility with 82 units/beds. The majority of our units/beds are located in campus settings or facilities containing multiple services, including CCRCs. As of March 31, 2006, our facilities were on average 90.2% occupied. We generate over 96% of our revenues from private pay customers, which limits our exposure to government reimbursement risk. In addition, we control all financial and operational decisions regarding our facilities through property ownership and long-term leases. We believe we operate in the most attractive sectors of the senior living industry with significant opportunities to increase our revenues through providing a combination of housing, hospitality services and health care services. For the three months ended March 31, 2006, 33.7% of our revenues were generated from owned facilities, 65.8% from leased facilities and 0.5% from management fees from facilities we operate on behalf of third parties and affiliates.

We plan to grow our revenue and operating income through a combination of: (i) organic growth in our existing portfolio; (ii) acquisitions of additional operating companies and facilities; and (iii) the realization of economies of scale, including the continuing realization of those created by the combination of Brookdale Living Communities, Inc., or BLC, and Alterra Healthcare Corporation, or Alterra, which occurred in September 2005, and those that we expect to be created as a result of the ARC Merger. Given the size and breadth of our nationwide platform, we believe that we are well



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positioned to continue to invest in a broad spectrum of assets in the senior living industry, including independent living, assisted living and CCRC assets. For the period January 2001 through the date of this prospectus, we have begun leasing or acquired the ownership or management of 125 senior living facilities (not including those facilities we acquired and subsequently disposed of) with approximately 15,200 units/beds. Since the completion of our initial public offering in November 2005, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or entered into definitive agreements to purchase $788.6 million in senior housing assets representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated pursuant to long-term leases) with 9,495 units/beds. See ‘‘—Recent Acquisitions’’.

We believe that the senior living industry is the preferred alternative to meet the growing demand for a cost-effective residential setting in which to care for the elderly who cannot, or as a lifestyle choice choose not to, live independently due to physical or cognitive frailties and who may, as a result, require assistance with some of the activities of daily living or the availability of nursing or other medical care. Housing alternatives for seniors include a broad spectrum of senior living service and care options, including independent living, assisted living, memory care and skilled nursing care. More specifically, senior living consists of a combination of housing and the availability of 24-hour a day personal support services and assistance with certain activities of daily living.

Our facilities are predominantly concentrated in the independent and assisted living portion of the senior housing continuum as depicted below:

SENIOR HOUSING CONTINUUM OF CARE

We believe that factors contributing to the growth of the senior living industry include: (i) the aging of the U.S. population; (ii) consumer preference for greater independence in a residential setting as compared to institutional settings, such as skilled nursing facilities; and (iii) the decreasing ability of relatives to, or choice by relatives not to, provide care for the elderly in the home.

We incurred net losses of approximately $19.3 million and $1.8 million for the three months ended March 31, 2006 and 2005, respectively, and $51.0 million and $9.8 million for the years ended December 31, 2005 and 2004, respectively.

## Recent Developments

### ARC Merger

On May 12, 2006, we entered into an Agreement and Plan of Merger, or the ARC Merger Agreement, with Beta Merger Sub Corporation, a Delaware corporation and our wholly-owned subsidiary, or Merger Sub, and ARC, a Tennessee corporation. Pursuant to the ARC Merger Agreement, Merger Sub will be merged with and into ARC with ARC continuing as the surviving corporation and as our wholly-owned subsidiary. We refer to this transaction in this prospectus as the ‘‘ARC Merger’’. See ‘‘Business—ARC Merger’’ for a detailed discussion of this transaction.

Established in 1978, ARC is a leading national senior living and health care services provider offering a broad range of care and services to seniors, including independent living, assisted living,



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CCRC, skilled nursing, therapy services and Alzheimer's care. ARC, the seventh largest senior living company in the United States, currently operates 83 senior living communities in 19 states, with an aggregate unit capacity of approximately 16,100. ARC owns 33 communities (including 13 communities in joint ventures), leases 44 communities, and manages six communities pursuant to management agreements. Approximately 83% of ARC's revenues come from private pay sources. ARC generated net income (losses) of approximately $4.8 million and $2.6 million for the three months ended March 31, 2006 and 2005, respectively, and $69.7 million and $(11.3) million for the years ended December 31, 2005 and 2004, respectively.

We believe the ARC Merger creates a significant opportunity to grow incremental revenue and operating income through: (i) cost savings resulting from increased purchasing scale; (ii) operating efficiencies produced by the significant geographic synergies of Brookdale and ARC; and (iii) the expansion of ancillary services, such as rehabilitation, home health and institutional pharmacy services currently provided by ARC to residents of Brookdale facilities. For the three months ended March 31, 2006, ARC's revenue and operating income from ancillary services was $17.7 million and $5.3 million, respectively. In addition, 20 of the 83 communities operated by ARC, or approximately 42.2% of the total unit capacity of ARC as of the date of this prospectus, consist of CCRCs with an occupancy rate of 96%. We believe CCRCs are an attractive asset class because residents generally have a length of stay of 10 to 12 years compared to two to three years at assisted living or independent living facilities. This results in lower turnover, higher occupancy and more stable and consistent long-term cash flows.

Under the terms of the ARC Merger Agreement, upon consummation of the ARC Merger, each outstanding share of ARC common stock, together with the rights issued pursuant to the Rights Agreement, dated as of November 18, 1998, between ARC and American Stock Transfer and Trust Company, will be converted into the right to receive $33.00 per share in cash. In addition to the outstanding shares, all of the options to purchase ARC common stock, whether vested or unvested, will be cancelled and each holder of any such option will be entitled to receive a cash payment equal to the product of (i) the excess of $33.00 over the applicable option exercise price, and (ii) the number of shares of ARC common stock for which the options had not been previously exercised, for aggregate consideration of approximately $1.2 billion in cash. We intend to use a portion of the net proceeds received from the shares to be sold in this offering, together with the proceeds to be received through the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor (as defined below) pursuant to the Investment Agreement (as defined below), in connection with the consummation of the ARC Merger. For more information regarding the ARC Merger, see ‘‘Business—ARC Merger’’.

In connection with the consummation of the ARC Merger, we expect to refinance certain ARC facilities, pursuant to which we expect to receive net cash proceeds of approximately $141.8 million.

As a condition to the ARC Merger, we entered into employment agreements, to take effect at the closing of the ARC Merger, with W.E. Sheriff, ARC's Chief Executive Officer, and the following other executive officers of ARC: Gregory B. Richard, George T. Hicks, Bryan D. Richardson, H. Todd Kaestner, and James T. Money, regarding their continued service with us following the consummation of the ARC Merger. Mr. Sheriff will become our co-Chief Executive Officer and these other individuals will become Executive Vice Presidents. The material terms of these agreements are described in ‘‘Management— Employment Contracts, Termination of Employment and

Change-in-Control Arrangements—Current Employment Agreements''.

Equity Commitment

Simultaneously with entering into the ARC Merger Agreement, in order to finance the ARC Merger, we entered into an Investment Agreement, or the Investment Agreement, with RIC Coinvestment Fund LP, or the Investor, a fund managed by an affiliate of Fortress. Under the terms of the Investment Agreement, the Investor has committed to purchase from us, at and simultaneously with the closing of the ARC Merger, up to $1.3 billion in aggregate of our common stock at a price of $36.93 per share.



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Prior to the closing of the ARC Merger, we intend to exercise our right to reduce the Investor's $1.3 billion commitment by $650.0 million in connection with this offering. If we do not complete this or another equity offering prior to the closing of the ARC Merger, the Investor will issue to us, at the closing, a one-time option to purchase from the Investor a number of shares of our common stock having a value equal to the difference between the total consideration paid by the Investor for the common stock at the closing and $650.0 million. Pursuant to this option, we would have the right and the option (but not the obligation) to purchase those shares at a price per share of $38.07. The option would be immediately vested upon issuance at the closing and would expire six months and one day after the closing. If we complete this or another equity offering, we will not be entitled to this option and no option will be issued by the Investor. For a more detailed description of the Investment Agreement and the option, see ''Business—Equity Commitment''.

Recent Results of Operations for Brookdale

The following preliminary unaudited consolidated financial data summarizes certain of our results of operations for the three months ended June 30, 2006. However, we have not yet prepared our Quarterly Report on Form 10-Q for the period, and therefore the following operating results for the period are subject to completion of certain procedures which may result in changes to these results. The assumptions and estimates underlying the estimated financial information are subject to a wide variety of significant business, economic and competitive risks and uncertainties, including those described under ''Risk Factors'' and ''Special Note Regarding Forward-Looking Statements''. Accordingly, there can be no assurance that the estimated financial information is indicative of future performance or that the actual results will not differ materially from the estimated financial information presented below. You should not place undue reliance on these estimates.

For the three months ended June 30, 2006 and 2005, revenues, occupancy at the end of the period and average occupancy were $267.7 million, 90.1%, and 90.0% and $193.3 million, 88.1% and 88.3%, respectively. The increases came from a combination of acquisitions, occupancy growth and resident fee increases. For the 344 facilities we have owned, leased or managed, excluding our four owned developments, our revenues increased 7.8% on an annualized basis for the three months ended June 30, 2006 when compared to our same-store revenues for the three months ended June 30, 2005.

Recent Results of Operations for ARC

The following preliminary unaudited consolidated financial data of ARC summarizes certain of ARC's results of operations for the three months ended June 30, 2006. The following operating results for the period are subject to completion of certain procedures which may result in changes to these results, and further, ARC's independent registered public accounting firm makes no comment whatsoever regarding this financial data. The assumptions and estimates underlying the estimated financial information are subject to a wide variety of significant business, economic and competitive risks and uncertainties, including those described under ''Risk Factors'' and ''Special Note Regarding Forward-Looking Statements''. Accordingly, there can be no assurance that the estimated financial information is indicative of future performance or that the actual results will not differ materially from the estimated financial information presented below. You should not place undue reliance on these estimates.

For the three months ended June 30, 2006 and 2005, revenues, occupancy at the end of the period and average occupancy were $138.0 million, 94%, and 94% and $122.0 million, 94% and 94%, respectively. The revenue increase was primarily attributable to incremental revenue and occupancy from recent acquisitions, resident rate increases, the mark-to-market effect of unit turnover, additional management fees and increases in ancillary services. For the 66 facilities ARC has owned leased or managed, excluding developments, its revenues increased 8% on an annualized basis for the three months ended March 31, 2006 when compared to ARC's same-store revenues for the three months ended June 30, 2005.



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Recent Acquisitions

Since the completion of our initial public offering in November 2005, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or committed to purchase $788.6 million in senior housing assets, representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated pursuant to long-term leases) with 9,495 units/beds. Upon the closing of all of these acquisitions, we would invest approximately $327.8 million of cash in these transactions (excluding borrowings). We have and will continue to use our existing cash and our corporate acquisition line to fund the equity component of these transactions. As of the date of this prospectus, we have closed on $747.2 million of transactions representing 96 facilities with 8,213 units/beds and we expect to close on the remainder of these transactions in the third quarter of 2006. We have invested $293.3 million of cash in these acquisitions (excluding borrowings) to date.

The table below is a summary, as of the date of this prospectus, of the 10 acquisitions other than the ARC Merger that we have closed since the completion of our initial public offering or that we expect to close in the third quarter of 2006. References to ''AL'' and ''IL'' in the table below refer to assisted living facilities and independent living facilities, respectively. We refer to these acquisitions in this prospectus as our ''Recent Acquisitions''. For more information, see ''Business—Acquisition History of Brookdale Senior Living Inc.''

| Seller | Acquisition Closing Date | Number of Acquired Facilities | Number of Units/Beds | Purchase Price, Excluding Fees and Expenses ($ in millions) | Type(s) of Housing Facilities Acquired | Primary Facility Locations |
|---|---|---|---|---|---|---|
| AEW II Corporation | June 30, 2006 | 2 | 193 | $ 37.8 | AL | NJ |
| Southland Suites | May 1, 2006 | 4 | 262 | $ 24.0 | AL | FL |
| | | 6 | 1,017 | $209.5 | | CA, OH, WA |

| | | | | | | |
|---|---|---|---|---|---|---|
| AEW Capital Management(1) | April 28, 2006 June 30, 2006 | | | | IL, AL, CCRC | |
| Southern Assisted Living Inc. | April 7, 2006 | 42 | 3,042 | $ 82.9 | AL | NC, SC, VA |
| American Senior Living L.P.(2) | March 31, 2006 | 18 | 2,239 | $123.9 | IL, AL, CCRC | FL, GA, TN |
| Wellington Group LLC | March 28, 2006 | 17 | 814 | $ 79.5 | AL | AL, FL, GA, MS, TN |
| Orlando Madison Ivy, LLC | February 28, 2006 | 2 | 114 | $ 13.0 | AL | FL |
| CMCP Properties Inc.(3) | December 30, 2005 | 6 | 1,394 | $181.0 | IL, AL | FL, GA, VA, OH, TX |
| Merrill Gardens | December 22, 2005 | 4 | 183 | $ 16.5 | AL | WA, CO, TX |
| Omega Healthcare Investors, Inc.(3) | November 30, 2005 | 6 | 237 | $ 20.5 | AL | OK, KS, IN, CO, TN |
| | TOTAL: | 107 | 9,495 | $788.6 | | |

(1)On April 28, 2006, we acquired five facilities from AEW Capital Management for an aggregate purchase price of $179.5 million. On June 30, 2006, we closed on an interim agreement with an affiliate of AEW Capital Management to (i) loan approximately $12.4 million to the affiliate pending lender approval of our acquiring one additional facility from AEW and our assuming the outstanding mortgage loan related to the facility and (ii) take over management of the facility. The loan is due the earlier of (i) June 30, 2007, or (ii) the date on which the facility lender approves the assumption of the existing mortgage loan by us. We expect the remainder of this transaction, consisting of a skilled nursing component of one of the acquired facilities, to close in the third quarter of 2006.

(2)On March 31, 2006, we completed the acquisition of seven senior living facilities from American Senior Living L.P. for an aggregate purchase price of $92.1 million. We expect the remainder of this transaction, consisting of a skilled nursing component of one of the acquired facilities and an additional 11 leased facilities, to close in the third quarter of 2006.

(3)Prior to the acquisition of these facilities, we leased them pursuant to long-term leases.



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Dividends

The table below is a summary of our dividend history.

| Dividend Period | Pay Date | Dividend Per Share ($) | Total Dividend ($ in | Amount of Dividend Accounted For As |
|---|---|---|---|---|

| | | | millions) | Return of Stockholders' Capital ($ in millions) |
|---|---|---|---|---|
| Three months ended September 30, 2005 | October 7, 2005 | $ 0.25 | $ 14.4 | $14.4 |
| Three months ended December 31, 2005 | January 16, 2006 | $ 0.25 | $ 16.5 | $16.5 |
| Three months ended March 31, 2006 | April 14, 2006 | $ 0.35 | $ 23.2 | $23.2 |
| Three months ended June 30, 2006 | July 17, 2006 | $ 0.35 | $ 23.2 | Not available |

Industry Trends

The senior living industry has evolved to meet the growing demand for senior care generated by an aging population demanding new and better housing alternatives. We believe that we are well positioned to capitalize on a number of trends in the senior living industry, including:

- An increasing number of seniors with longer life expectancies and financial resources to support a private pay model. As a result of the expected increase in the number of seniors as a percentage of the total U.S. population over the next 25 years, we believe that the demand for service-based senior housing will increase and that seniors increasingly will have the ability to afford senior living services.
- Fragmentation in the industry provides significant acquisition and consolidation opportunities. The senior housing industry is highly fragmented and we believe that this fragmentation provides significant acquisition and consolidation opportunities.
- Majority of independent and assisted living revenue growth is generated from private pay sources.
- Favorable and improving supply and demand balance. We believe that increasing life expectancies and the declining amount of new senior living units under construction create a favorable and improving supply and demand balance.

Growth Strategy

Our objective is to increase our revenues, Adjusted EBITDA, Cash From Facility Operations and dividends per share of our common stock, while remaining one of the premier senior living providers in the United States. Key elements of our strategy to achieve these objectives include:

- Organic growth in our existing operations. We plan to grow our existing operations by:
  - increasing revenues through a combination of occupancy growth and resident fee increases as a result of growing demand for senior living facilities. For the 347 facilities we have owned, leased or managed since 2003 (excluding four development facilities), for the three months ended March 31, 2006 our facility operating income has increased approximately 9.3% on an annualized basis and, including the four development facilities, our facility operating income has increased approximately 10.2% on an annualized basis;
  - taking advantage of our sophisticated operating and marketing expertise to retain existing residents and attract new residents to our facilities; and
  - leveraging ARC's experience providing ancillary services to its residents and to other senior living communities it does not operate, such as rehabilitation, home health, institutional pharmacy and other wellness programs, to increase revenues as a combined company.

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- Growth through operating efficiencies. Our geographic footprint and centralized infrastructure provide us with a significant cost advantage over local and regional operators of senior living facilities, which enables us to achieve economies of scale with respect to the goods and services we purchase. In connection with the combination of BLC and Alterra, we have undertaken several cost initiatives, which have resulted in and which we expect will continue to result in recurring operating and general and administrative expense savings. In addition, in connection with the ARC Merger we expect the geographic synergies of Brookdale and ARC to create greater economies of scale and a broader platform of services that will result in additional operating and general administrative expense savings.
- Growth through the acquisition and consolidation of asset portfolios and other senior living companies. We plan to continue to selectively purchase existing operating companies and facilities where we can improve service delivery, occupancy rates and cash flow. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we are the largest operator of senior living facilities in the United States with over 530 senior living facilities in 33 states and the ability to serve over 50,000 residents.
- Expansion of existing facilities where economically advantageous.

Competitive Strengths

We believe our nationwide network of senior living facilities is well positioned to benefit from the growth and increasing demand in the industry. Some of our most significant competitive strengths are:

- Skilled management team with extensive experience. Our current senior management team, together with the senior management team of ARC, which has agreed to join us upon consummation of the ARC Merger, has extensive experience in acquiring, operating and managing a broad range of senior living assets.
- Proven track record of successful acquisitions. Our experience in acquiring senior living facilities enables us to consider a wide range of acquisition targets, and we believe our expertise enables us to integrate new facilities into our operating platform with minimal disruption to our current operations.
- High-quality purpose-built facilities. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we operate a nationwide base of over 530 purpose-built facilities in 33 states, including 85 facilities in nine of the top ten standard metropolitan statistical areas, or SMSAs. As of March 31, 2006 the average age of our facilities is 10.5 years.
- Ability to provide a broad spectrum of care. Given our diverse mix of independent and assisted living facilities and CCRCs, we believe we are one of the few companies in the senior living industry that is able to meet a wide range of our customers' needs.
- The size of our business allows us to realize cost efficiencies. The size of our business allows us to realize cost savings in the purchasing of goods and services and also allows us to achieve increased efficiencies with respect to various corporate functions, most of which have yet to be realized in our operating results. In addition, our size and broad geographical footprint give us an advantage in executing our acquisition strategy.

Formation Transaction

We are a holding company formed in June 2005 for the purpose of combining, through a series of mergers, two leading senior living operating companies, BLC and Alterra, which had been operating independently since 1986 and 1981, respectively. Funds managed by affiliates of Fortress had been the majority owner of BLC since September 2000 and of Alterra since December 2003. On November 22, 2005, we completed our initial public offering of 12,732,800 shares of our common stock,



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including 8,560,800 primary shares, at $19.00 per share, for which we received proceeds, after fees and expenses, of approximately $144.8 million. As a result of the formation transactions completed in September 2005, prior to the consummation of our initial public offering, all of our outstanding common stock was held by funds managed by affiliates of Fortress, Health Partners, which is an affiliate of Capital Z Partners, Emeritus Corporation, or Emeritus, NW Select LLC, or NW Select, and members of our management. Each of Emeritus and NW Select sold all of the shares of our common stock it owned in our initial public offering. Neither Health Partners nor the funds managed by affiliates of Fortress sold any of the shares of our common stock that they owned in our initial public offering. See ‘‘Business—History’’ for a more detailed description of these formation transactions and ‘‘Certain Relationships and Related Party Transactions’’ for a more detailed description of our relationships with these stockholders. As of the date of this prospectus, funds managed by affiliates of Fortress own 43,407,000 shares, or over 65% of our common stock. Wesley R. Edens, the chairman of our board of directors, may be deemed to beneficially own over 65% of our outstanding capital stock prior to this offering by virtue of his ownership interests in Fortress. Assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger, funds managed by affiliates of Fortress will own 61,007,867 shares, or over 60% of our common stock following the consummation of the ARC Merger.

Since the completion of our initial public offering in November 2005, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or entered into definitive agreements to purchase $788.6 million in senior housing assets representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated pursuant to long-term leases) with 9,495 units/beds. Upon consummation of the ARC Merger we will lease or acquire the ownership or management of an additional 83 facilities with approximately 16,100 units/beds.

Our Executive Offices

Our principal executive offices are located at 330 North Wabash Avenue, Suite 1400, Chicago, Illinois 60611. Our telephone number is 312-977-3700. Our internet address is www.brookdaleliving.com. Information on our website does not constitute part of this prospectus.

In addition, we maintain an executive office at 6737 W. Washington St., Suite 2300, Milwaukee, Wisconsin 53214. Our telephone number at this office is 414-918-5000.

Following the consummation of the ARC Merger, we expect to maintain an executive office at 111 Westwood Place, Suite 200, Brentwood, Tennessee 37027. Our telephone number at this office will be 615-221-2250.

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## THE OFFERING

| | |
|---|---|
| Common stock offered by us in this offering | 15,350,000 shares. |
| Common stock offered by selling stockholder in this offering(1) | 1,865,000 shares. All shares of common stock being offered by the selling stockholder pursuant to this prospectus are being offered by Health Partners. |
| Common stock to be outstanding after this offering(2) | 100,463,029 shares (including certain unvested restricted shares). |
| Use of proceeds | We expect to use a portion of the net proceeds from the sale of the shares of common stock we are offering together with the proceeds we expect to receive from the Investor pursuant to the Investment Agreement to consummate the ARC Merger. In addition, we expect to use a portion of the proceeds from this offering, together with the net proceeds we expect to receive from the refinancing of certain ARC facilities and the proceeds we expect to receive from the sale of an aggregate of 475,681 shares of our common stock to the ARC executives, to repay and terminate our New Credit Facility and for other general corporate purposes. See ''Use of Proceeds.''<br>We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholder. |
| Dividend policy | On June 15, 2006, we declared a regular quarterly dividend of $0.35 per share of our common stock, or an aggregate of $23.2 million, for the three months ended June 30, 2006, payable on July 17, 2006 to our holders of record as of June 30, 2006. We intend to continue to pay regular quarterly dividends to the holders of our common stock. The payment of dividends is subject to the discretion of our board of directors and will depend on many factors, including our results of operations, financial condition and capital requirements, earnings, general business conditions, restrictions imposed by financing arrangements, legal restrictions on the payment of dividends and other factors the board of directors deems relevant. We expect that in certain quarters we may pay dividends that exceed our net income amounts for such period as calculated in accordance with generally accepted accounting principles, or GAAP. |
| New York Stock Exchange symbol | ''BKD''. |
| Risk Factors | Please read the section entitled ''Risk Factors'' beginning on page 17 for a discussion of some of the factors you should carefully consider before deciding to invest in shares of our common stock. |

(1)Assumes that the underwriters will not exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder.
(2)Includes certain unvested restricted shares and assumes the issuance of 17,600,867 shares expected to be issued to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assumes the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ''Management—Equity Incentive Plans— Omnibus Stock Incentive Plan—New Plan Benefits''. Also assumes no sale and corresponding grant of our common stock to the ARC employee-optionees as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment''.



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SUMMARY CONSOLIDATED AND COMBINED FINANCIAL INFORMATION

The following tables summarize the combined financial information for our business. You should read these tables along with ''Management's Discussion and Analysis of Financial Condition and Results of Operations,'' ''Business'' and our consolidated and combined financial statements and the related notes included elsewhere in this prospectus.

We derived the summary historical consolidated and combined statements of operations data for each of the three years in the period ended December 31, 2005 and the balance sheet data as of December 31, 2005, set forth below, from our audited consolidated and combined financial statements included elsewhere in this prospectus. The statements of operations data for the three months ended March 31, 2006 and 2005 and the balance sheet data as of March 31, 2006 are derived from our unaudited condensed combined interim financial statements included elsewhere in this prospectus. We completed our formation transactions on September 30, 2005. Results prior to that date represent the combined operations of BLC, Alterra, the Fortress CCRC Portfolio and the Prudential Portfolio (together, the ''Brookdale Facility Group''). See ''Business—Acquisition and History of Fortress CCRC Portfolio'' and ''Business—Acquisition and History of Alterra Healthcare Corporation'' for descriptions of the Fortress CCRC Portfolio and the Prudential Portfolio. For comparative purposes, the three months ended December 31, 2005, and nine months ended September 30, 2005, have been presented separately and aggregated in the year ended December 31, 2005 presentation.

The summary pro forma condensed consolidated statement of operations data for the year ended December 31, 2005 and the three months ended March 31, 2006 and the summary pro forma condensed consolidated balance sheet data as of March 31, 2006 are unaudited and have been derived from our historical consolidated and combined financial statements, adjusted to give effect to the events noted below, as if such events had occurred on January 1, 2005 for purposes of the unaudited pro forma condensed consolidated statement of operations data and as of March 31, 2006 for purposes of the unaudited pro forma condensed consolidated balance sheet data.

The summary pro forma condensed combined statement of operations data for the year ended December 31, 2005 and the three months ended March 31, 2006 and the condensed combined pro forma balance sheet data as of March 31, 2006 include the following adjustments:

Pro Forma Adjustment, including Public Offering:

- pro forma adjustment to give effect to the ARC Merger and debt refinancing as if this transaction closed January 1, 2005;

- our current offering of common stock and other use of proceeds;

Initial Public Offering:

- pro forma adjustment to give effect to the September 30, 2005 step-up in basis of non-controlling ownership (ownership interests not controlled or owned by affiliates of Fortress Investment Group LLC (''Minority Shareholders'')) due to the exchanges of minority ownership for Company ownership as if the transaction was completed on January 1, 2005;
- pro forma adjustment to give effect to compensation expense in connection with the grants under the restricted stock plan;
- incremental general and administrative expenses related to operating as a public company;
- our initial public offering, repayment of indebtedness and other use of proceeds;



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Significant Acquisitions:

- pro forma adjustments to give effect to the Fortress CCRC Portfolio, the Prudential Portfolio and the Chambrel Portfolio acquisitions on the pro forma condensed consolidated statements of operations as if these transactions closed on January 1, 2005;

Other Insignificant Acquisitions:

- pro forma adjustments to give effect to completed acquisitions (all completed and probable acquisitions are considered insignificant, individually and in the aggregate, under Securities and Exchange Commission Rules and Regulations, ''Rule 3-05'') of the Omega Portfolio, Merrill Gardens Portfolio, two facilities in Orlando, FL, Wellington Portfolio, Liberty Owned Portfolio, SALI Portfolio, AEW Portfolio, Southland Portfolio, and AEW — New Jersey Portfolio and the probable acquisitions of the AEW Portfolio and Liberty II Portfolio, as if these transactions closed on January 1, 2005;

Other Pro Forma Adjustments:

- pro forma adjustments to give effect to the refinancing of five facilities and termination of forward interest rate swaps of the five facilities as if these transactions closed on January 1, 2005;
- pro forma adjustment to give effect to the payment of the dividend declared for the three months ended March 31, 2006, Chambrel Portfolio financing and release of cash and investment-restricted as if these transactions closed January 1, 2005;
- pro forma adjustment to give effect to new and terminated management contracts as if these transactions closed January 1, 2005;
- pro forma adjustment to give effect to the credit agreement and subsequent repayment as if this transaction closed January 1, 2005; and
- pro forma adjustment to address the tax effect of all of the transactions described above.

See our pro forma condensed consolidated financial statements included elsewhere in this prospectus for a complete description of the adjustments made to derive the pro forma condensed combined statement of operations data and pro forma condensed consolidated balance sheet data.

| | Pro Forma, Three Months Ended March 31, 2006 | Pro Forma, Year Ended December 31, 2005 | For the Three Months Ended March 31, 2006 | 2005 | For the Period October 1, 2005 to December 31, 2005 | For the Period January 1, 2005 to September 30, 2005 | Year Ended Decemb 2005 | 2004 |
|---|---|---|---|---|---|---|---|---|
| Statement of Operations Data (in thousands, except per share data): | | | | | | | | |
| Resident fees | $409,159 | $1,554,164 | $221,036 | $174,112 | $211,860 | $574,855 | $786,715 | $657,327 |
| Management fees | 1,547 | 4,950 | 1,147 | 871 | 1,187 | 2,675 | 3,862 | 3,545 |
| Reimbursed expenses | 2,083 | 3,089 | — | — | — | — | — | — |
| Total Revenues | 412,789 | 1,562,203 | 222,183 | 174,983 | 213,047 | 577,530 | 790,577 | 660,872 |
| Facility operating expenses | 261,235 | 1,003,086 | 136,945 | 110,349 | 127,105 | 366,782 | 493,887 | 415,169 |
| Lease expense | 66,508 | 264,692 | 45,734 | 46,502 | 48,487 | 140,852 | 189,339 | 99,997 |
| Depreciation and amortization | 72,972 | 299,990 | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 |
| General and administrative (including non-cash stock compensation expense) | 35,201 | 146,290 | 21,085 | 11,658 | 27,690 | 54,006 | 81,696 | 43,640 |
| Loss on disposal or sale of assets | 84 | 709 | — | — | — | — | — | — |
| Reimbursed expenses | 2,083 | 3,089 | — | — | — | — | — | — |
| Total expenses | 438,083 | 1,717,856 | 226,063 | 173,682 | 222,066 | 591,674 | 813,740 | 608,993 |
| Income (loss) from operations | $ (25,294) | $ (155,653) | $ (3,880) | $ 1,301 | $ (9,019) | $ (14,144) | $ (23,163) | $ 51,879 |
| Interest expense – debt and capitalized lease obligation | $ (28,909) | $ (117,362) | $ (13,690) | $ (9,125) | $ (12,809) | $ (33,439) | $ (46,248) | $ (63,634) |
| Net income (loss) | $ (36,967) | $ (164,133) | $ (19,326) | $ (1,798) | $ (24,456) | $ (26,530) | $ (50,986) | $ (9,794) |
| Earnings (loss) per share(1): | | | | | | | | |
| Basic | $ (0.38) | $ (1.67) | $ (0.30) | — | $ (0.41) | — | — | — |

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| | Pro Forma, Three Months Ended March 31, | Pro Forma, Year Ended December 31, | For the Period October 1, 2005 to December | For the Period January 1, 2005 to September | Year Ende |
|---|---|---|---|---|---|

| | 2006 | 2005 | For the Three Months Ended March 31, | | 31, 2005 | 30, 2005 | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2006 | 2005 | | | 2005 | |
| Diluted | $ (0.38) | $ (1.67) | $ (0.30) | — | $ (0.41) | — | — | |
| Cash flows provided by (used in): | | | | | | | | |
| Operating Activities | $ 23,985 | $ 101,199 | $ 12,119 | $ (4,428) | $ 9.093 | $ 7,807 | $ 16,900 | $ |
| Investing Activities | (216,696) | (2,242,608) | (185,983) | $ (1,758) | (98,631) | (481,772) | (580,403) | 5 |
| Financing Activities | 254,823 | 2,120,115 | 190,278 | $ (4,589) | 107,469 | 446,858 | 554,327 | (5 |
| Net increase (decrease) in cash and cash equivalents | $ 62,112 | $ (21,294) | $ 16,414 | $(10,775) | $ 17,931 | $ (27,107) | $ (9,176) | $ |
| Other Data: | | | | | | | | |
| Adjusted EBITDA(2) | $ 62,097 | $ 221,050 | $ 26,892 | $ 10,272 | $ 26,961 | $ 39,649 | $ 66,610 | $ 1 |
| Cash From Facility Operations(3) | $ 32,624 | $ 78,128 | $ 13,307 | $ (1,585) | $ 10,872 | $ (4,230) | $ 6,642 | $ |
| Facility Operating Income(4) | $ 142,943 | $ 531,744 | $ 84,008 | $ 63,763 | $ 84,740 | $ 208,055 | $ 292,795 | $ 2 |
| Number of facilities (at end of period)(5) | 536 | 536 | 403 | 366 | 383 | 380 | 383 | |
| Total units operated(5) | 50,443 | 50,443 | 30,770 | 26,109 | 30,055 | 30,048 | 30,055 | |
| Occupancy rate at end of period(6) | — | — | 90.2% | 89.0% | 89.8% | 88.9% | 89.6% | |
| Average monthly revenue per unit (same store) | — | — | $ 3,116 | $ 2,903 | $ 3,062 | $ 2,972 | $ 2,911 | $ |

(1) We have excluded the earnings (loss) per share data for the three months ended March 31, 2005, nine months ended September 30, 2005 and the years ended December 31, 2005, 2004 and 2003. We believe these calculations are not meaningful to investors due to the different ownership and legal structures (e.g., corporation and limited liability companies) of the various entities prior to the combination transaction on September 30, 2005.

(2) Adjusted EBITDA is a measure of operating performance that is not calculated in accordance with GAAP. Adjusted EBITDA should not be considered 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 (loss) items, depreciation and amortization, straight-line lease expense (income), amortization of deferred entrance fees, and non-cash compensation expense and including entrance fee receipts and refunds.

We use Adjusted EBITDA to assess our overall operating performance on a periodic basis. We believe that Adjusted EBITDA, as we have defined it, is a better measure of periodic operating performance than the GAAP measures of performance because Adjusted EBITDA focuses on the day-to-day items of income and expense from operations. The GAAP measures of performance aggregate operating as well as financial items of income and expense and obscure the operational aspects of performance. Adjusted EBITDA provides us with a measure of operating performance exclusive of items that (1) are beyond the control of management in the short-term, and (2) relate to the financing and capitalization of the Company, such as depreciation and amortization, straight-line rent expense (income), taxation and interest expense. This metric measures our performance based on operational factors that management can impact in the short-term, namely the income and cost structure or expenses of the organization. Adjusted EBITDA is one of the metrics used by senior management and the board of directors to review the operating performance of the business on a period-to-period basis. Adjusted EBITDA is also used by research analysts and investors to evaluate the performance and value of companies in our industry. An investor or potential investor should find this item important in evaluating our performance, results of operations and financial position. We use non-GAAP financial measures as a supplement to our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business. However, Adjusted EBITDA has limitations as an analytical tool. Adjusted EBITDA is not an alternative to net income, income from operations, or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. In addition, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, Adjusted EBITDA as presented in this prospectus may differ from and may not be comparable to similarly titled measures used by other companies.

The calculation of Adjusted EBITDA includes non-recurring costs totaling $3.0 million and $3.4 million, $9.1 million, and $12.5 million for the three months ended March 31, 2006 and December 31, 2005, the nine months ended September 30, 2005, and the year ended December 31, 2005, on both a historical and pro forma basis.



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The table below shows the reconciliation of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004 and 2003:

| | Pro Forma | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended March 31, 2006 | Year Ended December 31, 2005 | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005(1) | Three Months Ended December 31, 2005(1) | Nine Months Ended September 30, 2005 | Years Ended Decembe 2005(1) | 2004 | |
| Net loss | $(36,967) | $(164,133) | $(19,326) | $ (1,798) | $(24,456) | $(26,530) | $(50,986) | $ (9,794) | $ [illegible] |
| Cumulative effect of a change in accounting principle, net | — | — | — | — | — | — | — | — | [illegible] |
| Loss on discontinued operations | — | — | — | 35 | — | 128 | 128 | 361 | [illegible] |
| Provision (benefit) for income taxes | (23,221) | (100,834) | 386 | 166 | 150 | (247) | (97) | 11,111 | [illegible] |
| Other | 280 | 110 | — | — | — | — | — | 114 | [illegible] |
| Minority interest | 646 | (13,030) | 116 | (2,532) | — | (16,575) | (16,575) | (11,734) | [illegible] |
| Equity in (earnings) loss of unconsolidated ventures | 168 | 838 | 168 | 187 | 197 | 641 | 838 | 931 | [illegible] |
| Loss (gain) extinguishment of | 5,320 | 4,168 | 1,334 | 453 | 3,543 | 453 | 3,996 | (1,051) | [illegible] |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| debt | | | | | | | | | |
| Loss on sale of properties | — | — | — | — | — | — | — | — | |
| Interest expense: | | | | | | | | | |
| Debt | 20,346 | 82,267 | 11,530 | 6,849 | 10,485 | 26,564 | 37,049 | 55,851 | |
| Amortization of deferred financing costs | 2,148 | 7,930 | 703 | 423 | 238 | 827 | 1,065 | 2,120 | |
| Capitalized lease obligation | 8,563 | 35,095 | 2,160 | 2,276 | 2,324 | 6,875 | 9,199 | 7,783 | |
| Change in fair value of Derivatives | 101 | 88 | 101 | (4,062) | 88 | (4,080) | (3,992) | (3,176) | |
| Interest Income | (2,678) | (8,152) | (1,052) | (696) | (1,588) | (2,200) | (3,788) | (637) | |
| Income (loss) From Operations | (25,294) | (155,653) | (3,880) | 1,301 | (9,019) | (14,144) | (23,163) | 51,879 | |
| Depreciation and amortization | 72,972 | 299,990 | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 | |
| Straight-line lease expense | 6,631 | 27,013 | 5,259 | 6,094 | 5,895 | 17,857 | 23,752 | 4,588 | |
| Amortization of deferred gain | (1,087) | (5,026) | (1,087) | (2,296) | (1,152) | (6,786) | (7,938) | (2,260) | |
| Amortization of entrance fees | (4,981) | (19,334) | (83) | — | (15) | (18) | (33) | — | |
| Non-cash compensation expense | 5,175 | 40,372 | 3,018 | — | 11,534 | 11,146 | 22,680 | — | |
| Entrance fee receipts | 13,754 | 57,528 | 2,069 | — | 1,999 | 3,230 | 5,229 | — | |
| Entrance fee disbursements | (5,073) | (23,840) | (703) | — | (1,065) | (1,670) | (2,735) | — | |
| Adjusted EBITDA | $ 62,097 | $ 221,050 | $ 26,892 | $10,272 | $ 26,961 | $ 39,649 | $ 66,610 | $104,394 | $ |

(1)Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group. The three months ended December 31, 2005, and nine months ended September 30, 2005, have been aggregated in the year ended December 31, 2005 presentation.

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(3)Cash From Facility Operations is a measurement of liquidity that is not calculated in accordance with GAAP, and should not be considered a substitute for cash flows provided by or used in operations, as determined in accordance with GAAP. We define Cash From Facility Operations as cash flows provided by (used in) operations adjusted for changes in operating assets and liabilities, long-term deferred interest and fees added to principal, refundable entrance fees received, entrance fees disbursed, other and recurring capital expenditures. Recurring capital expenditures include expenditures capitalized in accordance with GAAP that are funded from Cash From Facility Operations. Amounts excluded from recurring capital expenditures consist primarily of unusual or non-recurring capital items and facility purchases and/or major renovations that are funded using financing proceeds and/or proceeds from the sale of facilities that are held for sale.

We believe Cash From Facility Operations is a better measure of liquidity that is useful to investors because it assists their ability to meaningfully evaluate (1) our ability to service our outstanding indebtedness, including our credit facilities and capital and financing leases, (2) our ability to pay dividends to stockholders, and (3) our ability to make regular recurring capital expenditures to maintain and improve our facilities. Our New Credit Facility contains a concept similar to Cash

From Facility Operations as part of a formula to calculate availability of borrowing under the credit facility. This metric measures our liquidity based on operational factors that management can impact in the short-term. In addition, Cash From Facility Operations is one of the metrics used by senior management and the board of directors to review our ability to service our outstanding indebtedness, including our credit facilities, our ability to pay dividends to stockholders, our ability to make regular recurring capital expenditures to maintain and improve our facilities on a periodic basis for planning purposes, and the preparation of our annual budget. We use non-GAAP financial measures as a supplement to our GAAP financial measures in order to provide a more complete understanding of the factors and trends affecting our liquidity. However, Cash From Facility Operations has limitations as an analytical tool. Cash From Facility Operations is not an alternative to cash flows provided by or used in operations as calculated and presented in accordance with GAAP. Cash From Facility Operations



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does not represent cash available for dividends or discretionary expenditures, since we may have mandatory debt service requirements or other non-discretionary expenditures not reflected in the measure. In addition, because Cash From Facility Operations is not a measure of liquidity under GAAP and is susceptible to varying calculations, Cash From Facility Operations, as presented in this prospectus, may differ from and may not be comparable to similarly titled measures used by other companies.

The calculation of Cash From Facility Operations includes non-recurring costs totaling $3.0 million and $3.4 million, $9.1 million, and $12.5 million for the three months ended March 31, 2006 and December 31, 2005, the nine months ended September 30, 2005, and the year ended December 31, 2005 on both an historical and pro forma basis.

The table below shows the reconciliation of net cash provided by operating activities to Cash From Facility Operations for the three months ended March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004 and 2003:

| | Pro Forma | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended March 31, | Twelve Months Ended December 31, | Three Months Ended March 31, | | Three Months Ended December 31, | Nine Months Ended September 30, | Years Ended December 31, | | |
| | 2006 | 2005 | 2006 | 2005(1) | 2005(1) | 2005 | 2005(1) | 2004 | 2003 |
| Net cash provided by operating activities | $23,985 | $101,199 | $12,119 | (4,428) | $ 9,093 | $ 7,807 | $ 16,900 | $ 50,128 | $34,111 |
| Changes in operating assets and liabilities | 12,437 | 15,543 | 831 | 6,271 | 6,199 | (257) | 5,942 | (7,465) | (1,095) |
| Long-term deferred interest and fee added to principal | — | — | — | — | — | — | — | (1,380) | (798) |
| Refundable entrance fees received | 4,517 | 18,938 | 1,621 | — | 1,513 | 2,530 | 4,043 | — | — |
| | 1,500 | — | 1,500 | — | — | — | — | — | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Reimbursement of operating expenses | | | | | | | | | |
| Entrance fees disbursed | (5,073) | (23,840) | (703) | — | (1,065) | (1,670) | (2,735) | — | — |
| Other | — | — | — | — | — | — | — | 114 | — |
| Recurring capital expenditures | (4,742) | (33,712) | (2,061) | (3,428) | (4,868) | (12,640) | (17,508) | (13,527) | (4,434) |
| Cash From Facility Operations | $32,624 | $ 78,128 | $13,307 | $(1,585) | $10,872 | $ (4,230) | $ 6,642 | $ 27,870 | $27,784 |

(1)Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group. The three months ended December 31, 2005, and nine months ended September 30, 2005, have been aggregated in the year ended December 31, 2005 presentation.

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(4)Facility Operating Income is not a measurement of operating performance calculated in accordance with GAAP and should not be considered 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 (loss) items, depreciation and amortization, facility lease expense, general and administrative expense, compensation expense, amortization of deferred entrance fee revenue and management fees.

We use Facility Operating Income to assess our facility operating performance. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day facility performance because the items excluded have little or no significance on our day-to-day facility operations. Facility Operating Income provides us with a measure of facility financial performance independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, lease expense, taxation and interest expense associated with our capital structure. This metric measures our facility financial performance based on operational factors that management can impact in the short-term. Facility Operating Income is one of the metrics used by senior management and the board of directors to review the financial performance of the facilities on a period to period basis. Facility Operating Income is also used by research analysts and investors to evaluate the performance of and value companies in our industry. In addition, Facility Operating Income is a common measure used in the industry by investors, lenders and lessors to value the acquisition or sales price of facilities and is used as a measure of the returns expected to be generated by a facility.

A number of our debt and lease agreements contain covenants measuring Facility Operating Income to gauge debt or lease coverages. The debt or lease coverage covenants are generally calculated as facility net operating income (defined as total operating revenue less operating expenses, all as determined on an accrual basis in accordance with GAAP). For purposes of the coverage calculation, the lender or lessor will further require a pro forma adjustment to facility operating income to include a management fee (generally 4%-5% of operating revenue) and an annual capital reserve (generally $250-$450 per unit/bed). As of March 31, 2006, we are in compliance with the financial covenants of all of our debt and lease agreements. An investor or potential investor may find this item important in evaluating our performance, results of operations and financial position, particularly on a facility-by-facility basis. We use non-GAAP financial measures as a supplement to our GAAP

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results in order to provide a more complete understanding of the factors and trends affecting our business and our facilities. However, Facility Operating Income has limitations as an analytical tool. Facility Operating Income is not an alternative to net income, income from operations, or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. In addition, because Facility Operating Income is not a measure of financial performance under GAAP and is susceptible to varying calculations, Facility Operating Income, as presented in this prospectus, may differ from and may not be comparable to similarly titled measures used by other companies.

The table below shows the reconciliation of net income (loss) to Facility Operating Income for the three months ended March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004 and 2003:

| | Pro Forma | | Three Months Ended March 31, | | Three Months Ended December 31, | Nine Months Ended September 30, | Years Ended December 31, | | |
|---|---|---|---|---|---|---|---|---|---|
| | Three Months Ended March 31 2006 | Twelve Months Ended December 31, 2005 | 2006 | 2005 | 2005(1) | 2005 | 2005(1) | 2004 | 2003 |
| Net loss | $ (36,967) | $(164,133) | $(19,326) | $ (1,798) | $(24,456) | $ (26,530) | $ (50,986) | $ (9,794) | $ (8,96 |
| Cumulative effect of a change in accounting principle, net | — | — | — | — | — | — | — | — | 7,27 |
| Loss on discontinued operations | — | — | — | 35 | — | 128 | 128 | 361 | 32 |
| Provision (benefit) for income taxes | (23,221) | (100,834) | 386 | 166 | 150 | (247) | (97) | 11,111 | 13 |
| Other | 280 | 110 | — | — | — | — | — | 114 | |
| Minority interest | 646 | (13,030) | 116 | (2,532) | — | (16,575) | (16,575) | (11,734) | (1,28 |
| Equity in (earning) loss of unconsolidated ventures | 168 | 838 | 168 | 187 | 197 | 641 | 838 | 931 | (31 |
| Loss (gain) on extinguishment of debt | 5,320 | 4,168 | 1,334 | 453 | 3,543 | 453 | 3,996 | (1,051) | (12,51 |
| Loss on sale of properties | — | — | — | — | — | — | — | — | 24,51 |
| Interest expense: | | | | | | | | | |
| Debt | 20,346 | 82,267 | 11,530 | 6,849 | 10,485 | 26,564 | 37,049 | 55,851 | 24,48 |
| Amortization of deferred financing costs | 2,148 | 7,930 | 703 | 423 | 238 | 827 | 1,065 | 2,120 | 1,09 |
| Capitalized lease obligation | 8,563 | 35,095 | 2,160 | 2,276 | 2,324 | 6,875 | 9,199 | 7,783 | 62 |
| Change in fair value of derivatives | 101 | 88 | 101 | (4,062) | 88 | (4,080) | (3,992) | (3,176) | |
| Interest income | (2,678) | (8,152) | (1,052) | (696) | (1,588) | (2,200) | (3,788) | (637) | (14,03 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Income (loss) from operations | (25,294) | (155,653) | (3,880) | 1,301 | (9,019) | (14,144) | (23,163) | 51,879 | 21,34 |
| Depreciation and amortization | 72,972 | 299,990 | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 | 21,38 |
| Facility lease expense | 66,508 | 264,692 | 45,734 | 46,502 | 48,487 | 140,852 | 189,339 | 99,997 | 30,74 |
| General and administrative (including non-cash stock compensation expense) | 35,201 | 146,290 | 21,085 | 11,658 | 27,690 | 54,006 | 81,696 | 43,640 | 15,99 |
| Amortization of entrance fees | (4,981) | (19,334) | (83) | — | (15) | (18) | (33) | — | |
| Loss on disposal or sale of assets | 84 | 709 | — | — | — | — | — | — | |
| Management fees | (1,547) | (4,950) | (1,147) | (871) | (1,187) | (2,675) | (3,862) | (3,545) | (5,36 |
| Facility operating income | $142,943 | $ 531,744 | $ 84,008 | $63,763 | $ 84,740 | $208,055 | $292,795 | $242,158 | $ 84,09 |

(1)Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group. The three months ended December 31, 2005, and nine months ended September 30, 2005, have been aggregated in the year ended December 31, 2005 presentation.}

(5)Excludes facilities held for sale.

(6)Excludes facilities held for sale and facilities managed by us.

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| | Pro Forma as of March 31, 2006 | As of March 31, 2006 |
|---|---|---|
| Balance Sheet Data (in thousands): | | |
| Cash and cash equivalents | $ 130,628 | $ 94,096 |
| Total assets | 4,739,343 | 1,925,071 |
| Total debt | 1,660,802 | 897,840 |
| Total stockholders' equity | 1,939,309 | 598,934 |

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information contained in this prospectus, before deciding to invest in our common stock. Generally, the risks facing us fall into five categories— risks related to our business, risks related to pending litigation, risks related to our industry, risks related to our organization and structure and risks related to this offering. If any of the following events actually occur or risks actually materialize, our business, financial condition, operating results and/or cash flow could suffer materially and adversely. In this case, the trading price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently believe to be immaterial also may materially and adversely affect our business, financial condition, operating results and/or cash flow.

Risks Related to Our Business

Our operating businesses were recently transferred to us, we have a limited operating history on a combined basis, and we are therefore subject to the risks generally associated with the formation of any new business and the combination of existing businesses.

In June 2005, we were formed for the purpose of combining two leading senior living operating companies, BLC and Alterra, through a series of mergers that occurred in September 2005. Prior to this combination, we had no operations or assets. We are therefore subject to the risks generally associated with the formation of any new business and the combination of existing businesses, including the risk that we will not be able to realize expected efficiencies and economies of scale or implement our business strategies. As such, we only have a brief combined and consolidated operating history upon which investors may evaluate our performance as an integrated entity and assess our future prospects. In addition, in 2005 prior to our initial public offering we acquired 15 additional senior living facilities and two additional facilities that were sold in the third quarter of 2005, one of which we continued to manage through January 2006. See ‘‘Business—History.’’ Since the completion of our initial public offering, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or have entered into definitive agreements to purchase $788.6 million in senior housing assets, representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated under long-term leases) with 9,495 units/beds. Upon consummation of the ARC Merger, we will lease or acquire the ownership or management of an additional 83 facilities with approximately 16,100 units/beds. See ‘‘Business—ARC Merger’’. There can be no assurance that we will be able to successfully integrate and oversee the combined operations of BLC and Alterra and the additional facilities purchased in these acquisitions. Accordingly, our financial performance to date may not be indicative of our long-term future performance and may not necessarily reflect what our results of operations, financial condition and cash flows would have been had we not operated as separate, stand-alone entities pursuing independent strategies during the periods presented.

We have a history of losses and one of our operating subsidiaries, Alterra Healthcare Corporation, emerged from Chapter 11 bankruptcy reorganization in December 2003; therefore, we may not be able to achieve profitability.

We incurred net losses of approximately $19.3 million for the three months ended March 31, 2006, and approximately $51.0 million for the year ended December 31, 2005. On a pro forma basis as adjusted, after giving effect to the ARC Merger, the Recent Acquisitions and the other transactions described in the pro forma financial statements included elsewhere in this prospectus, for the three months ended March 31, 2006 and the year ended December 31, 2005, we would have incurred net losses of approximately $37.0 million and $164.1 million, respectively. In addition, Alterra emerged from Chapter 11 bankruptcy reorganization in December 2003, approximately 11 months after filing a voluntary petition for bankruptcy reorganization, pursuant to which it sought to facilitate and complete its ongoing restructuring initiatives. Prior to its reorganization, Alterra's overall cash position had declined to a level that it believed to be insufficient to operate the company. This resulted in its failure to make certain scheduled debt service and lease payments, which caused it to be in default under several of its principal

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financing arrangements. The principal components of Alterra's restructuring plan were to dispose of selected under-performing and non-strategic assets and to restructure its capital structure. Alterra emerged from bankruptcy in December 2003 when it was acquired and recapitalized by FEBC-ALT Investors. In connection with its reorganization, Alterra adopted fresh start accounting as of December 4, 2003. Given our history of losses and Alterra's recent emergence from bankruptcy, there can be no assurance that we will be able to achieve and/or maintain profitability in the future. If we do not effectively manage our cash flow and combined business operations going forward or otherwise achieve profitability, our ability to pay dividends to our stockholders and our stock price would be adversely affected.

You may not be able to compare our historical financial information to our current financial information, which will make it more difficult to evaluate an investment in our common stock.

As a result of Alterra's emergence from bankruptcy, we are operating a portion of our business with a new capital structure and fewer properties and have adopted fresh start accounting prescribed by generally accepted accounting principles. Accordingly, unlike companies that have not previously filed for bankruptcy protection, a portion of our financial condition and results of operations are not comparable to the financial condition and results of operations reflected in Alterra's historical financial statements for periods prior to December 4, 2003 contained in this prospectus. Without historical financial statements to compare to our current performance, it may be more difficult for you to assess our future prospects when evaluating an investment in our common stock.

Failure to close the ARC Merger could negatively impact our stock price and financial results.

On May 12, 2006 we entered into a definitive agreement with ARC pursuant to which we have agreed to acquire all the outstanding shares of ARC common stock for $33.00 per share and Merger Sub will merge with and into ARC with ARC continuing as the surviving corporation and as a wholly-owned subsidiary of ours. The ARC Merger is expected to close during the third quarter of 2006. If we are not successful in timely closing the Investment Agreement or various conditions to the ARC Merger are not satisfied, including the condition that ARC receive approval of its shareholders or regulatory approval, we may be unable to close the ARC Merger. If the ARC Merger is not closed for these or other reasons, our financial results may be adversely affected and we will be subject to several risks, including the following:

- having to pay and expense certain significant costs relating to the ARC Merger, such as legal, accounting and financial advisory, without realizing any of the benefits of having the transactions completed; and
- the focus of our management having been spent on the ARC Merger instead of on pursuing other opportunities that could have been beneficial to us, without realizing any of the benefits of having the transaction completed.

These risks could materially affect our stock price and financial results.

Failure to successfully and efficiently integrate the facilities of ARC into our operations may adversely affect our operations and financial condition.

Our ability to successfully integrate the facilities of ARC in connection with the ARC Merger is uncertain. The ARC Merger is significantly larger than any acquisition we have completed since the completion of our initial public offering in November 2005. The purchase price of approximately $1.2 billion in cash represented more than ten times the amount of cash on our balance sheet at March 31, 2006. The integration of ARC's 83 facilities into our operations will be a significant undertaking, as resident capacity will be increased by nearly 50%, and will require significant attention from our management team. The acquisition involves the integration of two companies that previously operated independently. This integration is a complex, costly, and time-consuming process and we cannot assure you that this process will be successful. In addition, we have made several assumptions regarding synergies for the combined company, many of which are dependent upon how successful we are in integrating the operations of the two companies. We expect to add over 10,800 additional employees to



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our operations, including a Co-Chief Executive Officer and five executive vice presidents, which will increase our labor costs. In addition, the integration of ARC into our operations will require significant one-time costs for tasks such as site visits and audits and may be difficult to execute. Additional integration challenges include, among other things:

- retaining existing residents;
- persuading employees of Brookdale and ARC that the business cultures are compatible, maintaining morale, and retaining and integrating key employees;
- incorporating new facilities into our business operations;
- integrating facilities from our Recent Acquisitions into our business operations simultaneously with the integration of ARC;
- consolidating corporate and administrative functions;
- coordinating sales and marketing functions; and
- maintaining our standards, controls, procedures, and policies (including effective internal controls over financial reporting and disclosure controls and procedures).

If we are not able to successfully overcome these integration challenges, we may not achieve the benefits we expect from the ARC Merger, and our business, financial condition and results of operations will be adversely affected.

We may encounter difficulties in acquiring facilities at attractive prices or integrating acquisitions other than the ARC Merger with our operations, which may adversely affect our operations and financial condition.

In addition to the ARC Merger, since the completion of our initial public offering in November 2005, as of the date of this prospectus we have purchased or have entered into definitive agreements to purchase $788.6 million in senior housing assets, representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated under long-term leases) with 9,495 units/beds. We will continue to target strategic acquisitions as opportunities arise. The process of integrating these and other acquired facilities into our existing operations may result in unforeseen operating difficulties, divert managerial attention or require significant financial resources. These acquisitions and other future acquisitions may require us to incur additional indebtedness and contingent liabilities, and may result in unforeseen expenses or compliance issues, which may limit our revenue growth, cash flows, and our ability to achieve profitability and pay dividends to our stockholders. Moreover, any future acquisitions may not generate any additional income for us or provide any benefit to our business. In addition, we cannot assure you that we will be able to locate and acquire facilities at attractive prices in locations that are compatible with our strategy or that competition for the acquisition of facilities will not increase. Finally, when we are able to locate facilities and enter into definitive agreements to acquire or lease them, we cannot assure you that the transactions will be completed. Failure to complete transactions after we have entered into definitive agreements may result in significant expenses to us.

If we are unable to generate sufficient cash flow to cover required interest and long-term operating lease payments, this would result in defaults of the related debt or operating leases and cross-defaults under other debt or operating leases, which would adversely affect our ability to continue to generate income.

At March 31, 2006, we had $897.8 million of outstanding property-specific indebtedness, bearing interest at a weighted-average rate of 6.98%, including $66.3 million of capital and financing lease obligations. In connection with our Recent Acquisitions that closed or are projected to close after March 31, 2006, we expect to incur approximately $352.1 million of new indebtedness. We intend to continue financing our facilities through mortgage financing, long-term operating leases and other types of financing, including borrowings under our lines of credit and future credit facilities we may obtain. We cannot give any assurance that we will generate sufficient cash flow from operations to cover required



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interest, principal and lease payments. Any non-payment or other default under our financing arrangements could, subject to cure provisions, cause the lender to foreclose upon the facility or facilities securing such indebtedness or, in the case of a lease, cause the lessor to terminate the lease, each with a consequent loss of income and asset value to us. Furthermore, in some cases, indebtedness is secured by both a mortgage on a facility (or facilities) and a guaranty by us, BLC and/or Alterra. In the event of a default under one of these scenarios, the lender could avoid judicial procedures required to foreclose on real property by declaring all amounts outstanding under the guaranty immediately due and payable, and requiring the respective guarantor to fulfill its obligations to make such payments. The realization of any of these scenarios would have an adverse effect on our financial condition and capital structure. Additionally, a foreclosure on any of our properties could cause us to recognize taxable income, even if we did not receive any cash proceeds in connection with such foreclosure. Further, because our mortgages and operating leases generally contain cross-default and cross-collateralization provisions, a default by us related to one facility could affect a significant number of facilities and their corresponding financing arrangements and operating leases.

In addition, as of March 31, 2006, our lessors have invested a total of $1.648 billion, which includes capital and financing leases of $66.3 million, in facilities that we lease from them. Lease financing transactions carry an inherently higher level of leverage than debt financings, since typically the lessor finances 100% of the cost of a facility as compared to traditional mortgage financings, which typically are financed with leverage of 65% to 75% of the cost of a facility. For the three months ended March 31, 2006, our overall lease coverage in our leased portfolio was 1.38:1.00 (measuring coverage before capital spending reserves and central management costs). Certain of our leases require minimum lease coverage ratios as defined in the applicable agreement. The failure to comply would result in a default under such leases, subject to cure provisions. As of March 31, 2006, we were in compliance with all of our lease coverage calculations.

Our indebtedness and long-term operating leases could adversely affect our liquidity and our ability to operate our business and our ability to execute our growth strategy.

At March 31, 2006, we had $897.8 million of outstanding property-specific indebtedness, bearing interest at a weighted-average rate of 6.98%, including $66.3 million of capital and financing lease obligations, and we may incur additional indebtedness or enter into additional leases in the future. In connection with our Recent Acquisitions that closed or are projected to close after March 31, 2006, we expect to incur approximately $352.1 million of new indebtedness. Our level of indebtedness and our long-term operating leases could adversely affect our future operations and/or impact our stockholders for several reasons, including, without limitation:

- We may have little or no cash flow apart from cash flow that is dedicated to the payment of any interest, principal or amortization required with respect to outstanding indebtedness and lease payments with respect to our long-term operating leases;
- Increases in our outstanding indebtedness, leverage and long-term operating leases will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure;
- Increases in our outstanding indebtedness may limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes; and
- Our ability to satisfy our obligations with respect to holders of our capital stock may be limited.

Our ability to make payments of principal and interest on our indebtedness and to make lease payments on our operating leases depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. Our business might not continue to generate cash flow at or above current levels. If we are unable to generate sufficient cash flow from operations in the future to service our debt or to make lease payments on our operating leases, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, reduce or delay planned capital expenditures or delay or abandon



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desirable acquisitions. Such measures might not be sufficient to enable us to service our debt or to make lease payments on our operating leases. The failure to make required payments on our debt or operating leases or the delay or abandonment of our planned growth strategy could result in an adverse effect on our future ability to generate revenues and sustain profitability. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms to us.

Our existing credit facilities, mortgage loans and sale-leaseback arrangements contain covenants that restrict our operations and any default under such facilities, loans or arrangements could result in the acceleration of indebtedness, termination of the leases or cross-defaults, any of which would negatively impact our liquidity and inhibit our ability to grow our business and increase revenues.

As of March 31, 2006, we had $897.8 million of outstanding property-specific indebtedness, bearing interest at a weighted-average rate of 6.98%, including $66.3 million of capital and financing lease obligations. Our outstanding indebtedness and leases contain restrictions and covenants and require us to maintain or satisfy specified financial ratios and coverage tests, including maintaining debt service and lease coverage ratios on a consolidated basis and on a facility or facilities basis based on the debt securing the facilities. In addition, certain of our leases require us to maintain lease coverage ratios on a lease portfolio basis (each as defined in the leases) and maintain stockholders' equity or tangible net worth amounts. The debt service coverage ratios are generally calculated as revenues less operating expenses, including an implied management fee and a reserve for capital expenditures, divided by the debt (principal and interest) or lease payment. Stockholders' equity is calculated in accordance with GAAP, and in certain circumstances less intangible assets or liabilities, or stockholders' equity plus deferred gains from sale-leaseback transactions. See ''Description of Indebtedness'' for additional restrictive covenants and lender consents required under our outstanding indebtedness. These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may inhibit our ability to grow our business and increase revenues. If we fail to comply with any of these requirements, then the related indebtedness could become immediately due and payable. We cannot assure you that we could pay this debt if it became due.

Our outstanding indebtedness and leases are secured by the facilities and, in certain cases, a guaranty by us, BLC and/or Alterra. Therefore, an event of default under the outstanding indebtedness or leases, subject to cure provisions in certain instances, would give the respective lenders or lessors, as applicable, the right to declare all amounts outstanding to be immediately due and payable, terminate the lease, foreclose on collateral securing the outstanding indebtedness and leases and restrict our ability to make additional borrowings under the outstanding indebtedness or continue to operate the properties subject to the lease. Certain of our outstanding indebtedness and leases contain cross-default provisions so that a default under certain outstanding indebtedness would cause a default under certain of our operating leases. Certain of our outstanding indebtedness and long-term leases also restrict, among other things, our ability to incur additional debt.

The substantial majority of our lease arrangements are structured as master leases. Under a master lease, we may lease a large number of geographically dispersed properties through an indivisible lease. As a result, it is difficult to restructure the composition of the portfolio or economic terms of the lease without the consent of the landlord. Failure to comply with Medicare or Medicaid provider requirements is a default under several of our master lease and debt financing instruments. In addition, potential defaults related to an individual property may cause a default of an entire master lease portfolio and could trigger cross-default provisions in our outstanding indebtedness and other leases, which would have a negative impact on our capital structure and our ability to generate future revenues, and could interfere with our ability to pursue our growth strategy.

Certain of our master leases also contain radius restrictions, which limit our ability to develop or acquire new facilities within a specified distance from certain existing facilities covered by such master leases.



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Mortgage debt and long-term lease obligations expose us to increased risk of loss of property, which could harm our ability to generate future revenues and could have an adverse tax effect.

Mortgage debt and long-term lease obligations increase our risk of loss because defaults on indebtedness secured by properties or pursuant to the terms of the lease may result in foreclosure actions initiated by lenders or lessors and ultimately our loss of the property securing any loans for which we are in default or cause the lessor to terminate the lease. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could negatively impact our earnings. Further, our mortgage debt and long-term leases generally contain cross-default and cross-collateralization provisions and a default on one facility could affect a significant number of our facilities, financing arrangements and operating leases.

If we do not effectively manage our growth, our business, ability to maintain consistent quality control and financial results could be adversely affected.

We plan to grow organically through our existing operations, through selectively purchasing existing senior living operating companies and facilities, and through the expansion of our existing facilities. As stated above, since our initial public offering in November 2005 but not taking into account the ARC Merger, we have purchased or entered into definitive agreements to purchase $788.6 million in senior housing assets representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated under long-term leases) with 9,495 units/beds. In connection with the ARC Merger, we will lease or acquire the ownership or management of an additional 83 facilities with approximately 16,100 units/beds. This growth has and will continue to place significant demands on our current management resources. Our ability to manage our growth effectively and to successfully integrate new acquisitions and expansions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees. For example, in connection with the purchase of the Prudential Portfolio, we significantly expanded one of our operating divisions to manage these assets. Although we believe we were successful in attracting qualified individuals to work in this division, there can be no assurance that we will be successful in attracting qualified individuals in future acquisitions to the extent necessary, and management may expend significant time and energy attracting the appropriate personnel to manage assets we purchase in the future. Also, the additional facilities will require us to maintain consistent quality control measures that allow our management to effectively identify deviations that result in delivering care and services that are substandard, which may result in litigation and/or loss of licensure or certification. If we are unable to manage our growth effectively and successfully integrate new acquisitions and expansions into our existing business or maintain consistent quality control measures, our business, financial condition and results of operations could be adversely affected.

Unforeseen costs associated with the acquisition of new facilities could reduce our future profitability.

Our growth strategy contemplates future acquisitions of existing senior living operating companies and facilities. Despite our extensive underwriting and due diligence procedures, facilities that we may acquire in the future may generate unexpectedly low or no returns or may not meet a risk profile that our investors find acceptable. In addition, we might encounter unanticipated difficulties and expenditures relating to any of the acquired facilities, including contingent liabilities, or newly acquired facilities might require significant management attention that would otherwise be devoted to our ongoing business. For example, a facility may require capital expenditures in excess of budgeted amounts, or it may experience management turnover that is higher than we project. These costs may negatively affect our future profitability.



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Competition for the acquisition of strategic assets from buyers with lower costs of capital than us or that have lower return expectations than we do could limit our ability to compete for strategic acquisitions and therefore to grow our business effectively.

Several real estate investment trusts, or REITs, have similar asset acquisition objectives as we do, along with greater financial resources and lower costs of capital than we are able to obtain. This may increase competition for acquisitions that would be suitable to us, making it more difficult for us to compete and successfully implement our growth strategy. There is significant competition among potential acquirors in the senior living industry, including REITs, and there can be no assurance that we will be able to successfully implement our growth strategy or complete acquisitions, which could limit our ability to grow our business effectively.

We may need additional capital to fund our operations and finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to grow.

Continued expansion of our business through the acquisition of existing senior living operating companies and facilities and expansion of our existing facilities may require additional capital, particularly if we were to accelerate our acquisition and expansion plans. Financing may not be available to us or may be available to us only on terms that are not favorable. In addition, certain of our outstanding indebtedness and long-term leases restrict, among other things, our ability to incur additional debt. If we are unable to raise additional funds or obtain it on terms acceptable to us, we may have to delay or abandon some or all of our growth strategies. Further, if additional funds are raised through the issuance of additional equity securities, the percentage ownership of our stockholders would be diluted. See ‘‘Dilution’’. Any newly issued equity securities may have rights, preferences or privileges senior to those of our common stock. See ‘‘Description of Capital Stock’’.

Due to the dependency of our revenues on private pay sources, events which adversely affect the ability of seniors to afford our monthly resident fees could cause our occupancy rates, revenues and results of operations to decline.

Costs to seniors associated with independent and assisted living services are not generally reimbursable under government reimbursement programs such as Medicare and Medicaid. Accordingly, over 96% of our resident fee revenues are derived from private pay sources consisting of income or assets of residents and/or their family members. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, over 91% of our resident fee revenues are derived from private pay sources. Only seniors with income or assets meeting or exceeding the comparable median in the regions where our facilities are located typically can afford to pay our monthly resident fees. Economic downturns or changes in demographics could adversely affect the ability of seniors to afford our resident fees. In addition, downturns in the housing markets would adversely affect the ability of seniors to afford our resident fees as our customers frequently use the proceeds from the sale of their homes to cover the cost of our fees. If we are unable to retain and/or attract seniors with sufficient income, assets or other resources required to pay the fees associated with independent and assisted living services, our occupancy rates, revenues and results of operations would decline.

Upon consummation of the ARC Merger, we will rely on reimbursement from governmental programs for a greater portion of our revenues than before, and will be subject to changes in reimbursement levels, which could adversely affect our results of operations and cash flow.

Upon consummation of the ARC Merger, we will rely on reimbursement from governmental programs for a greater portion of our revenues than before, and we cannot assure you that reimbursement levels will not decrease in the future, which could adversely affect our results of operations and cash flow. For the year ended December 31, 2005, ARC derived 15% of its revenues from Medicare and 2% from Medicaid. As of January 1, 2006, certain per person annual limits on Medicare reimbursement for therapy services became effective, subject to certain exceptions. Although there is a major effort to have these limits repealed, there will be reductions of therapy services revenues in connection with the ARC business and the profitability of those services. There continue to be various





federal and state legislative and regulatory proposals to implement cost containment measures that would limit payments to healthcare providers in the future. Changes in the reimbursement policies of the Medicare program could have an adverse effect on our results of operations and cash flow.

The geographic concentration of our facilities could leave us vulnerable to an economic downturn, regulatory changes or acts of nature in those areas, resulting in a decrease in our revenues or an increase in our costs, or otherwise negatively impacting our results of operations.

For the three months ended March 31, 2006 and 2005, our facilities located in Florida accounted for approximately 13.9% and 12.9% of our revenue, our facilities located in Illinois accounted for approximately 9.2% and 11.1% of our revenue, our facilities located in California accounted for approximately 8.8% and 3.8% of our revenue, and our facilities located in Texas accounted for approximately 5.7% and 5.6% of our revenue. For the three months ended March 31, 2006 and 2005, on a pro forma basis for the ARC Merger and the Recent Acquisitions, our facilities located in Florida account for approximately 15.1% and 14.8% of our revenue, our facilities located in Illinois account for approximately 6.3% and 7.2% of our revenue, our facilities located in California account for approximately 5.6% and 2.3% of our revenue, and our facilities located in Texas accounted for approximately 14.0% and 14.1% of our revenue. As a result of this concentration, the conditions of local economies and real estate markets, changes in governmental rules and regulations, particularly with respect to assisted living facilities, acts of nature and other factors that may result in a decrease in demand for senior living services in these states could have an adverse effect on our revenues, costs and results of operations. In addition, since these facilities are located in Florida and California, we are particularly susceptible to revenue loss, cost increase or damage caused by hurricanes or other severe weather conditions or natural disasters such as earthquakes or tornados. Any significant loss due to a natural disaster may not be covered by insurance and may lead to an increase in the cost of insurance.

Termination of our resident agreements and vacancies in the living spaces we lease could adversely affect our revenues, earnings and occupancy levels.

State regulations governing assisted living facilities require written resident agreements with each resident. Several of these regulations also require that each resident have the right to terminate the resident agreement for any reason on reasonable notice. Consistent with these regulations, several of our assisted living resident agreements allow residents to terminate their agreements upon 0 to 30 days’ notice. Unlike typical apartment leasing or independent living arrangements that involve lease agreements with specified leasing periods of up to a year or longer, in many instances we cannot contract with our assisted living residents to stay in those living spaces for longer periods of time. Our independent living resident agreements generally provide for termination of the lease upon death or allow a resident to terminate his or her lease upon the need for a higher level of care not provided at the facility. The resident is usually obligated to pay rent for the lesser of 60 days after the move out or until the unit is rented by another resident. If multiple residents terminate their resident agreements at or around the same time, our revenues, earnings and occupancy levels could be adversely affected. In addition, because of the demographics of our typical residents, including age and health, resident turnover rates in our facilities are difficult to predict. As a result, the living spaces we lease may be unoccupied for a period of time, which could adversely affect our revenues and earnings.

Increased competition for or a shortage of skilled personnel could increase our staffing and labor costs, which would have an adverse effect on our profitability and/or our ability to conduct our business operations.

Our success depends on our ability to retain and attract skilled management personnel who are responsible for the day-to-day operations of each of our facilities. Each facility has an Executive Director or Residence Director, each a Director, responsible for the overall day-to-day operations of the facility, including quality of care, social services and financial performance. Depending upon the size of the facility, each Director is supported by a facility staff member who is directly responsible for day-to-day care of the residents and either facility staff or regional support to oversee the facility’s marketing and community outreach programs. Other key positions supporting each facility may include individuals

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responsible for food service, healthcare services, activities, housekeeping and engineering. We compete with various health care service providers, including other senior living providers, in retaining and attracting qualified and skilled personnel. Increased competition for or a shortage of nurses or other trained personnel, or general inflationary pressures may require that we enhance our pay and benefits package to compete effectively for such personnel. We may not be able to offset such added costs by increasing the rates we charge to our residents. Turnover rates and the magnitude of the shortage of nurses or other trained personnel varies substantially from facility to facility. Although reliable industry-wide data on key employee retention does not exist, we believe that our employee retention rates are consistent with those of other national senior housing operators. If there is an increase in these costs, our profitability would be negatively affected. In addition, if we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations effectively and our overall operating results could be harmed.

Departure of our key officers could harm our business.

Our future success depends, to a significant extent, upon the continued service of our senior management personnel, particularly: Mark J. Schulte, our chief executive officer; Mark W. Ohlendorf, our co-president; John P. Rijos, our co-president; R. Stanley Young, our chief financial officer; and Kristin A. Ferge, our treasurer. In addition, upon consummation of the ARC Merger, we expect to add six former executive officers of ARC to our management team, including W.E. Sheriff, who will become our co-Chief Executive Officer with Mr. Schulte. If we were to lose the services of any of these individuals, our business and financial results could be adversely affected. See ‘‘Management’’.

Increases in market interest rates could significantly increase the costs of our unhedged debt and lease obligations, which could adversely affect our liquidity and earnings.

At March 31, 2006, we had approximately $186.0 million of unhedged obligations consisting of $100.8 million and $85.2 million of unhedged floating-rate debt and lease payment obligations, respectively, outstanding at a combined weighted-average floating interest rate of 4.81%. Our unhedged debt and lease obligations include $180.9 million tied to the tax-exempt bond rates and are subject to interest rate caps at a weighted average cap rate of 6.17%. This debt, and any unhedged floating-rate debt incurred in the future, exposes us to interest rate risk. Therefore, increases in prevailing interest rates could increase our payment obligations, which would negatively impact our liquidity and earnings. For example, a 1% increase in interest rates would increase annual interest expense and lease expense by approximately $1.0 million and $0.9 million based on the amount of unhedged floating-rate debt and leases, respectively.

We may not be able to pay or maintain dividends and the failure to do so would adversely affect our stock price.

On June 15, 2006, our board of directors declared a regular quarterly cash dividend of $0.35 per share of our common stock, or an aggregate of $23.2 million for the quarter ended June 30, 2006, which is payable on July 17, 2006. We intend to continue to pay regular quarterly dividends to the holders of our common stock. However, our ability to pay and maintain cash dividends is based on many factors, including our ability to make and finance acquisitions, our ability to negotiate favorable lease and other contractual terms, anticipated operating expense levels, the level of demand for our units/beds, the rates we charge and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. We can give no assurance as to our ability to pay or maintain dividends. We also cannot assure you that the level of dividends will be maintained or increase over time or that increases in demand for our units/beds and monthly resident fees will increase our actual cash available for dividends to stockholders. We expect that in certain quarters we may pay dividends that exceed our net income amount for such period as calculated in accordance with GAAP. See ‘‘Dividend Policy’’. The failure to pay or maintain dividends would adversely affect our stock price.

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Environmental contamination at any of our facilities could result in substantial liabilities to us, which may exceed the value of the underlying assets and which could materially and adversely effect our liquidity and earnings.

Under various federal, state and local environmental laws, a current or previous owner or operator of real property, such as us, may be held liable in certain circumstances for the costs of investigation, removal or remediation of, or related to the release of, certain hazardous or toxic substances, that could be located on, in, at or under a property, regardless of how such materials came to be located there. The cost of any required investigation, remediation, removal, mitigation, compliance, fines or personal or property damages and our liability therefore could exceed the property's value and/or our assets' value. In addition, the presence of such substances, or the failure to properly dispose of or remediate the damage caused by such substances, may adversely affect our ability to sell such property, to attract additional residents and retain existing residents, to borrow using such property as collateral or to develop or redevelop such property. In addition, such laws impose liability, which may be joint and several, for investigation, remediation, removal and mitigation costs on persons who disposed of or arranged for the disposal of hazardous substances at third party sites. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence, release or disposal of such substances as well as without regard to whether such release or disposal was in compliance with law at the time it occurred. Although we do not believe that we have incurred such liabilities as would have a material adverse effect on our business, financial condition and results of operations, we could be subject to substantial future liability for environmental contamination that we have no knowledge about as of the date of this prospectus and/or for which we may not be at fault.

Failure to comply with existing environmental laws could result in increased expenditures, litigation and potential loss to our business and in our asset value, which would have an adverse effect on our earnings and financial condition.

Our operations are subject to regulation under various federal, state and local environmental laws, including those relating to: the handling, storage, transportation, treatment and disposal of medical waste products generated at our facilities; identification and warning of the presence of asbestos-containing materials in buildings, as well as removal of such materials; the presence of other substances in the indoor environment; and protection of the environment and natural resources in connection with development or construction of our properties.

Some of our facilities generate infectious or other hazardous medical waste due to the illness or physical condition of the residents. Each of our facilities has an agreement with a waste management company for the proper disposal of all infectious medical waste, but the use of such waste management companies does not immunize us from alleged violations of such laws for operations for which we are responsible even if carried out by such waste management companies, nor does it immunize us from third-party claims for the cost to cleanup disposal sites at which such wastes have been disposed.

Federal regulations require building owners and those exercising control over a building's management to identify and warn their employees and certain other employers operating in the building of potential hazards posed by workplace exposure to installed asbestos-containing materials and potential asbestos-containing materials in their buildings. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building's management may be subject to an increased risk of personal injury lawsuits. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of asbestos-containing materials and potential asbestos-containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for improper handling or a release to the environment of asbestos-containing materials and potential asbestos-containing materials and may provide for fines to, and for third parties to seek recovery from, owners or operators of real properties for personal injury or improper work exposure associated with asbestos-containing materials and potential asbestos-containing materials.

The presence of mold, lead-based paint, contaminants in drinking water, radon and/or other substances at any of the facilities we own or may acquire may lead to the incurrence of costs for



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remediation, mitigation or the implementation of an operations and maintenance plan and may result in third party litigation for personal injury or property damage. Furthermore, in some circumstances, areas affected by mold may be unusable for periods of time for repairs, and even after successful remediation, the known prior presence of extensive mold could adversely affect the ability of a facility to retain or attract residents and could adversely affect a facility's market value.

Although we believe that we are currently in material compliance with applicable environmental laws, if we fail to comply with such laws in the future, we would face increased expenditures both in terms of fines and remediation of the underlying problem(s), potential litigation relating to exposure to such materials, and potential decrease in value to our business and in the value of our underlying assets. Therefore, our failure to comply with existing environmental laws would have an adverse effect on our earnings, our financial condition and our ability to pursue our growth strategy.

We are unable to predict the future course of federal, state and local environmental regulation and legislation. Changes in the environmental regulatory framework could have a material adverse effect on our business. In addition, because environmental laws vary from state to state, expansion of our operations to states where we do not currently operate may subject us to additional restrictions on the manner in which we operate our facilities.

Risks Related to Pending Litigation

Two recent complaints filed against our subsidiary could, if adversely determined, subject us to a material loss.

In connection with the sale of certain facilities to Ventas Realty Limited Partnership (‘‘Ventas’’) in 2004, two legal actions have been filed. The first action was filed on September 15, 2005 by current and former limited partners in 36 investing partnerships in the United States District Court for the Eastern District of New York captioned David T. Atkins et. al. v. Apollo Real Estate Advisors , L.P., et al (the ‘‘Action’’). On March 17, 2006, a third amended complaint was filed in the Action. The third amended complaint is brought on behalf of current and former limited partners in 14 investing partnerships. It names as defendants, among others, the Company, BLC, GFB-AS Investors, LLC (‘‘GFB-AS’’), a subsidiary of BLC, the general partners of the 14 investing partnerships, which are alleged to be subsidiaries of GFB-AS, Fortress Investment Group LLC, an affiliate of our largest stockholder, and our Chief Financial Officer. The nine count third amended complaint alleges, among other things, (i) that the defendants converted for their own use the property of the limited partners of 11 partnerships, including through the failure to obtain consents the plaintiffs contend were required for the sale of facilities indirectly owned by those partnerships to Ventas; (ii) that the defendants fraudulently persuaded the limited partners of three partnerships to give up a valuable property right based upon incomplete, false and misleading statements in connection with certain consent solicitations; (iii) that certain defendants, not including the Company, committed mail fraud in connection with the sale of facilities indirectly owned by the 14 partnerships at issue in the Action to Ventas; (iv) that certain defendants, not including the Company, committed wire fraud in connection with certain communications with plaintiffs in the Action and another investor in a limited partnership; (v) that the defendants committed substantive violations of the Racketeer Influenced and Corrupt Organizations Act (‘‘RICO’’); (vi) that the defendants conspired to violate RICO; (vii) that GFB-AS and the general partners violated the partnership agreements of the 14 investing partnerships; (viii) that GFB-AS, the general partners, and our Chief Financial Officer breached fiduciary duties to the plaintiffs; and (vii) that the defendants were unjustly enriched. The plaintiffs have asked for damages in excess of $100.0 million on each of the counts described above, including treble damages for the RICO claims. We have filed a motion to dismiss the claims and intend to continue to vigorously defend this Action. A putative class action lawsuit was also filed on March 22, 2006 by certain limited partners in four of the same partnerships involved in the Action in the Court of Chancery for the State of Delaware captioned Edith Zimmerman et al. v. GFB-AS Investors, LLC and Brookdale Living Communities, Inc. (the ‘‘Second Action’’). The putative class in the Second Action consists only of those limited partners in the four investing partnerships who are not plaintiffs in the Action. The Second Action names as defendants BLC and GFB-AS. The complaint alleges a claim for breach of fiduciary duty arising out of the sale of facilities indirectly owned by the investing partnerships to Ventas and the



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subsequent lease of those facilities by Ventas to subsidiaries of BLC. The plaintiffs seek, among other relief, an accounting, damages in an unspecified amount, and disgorgement of unspecified amounts by which the defendants were allegedly unjustly enriched. We also intend to vigorously defend this Second Action. Because these actions are in an early stage we cannot estimate the possible range of loss, if any.

Risks Related to Our Industry

The cost and difficulty of complying with increasing and evolving regulation and enforcement could have an adverse effect on our business operations and profits.

The regulatory environment surrounding the senior living industry continues to evolve and intensify in the amount and type of laws and regulations affecting it, many of which vary from state to state. In addition, many senior living facilities are subject to regulation and licensing by state and local health and social service agencies and other regulatory authorities. In several of the states in which we operate or may operate, we are prohibited from providing certain higher levels of senior care services without first obtaining the appropriate licenses. Also, in several of the states in which we operate or intend to operate, assisted living facilities and/or skilled nursing facilities require a certificate of need before the facility can be opened or the services at an existing facility can be expanded. See ‘‘Business—Government Regulation’’ for a description of some of the specific laws and regulations applicable to us. Furthermore, federal, state and local officials are increasingly focusing their efforts on enforcement of these laws, particularly with respect to large for-profit, multi-facility providers like us. These requirements, and the increased enforcement thereof, could affect our ability to expand into new markets, to expand our services and facilities in existing markets and, if any of our presently licensed facilities were to operate outside of its licensing authority, may subject us to penalties including closure of the facility. Future regulatory developments as well as mandatory increases in the scope and severity of deficiencies determined by survey or inspection officials could cause our operations to suffer. We are unable to predict the future course of federal, state and local legislation or regulation. If regulatory requirements increase, whether through enactment of new laws or regulations or changes in the enforcement of existing rules, our earnings and operations could be adversely affected.

The intensified regulatory and enforcement environment impacts providers like us because of the increase in the number of inspections or surveys by governmental authorities and consequent citations for failure to comply with regulatory requirements. We also expend considerable resources to respond to federal and state investigations or other enforcement action. From time to time in the ordinary course of business, we receive deficiency reports from state and federal regulatory bodies resulting from such inspections or surveys. Although most inspection deficiencies are resolved through an agreed-to plan of corrective action, the reviewing agency typically has the authority to take further action against a licensed or certified facility, which could result in the imposition of fines, imposition of a provisional or conditional license, suspension or revocation of a license, suspension or denial of admissions, loss of certification as a provider under federal health care programs or imposition of other sanctions, including criminal penalties. Furthermore, certain states may allow citations in one facility to impact other facilities in the state. Revocation of a license at a given facility could therefore impact our ability to obtain new licenses or to renew existing licenses at other facilities, which may also cause us to be in default under our leases, trigger cross-defaults, trigger defaults under certain of our credit agreements or adversely affect our ability to operate and/or obtain financing in the future. If a state were to find that one facility's citation would impact another of our facilities, this would also increase costs and result in increased surveillance by the state survey agency. To date, none of the deficiency reports received by us has resulted in a suspension, fine or other disposition that has had a material adverse effect on our revenues. However, the failure to comply with applicable legal and regulatory requirements in the future could result in a material adverse effect to our business as a whole.

There are various extremely complex federal and state laws governing a wide array of referral relationships and arrangements and prohibiting fraud by health care providers, including those in the senior living industry, and governmental agencies are devoting increasing attention and resources to such anti-fraud initiatives. Some examples are the Health Insurance Portability and Accountability Act of 1996, or HIPAA, the Balanced Budget Act of 1997, and the False Claims Act, which gives private



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individuals the ability to bring an action on behalf of the federal government. See ''Business— Government Regulation'' for a description of these laws. The violation of any of these laws or regulations may result in the imposition of fines or other penalties that could increase our costs and otherwise jeopardize our business.

Additionally, in several states, we operate facilities that participate in federal and/or state health care reimbursement programs, which makes us subject to federal and state laws that prohibit anyone from presenting, or causing to be presented, claims for reimbursement which are false, fraudulent or are for items or services that were not provided as claimed. Similar state laws vary from state to state and we cannot be sure that these laws will be interpreted consistently or in keeping with past practice. Violation of any of these laws can result in loss of licensure, civil or criminal penalties and exclusion of health care providers or suppliers from furnishing covered items or services to beneficiaries of the applicable federal and/or state health care reimbursement program. Loss of licensure may also cause us to default under our leases and/or trigger cross-defaults.

We are also subject to certain federal and state laws that regulate financial arrangements by health care providers, such as the Federal Anti-Kickback Law, the Stark laws and certain state referral laws. See ''Business—Government Regulation.'' Authorities have interpreted the Federal Anti-Kickback Law very broadly to apply to many practices and relationships between health care providers and sources of patient referral. This could result in criminal penalties and civil sanctions, including fines and possible exclusion from government programs such as Medicare and Medicaid, which may also cause us to default under our leases and/or trigger cross-defaults. Adverse consequences may also result if we violate federal Stark laws related to certain Medicare and Medicaid physician referrals. While we endeavor to comply with all laws that regulate the licensure and operation of our senior living facilities, it is difficult to predict how our revenues could be affected if we were subject to an action alleging such violations.

Compliance with the Americans with Disabilities Act, Fair Housing Act and fire, safety and other regulations may require us to make unanticipated expenditures, which could increase our costs and therefore adversely affect our earnings, financial condition and our ability to pay dividends to stockholders.

All of our facilities are required to comply with the Americans with Disabilities Act, or ADA. The ADA has separate compliance requirements for ‘‘public accommodations’’ and ‘‘commercial properties,’’ but generally requires that buildings be made accessible to people with disabilities. Compliance with ADA requirements could require removal of access barriers and non-compliance could result in imposition of government fines or an award of damages to private litigants.

We must also comply with the Fair Housing Act, which prohibits us from discriminating against individuals on certain bases in any of our practices if it would cause such individuals to face barriers in gaining residency in any of our facilities. Additionally, the Fair Housing Act and other state laws require that we advertise our services in such a way that we promote diversity and not limit it. We may be required, among other things, to change our marketing techniques to comply with these requirements.

In addition, we are required to operate our facilities in compliance with applicable fire and safety regulations, building codes and other land use regulations and food licensing or certification requirements as they may be adopted by governmental agencies and bodies from time to time. Like other health care facilities, senior living facilities are subject to periodic survey or inspection by governmental authorities to assess and assure compliance with regulatory requirements. Surveys occur on a regular (often annual or bi-annual) schedule, and special surveys may result from a specific complaint filed by a resident, a family member or one of our competitors. We may be required to make substantial capital expenditures to comply with those requirements.

Capital expenditures we have made to comply with any of the above to date have been immaterial, however, the increased costs and capital expenditures that we may incur in order to comply with any of the above would result in a negative effect on our earnings, financial condition and our ability to pay dividends to stockholders.



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Significant legal actions and liability claims against us in excess of insurance limits could subject us to increased operating costs and substantial uninsured liabilities, which may adversely affect our financial condition and operating results.

The senior living business entails an inherent risk of liability, particularly given the demographics of our residents, including age and health, and the services we provide. In recent years, we, as well as other participants in our industry, have been subject to an increasing number of claims and lawsuits alleging that our services have resulted in resident injury or other adverse effects. Many of these lawsuits involve large damage claims and significant legal costs. Many states continue to consider tort reform and how it will apply to the senior living industry. We may continue to be faced with the threat of large jury verdicts in jurisdictions that do not find favor with large senior living providers. We maintain liability insurance policies in amounts and with the coverage and deductibles we believe are adequate based on the nature and risks of our business, historical experience and industry standards. In the past year, we have not had any claims that exceeded our policy limits. However, there can be no guarantee that we will not have such claims in the future.

We currently maintain the following liability insurance: a $25.0 million primary limit of general and healthcare professional liability insurance coverage, inclusive of at least a $15.0 million sub-limit of healthcare professional liability ($25.0 million sub-limit for designated locations). This insurance coverage is on a per claim and aggregate basis with a self-insured retention of $1.0 million. The general and professional liability coverage is arranged on a three-year, shared-limit basis, with a pre-negotiated reinstatement of limit provision that will allow for the re-purchase of the lead $15.0 million of general and professional liability coverage, at a set additional premium, should adverse claims experience be realized during the policy term. In addition to this $25.0 million primary limit, we have arranged $25.0 million excess general liability-only insurance coverage on a per claim and aggregate basis.

Additionally, we maintain primary workers' compensation insurance, which includes a $0.5 million deductible per occurrence, employer's liability and auto liability insurance in compliance with statutory limits and requirements and a $20.0 million excess auto liability and employer's liability coverage, over a primary auto and employer's liability $1.0 million policy limit, on a per-occurrence, annual aggregate basis.

We also currently maintain the following property insurance: a $300.0 million per-occurrence primary policy limit, which contains various sub-limits of coverage, most notably for the perils of flood and earthquake, limited to $50.0 million on a per-occurrence and annual aggregate basis. Terrorism coverage is provided for other than the peril of earthquake to the noted policy limits.

On May 29, 2006, a fire occurred at an ARC retirement community located in Richmond, Virginia. The fire damaged a number of units in one of the four residential buildings on the campus, and resulted in the death of two residents and injuries of varying degrees of severity to approximately 10 other residents. Although restoration of the damage caused by the fire is underway, approximately 48 units currently remain unoccupied in the damaged building. ARC's investigation of the cause and origin of the fire is preliminary and ongoing. ARC maintains casualty, business interruption, and general and professional liability insurance policies that provide it with coverage for the costs relating to the fire (subject to deductibles or self-insured retention levels). ARC has informed us that it does not believe that the fire will have a material effect on its consolidated results of operations or financial condition.

If a successful claim is made against us and it is not covered by our insurance or exceeds the policy limits, our financial condition and results of operations could be materially and adversely affected. In some states, state law may prohibit or limit insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and/or litigation. As a result, we may be liable for punitive damage awards in these states that either are not covered or are in excess of our insurance policy limits. Also, the above deductibles, or self-insured retention, are accrued based on an actuarial projection of future liabilities. If this projection is inaccurate and if there are an unexpectedly large number of successful claims that result in liabilities in excess of our self-insured retention, our operating results could be negatively affected. Claims against us, regardless of their merit or eventual outcome, also could have a material adverse effect on our ability to attract residents or expand our business and could require our management to devote time to matters unrelated to the day-to-day operation of our business. We





also have to renew our policies every year and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. There can be no assurance that we will be able to obtain liability insurance in the future or, if available, that such coverage will be available on acceptable terms.

Overbuilding, increased competition and increased operating costs may adversely affect our ability to generate and increase our revenues and profits and to pursue our growth strategy.

The senior living industry is highly competitive, and we expect that it may become more competitive in the future. We compete with numerous other companies that provide long-term care alternatives such as home healthcare agencies, life care at home, facility-based service programs, retirement communities, convalescent centers and other independent living, assisted living and skilled nursing providers, including not-for-profit entities. In general, regulatory and other barriers to competitive entry in the independent living and assisted living segments of the senior living industry are not substantial. We have experienced and expect to continue to experience increased competition in our efforts to acquire and operate senior living facilities. Consequently, we may encounter increased competition that could limit our ability to attract new residents, raise resident fees or expand our business, which could have a material adverse effect on our revenues and earnings.

In addition, overbuilding in the late 1990s in the senior living industry reduced the occupancy rates of several newly constructed buildings and, in some cases, reduced the monthly rate that some newly built and previously existing facilities were able to obtain for their services. This resulted in lower revenues for certain of our facilities during that time. While we believe that overbuilt markets have stabilized and should continue to be stabilized for the immediate future, we cannot be certain that the effects of this period of overbuilding will not effect our occupancy and resident fee rate levels in the future, nor can we be certain that another period of overbuilding in the future will not have the same effects. Moreover, while we believe that the new construction dynamics and the competitive environments in Florida, Illinois and California are substantially similar to the national market, taken as a whole, if the dynamics or environment were to be significantly adverse in one or more of those states, it would have a disproportionate effect on our revenues (due to the large portion of our revenues that are generated in those states).

Risks Related to Our Organization and Structure

If the ownership of our common stock continues to be highly concentrated, it may prevent you and other stockholders from influencing significant corporate decisions and may result in conflicts of interest.

Following the completion of this offering, assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assuming the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits’’, funds managed by affiliates of Fortress will beneficially own 61,007,867 shares, or over 60%, of our common stock. See ‘‘Business—Equity Commitment’’. In addition, two of our directors are associated with Fortress. As a result, funds managed by affiliates of Fortress will be able to control fundamental and significant corporate matters and transactions, including: the election of directors; mergers, consolidations or acquisitions; the sale of all or substantially all of our assets and other decisions affecting our capital structure; the amendment of our amended and restated certificate of incorporation and our amended and restated by-laws; and the dissolution of the Company. Fortress’s interests may conflict with your interests. Their control of the Company could delay, deter or prevent acts that may be favored by our other stockholders such as hostile takeovers, changes in control of the Company and changes in management. See ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders.’’ As a result of such actions, the market price of our common stock could decline or stockholders might not receive a premium for their shares in connection with a change of control of the Company. See ‘‘Description of Capital Stock—Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated By-Laws.’’

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Anti-takeover provisions in our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger or acquisition that you may consider favorable or prevent the removal of our current board of directors and management.

Certain provisions of our amended and restated certificate of incorporation and our amended and restated by-laws may discourage, delay or prevent a merger or acquisition that you may consider favorable or prevent the removal of our current board of directors and management. We have a number of anti-takeover devices in place that will hinder takeover attempts, including:

- a staggered board of directors consisting of three classes of directors, each of whom serve three-year terms;
- removal of directors only for cause, and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote;
- blank-check preferred stock;
- provisions in our amended and restated certificate of incorporation and amended and restated by-laws preventing stockholders from calling special meetings (with the exception of Fortress and its affiliates, so long as they collectively beneficially own at least 50.1% of our issued and outstanding common stock);
- advance notice requirements for stockholders with respect to director nominations and actions to be taken at annual meetings; and
- no provision in our amended and restated certificate of incorporation for cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of our common stock can elect all the directors standing for election.

Additionally, our amended and restated certificate of incorporation provides that Section 203 of the Delaware General Corporation Law, which restricts certain business combinations with interested stockholders in certain situations, will not apply to us. This may make it easier for a third party to acquire an interest in some or all of us with Fortress' approval, even though our other stockholders may not deem such an acquisition beneficial to their interests.

See ''Description of Capital Stock—Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated By-Laws.''

We are a holding company with no operations and rely on our operating subsidiaries to provide us with funds necessary to meet our financial obligations.

We are a holding company with no material direct operations. Our principal assets are the equity interests we directly or indirectly hold in our operating subsidiaries. As a result, we are dependent on loans, dividends and other payments from our subsidiaries to generate the funds necessary to meet our financial obligations, including paying dividends. Our subsidiaries are legally distinct from us and have no obligation to make funds available to us.

Risks Related to This Offering

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the market price of our common stock declines significantly, you may be unable to resell your shares at or above your purchase price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- variations in our quarterly operating results;



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- changes in our earnings estimates;
- the contents of published research reports about us or the senior living industry or the failure of securities analysts to cover our common stock after this offering;
- additions or departures of key management personnel;
- any increased indebtedness we may incur or lease obligations we may enter into in the future;
- actions by institutional stockholders;
- changes in market valuations of similar companies;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- speculation or reports by the press or investment community with respect to the Company or the senior living industry in general;
- increases in market interest rates that may lead purchasers of our shares to demand a higher yield;
- changes or proposed changes in laws or regulations affecting the senior living industry or enforcement of these laws and regulations, or announcements relating to these matters; and
- general market and economic conditions.

Future offerings of debt or equity securities by us may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by offering debt or additional equity securities, including commercial paper, medium-term notes, senior or subordinated notes, series of preferred shares or shares of our common stock. Upon liquidation, holders of our debt securities and preferred shares, and lenders with respect to other borrowings, would receive a distribution of our available assets prior to the holders of our common stock. Additional equity offerings may dilute the economic and voting rights of our existing stockholders or reduce the market price of our common stock, or both. Preferred shares, if issued, could have a preference with respect to liquidating distributions or a preference with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting their share holdings in us.

Following the completion of this offering, assuming (i) the issuance of 17,600,867 of our shares expected to be issued to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger, (ii) the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits’’, and (iii) the execution of the Plan Amendment as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment’’, pursuant to which we expect to add 2,500,000 shares of Company common stock to the 2,400,000 shares currently reserved under the Plan (which includes the 951,362 shares to be sold and granted to the ARC executives), we will have an aggregate of 99,536,971 shares of common stock authorized but unissued and not reserved for issuance under our option plans. We may issue all of these shares without any action or approval by our stockholders. We intend to continue to actively pursue acquisitions of senior living facilities and may issue shares of common stock in connection with these acquisitions. Any shares issued in connection with our acquisitions, the exercise of outstanding stock options or otherwise would dilute the holdings of the investors who purchase our shares in this offering.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public markets.

After this offering, there will be 100,463,029 shares of our common stock outstanding (including certain unvested shares of restricted stock). The total number of shares of our common stock



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outstanding assumes the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assumes the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits''. All the shares of our comm stock sold in this offering will be freely transferable, except for the shares held by our ''affiliates,'' as that term is defined in Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. See ''Shares Eligible For Future Sale.''

Pursuant to our Stockholders Agreement, funds managed by affiliates of Fortress and Health Partners, an affiliate of Capital Z Partners, and certain of their related partnerships and permitted third-party transferees have the right, in certain circumstances, to require us to register their 68,852,492 shares (assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger) of our common stock under the Securities Act for sale into the public markets. Upon the effectiveness of such a registration statement, all shares covered by the registration statement will be freely transferable. Health Partners exercised its right to require us to register 4,447,250 shares (including 2,582,250 shares that the underwriters may purchase from the selling stockholder if the underwriters exercise their overallotment option in full) in this offering and is the selling stockholder in this offering. See ''Certain Relationships and Related Party Transactions— Agreements With Stockholders.''

We and our executive officers, directors and stockholders holding 76.0%, or 76,327,402 shares, or more of our common stock outstanding after this offering have agreed with the underwriters that, subject to limited exceptions, for a period of 60 days after the date of this prospectus, we and they will not directly or indirectly offer, pledge, sell, contract to sell, sell any option or contract to purchase or otherwise dispose of any shares of our common stock, or any securities convertible into or exercisable or exchangeable for shares of our common stock, or in any manner transfer all or a portion of the economic consequences associated with the ownership of shares of our common stock, or cause a registration statement covering any shares of our common stock to be filed, without the prior written consent of the representatives. The representatives may waive these restrictions in their discretion.

In addition, following the completion of our initial public offering, we filed a registration statement on Form S-8 under the Securities Act to register an aggregate of 2,000,000 shares of our common stock reserved for issuance under our stock incentive programs. In accordance with the terms of the Plan, the number of shares available for issuance increased by 400,000 shares on January 1, 2006. On June 14, 2006, in connection with such 400,000 share increase and the shares we expect to issue to certain officers and employees of ARC in connection with the ARC Merger, we filed an amendment to our registration statement on Form S-8 to register an additional 2,900,000 shares of our common stock to be reserved for issuance under our stock incentive programs. See ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment''. Subject to any restrictions imposed on the shares and options granted under our stock incentive programs, shares registered under the registration statement on Form S-8 are available for sale into the public markets and shares to be registered on the amendment to Form S-8 will be available for sale into the public markets.

The market price of our stock could be negatively affected by sales of substantial amounts of our common stock if Fortress, our largest stockholder, defaults under credit agreements secured by its holdings of shares of our common stock.

On June 28, 2006, Fortress informed us of the following:

Two affiliates of Fortress, FRIT Holdings LLC and FIT Holdings LLC entered into separate credit agreements, both dated June 28, 2006, with Deutsche Bank AG, London Branch, or Deutsche Bank, as Administrative Agent and sole lender. Pursuant to these credit agreements, the affiliates have received an aggregate commitment of approximately $1.43 billion from Deutsche Bank, and this amount has been secured by, among other things, a pledge by the borrowers and one other affiliate of Fortress of a total of 40,628,000 shares of our common stock owned by such affiliates. The 40,628,000 shares of common stock represent approximately 61% of our issued and outstanding common stock as of June 28, 2006.



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The credit agreements contain customary default provisions and also require prepayment of a portion of the borrowings by the borrowers in the event the trading price of our common stock decreases below certain specified levels. In the event of a default under the credit agreements by the borrowers, Deutsche Bank may foreclose upon any and all shares of our common stock pledged to it. The borrowers have agreed in the credit agreements that if a shelf registration statement is not effective and usable for resales of any portion of the pledged common stock by Deutsche Bank (in the event of foreclosure) as of June 9, 2007, the applicable affiliate will prepay a related portion of the borrowings.

The lock-up agreements with applicable affiliates of Fortress will contain an exception to allow Deutsche Bank to seize and dispose of shares pledged under the credit agreements in the event of a default under either of the credit agreements by the applicable affiliates of Fortress. The sale of these pledged shares in the event of a default could have an adverse impact on the price of our shares.

We are not a party to the credit agreements and have no obligations thereunder. Wesley R. Edens, the Chairman of our board of directors, owns an interest in Fortress and is the Chairman of its Management Committee.

Investors in this offering will suffer immediate and substantial dilution.

The offering price of our common stock is substantially higher than the net tangible book value per share of our common stock outstanding immediately after this offering. Our net tangible book value per share as of March 31, 2006 was approximately $6.78. Our net tangible book value per share as of March 31, 2006 represents our total assets minus intangible assets, deferred finance costs and total liabilities less deferred gains, divided by the 65,006,833 shares of our common stock (not including certain unvested restricted shares) that were outstanding on March 31, 2006. Investors who purchase our common stock in this offering will pay a price per share that substantially exceeds the net tangible book value per share of our common stock. If you purchase our common stock in this offering, you will experience immediate and substantial dilution of $35.86 in the net tangible book value per share of our common stock, based upon an assumed offering price of $45.62 per share (assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assuming the sale of 475,681 (excluding 475,681 shares of unvested restricted stock grants) shares of our common stock to the ARC executives as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits’’). Investors who purchase our common stock in this offering will have purchased 15.6% of the shares outstanding immediately after the offering, but will have paid 41.5% of the total consideration for those shares.

Fluctuation of market interest rates may have an adverse effect on the value of your investment in our common stock.

One of the factors that investors may consider in deciding whether to buy or sell our common stock is our dividend payment per share as a percentage of our share price relative to market interest rates. If market interest rates increase, prospective investors may desire a higher rate of return on our common stock and therefore may seek securities paying higher dividends or interest or offering a higher rate of return than shares of our common stock. As a result, market interest rate fluctuations and other capital market conditions can affect the demand for and market value of our common stock. For instance, if interest rates rise, it is likely that the market price of our common stock will decrease, because current stockholders and potential investors will likely require a higher dividend yield and rate of return on our common stock as interest-bearing securities, such as bonds, offer more attractive returns.



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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under ‘‘Prospectus Summary,’’ ‘‘Risk Factors,’’ ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations,’’ ‘‘Business’’ and elsewhere in this prospectus may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as ‘‘outlook,’’ ‘‘believes,’’ ‘‘expects,’’ ‘‘potential,’’ ‘‘continues,’’ ‘‘may,’’ ‘‘will,’’ ‘‘should,’’ ‘‘seeks,’’ ‘‘approximately,’’ ‘‘predicts,’’ ‘‘int ‘‘anticipates’’ or the negative version of those words or other comparable words. Any forward-looking statements contained in this prospectus are based upon the historical performance of our subsidiaries and on our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us, the underwriters or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to our ability to close the ARC Merger and to integrate the facilities of ARC into our operations; our continued ability to acquire facilities at attractive prices which will generate returns consistent with expectations; the possibility that the facilities that we have acquired and will acquire may not generate sufficient additional income to justify their acquisition; possibilities that conditions to closing of certain transactions will not be satisfied; our ability to close on facilities under non-binding letters of intent, which is generally less probable than closing on facilities under definitive agreements; 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; a decrease in the overall demand for senior housing; general economic conditions and economic conditions in the markets in which we operate; real estate markets in the regions where our facilities are located; competitive pressures within the industry and/or markets in which we operate; the creditworthiness of our residents; interest rate fluctuations; licensing risks; our failure to comply with federal, state and local laws and regulations; our failure to comply with environmental laws; the effect of future legislation or regulatory changes in our operations; other factors described in the section entitled ‘‘Risk Factors’’ beginning on page 17 of this prospectus. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we may have projected. Any forward-looking statements you read in this prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. You should specifically consider the factors identified in this prospectus that could cause actual results to differ before making an investment decision.



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## USE OF PROCEEDS

The net proceeds to us from the sale of 15,350,000 shares of common stock offered by the Company hereby are estimated to be approximately $673.8 million, assuming an offering price of $45.62 per share, after deducting the estimated underwriting discounts and commissions and offering expenses payable by us.

A $1.00 increase (decrease) in the assumed offering price of $45.62 per share would increase (decrease) the net proceeds to us from this offering by $14.8 million, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

Closing of this offering will occur concurrently with, and is conditioned upon, the consummation of the ARC Merger. In connection with the ARC Merger, we received a $1.3 billion equity commitment from a fund managed by an affiliate of Fortress. Prior to the ARC Merger closing, we intend to exercise our right to reduce the Investor's $1.3 billion commitment by $650.0 million. We intend to use a portion of the net proceeds from this offering together with the proceeds to be received from the Investor to consummate the ARC Merger. See ‘‘Business—ARC Merger.’’

We intend to use the remainder of the net proceeds from this offering, together with approximately $141.8 million net proceeds we expect to receive from the refinancing of certain ARC facilities and the approximately $18.1 million net proceeds we expect to receive from the sale of an aggregate of 475,681 shares of our common stock to the ARC executives, to repay the estimated $212.0 million outstanding under our New Credit Facility and to terminate the term loan under our New Credit Facility and for general corporate purposes, including funding our Recent Acquisitions and other future acquisitions. See ‘‘Prospectus Summary— Recent Acquisitions’’ for a description of these acquisitions.

At our option, the term loan and the revolving loan under our New Credit Facility bear interest at either (i) the greater of (a) the prime lending rate as set forth on the British Banking Association Telerate Page 5 plus a margin of 0.50% and (b) the Federal Funds Effective Rate plus 1/2 of 1% plus a margin of 0.50%, or (ii) the Eurodollar rate plus a margin of 1.50%. The New Credit Facility is scheduled to expire on February 10, 2007. We used the proceeds of the credit agreement to finance a portion of acquisitions of fee-simple and leasehold ownership interests in senior housing real estate and to pay related fees and expenses and for general corporate purposes.

Pending these uses, we intend to invest the net proceeds in short-term interest-bearing instruments or money market accounts.

We will not receive any proceeds from the sale of 1,865,000 shares (or 4,447,250 shares if the underwriters exercise their option to purchase up to 2,582,250 additional shares from the selling stockholder) of common stock offered or sold hereby by the selling stockholder.

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## PRICE RANGE OF OUR COMMON STOCK

Our common stock is listed for trading on the New York Stock Exchange under the symbol ‘‘BKD’’. The following table sets forth the quarterly high and low closing prices of our common stock on the New York Stock Exchange for the periods indicated:

| | High | Low |
|---|---|---|
| Year Ending December 31, 2006 | | |
| First Quarter | $ 39.65 | $ 29.46 |
| Second Quarter | $ 54.25 | $ 36.29 |
| Third Quarter (through July 6, 2006) | $ 46.00 | $ 44.13 |
| Year Ending December 31, 2005 | | |
| Fourth Quarter (from November 22, 2005) | $ 31.73 | $ 23.10 |

On July 6, 2006, the closing sale price of our common stock as reported on the New York Stock Exchange was $45.62 per share. As of July 6, 2006, there were 31 record holders of our common stock.

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## DIVIDEND POLICY

On June 15, 2006, our board of directors declared a regular quarterly cash dividend of $0.35 per share of our common stock, or an aggregate of $23.2 million for the quarter ended June 30, 2006, which is payable on July 17, 2006. We intend to continue to pay regular quarterly dividends to the holders of our common stock. The payment of dividends is subject to the discretion of our board of directors and will depend on many factors, including our results of operations, financial condition and capital requirements, earnings, general business conditions, restrictions imposed by financing arrangements, legal restrictions on the payment of dividends and other factors the board of directors deems relevant. In addition, we are a holding company with no direct operations and depend on loans, dividends and other payments from our subsidiaries to generate the funds necessary to pay dividends. We expect that in certain quarters we may pay dividends that exceed our net income amounts for such period as calculated in accordance with GAAP.



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## CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2006:

- on an actual basis; and
- on a pro forma basis to give effect to the sale of 17,215,000 shares of our common stock in this offering at an assumed offering price of $45.62, after deducting offering costs, underwriters' discount and sale of 1,865,000 shares of common stock by the selling stockholder and the use of the proceeds as described under the section entitled ''Use of Proceeds,'' including financing a portion of the purchase price of the ARC Merger; the sale of 17,600,867 shares of our common stock to the Investor at a price of $36.93 per share pursuant to the Investment Agreement; the sale of 475,681 (excluding 475,681 shares of unvested restricted stock grants) shares of our common stock to the ARC executives as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits''; the ARC Merger; and Recent Acquisitions (but not the sale or corresponding grant of our common stock to the ARC employee-optionees as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment''). This offering is conditioned on the ARC Merger. The ARC Merger is subject to customary closing conditions and we can provide no assurances that it will close.

This table contains unaudited information and should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our combined financial statements and the accompanying notes that appear elsewhere in this prospectus.

| | As of March 31, 2006 | |
|---|---|---|
| | Pro Forma[(1)] | Actual |
| | (Dollars in thousands) | |
| Cash and cash equivalents | $ 130,628 | $ 94,096 |
| Current portion of long-term debt | $ 29,577 | $ 10,766 |
| Line of credit | — | 87,000 |
| Long-term debt | 1,276,489 | 820,790 |
| Capital lease obligation | 354,736 | 66,284 |
| Total debt | $ 1,660,802 | $ 984,840 |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value: 50,000,000 shares authorized; no shares issued and outstanding on an actual and pro forma as adjusted basis | — | — |
| Common stock, $0.01 par value: 200,000,000 shares authorized on an actual | $ 984 | $ 650 |

| | | |
|---|---|---|
| basis and 65,006,833 shares issued and outstanding on an actual basis and 98,433,381 shares issued and outstanding on a pro forma basis | | |
| Additional paid-in capital | 2,010,842 | 670,801 |
| Accumulated deficit | (81,952) | (81,952) |
| Accumulated other comprehensive income | 9,435 | 9,435 |
| Total stockholders' equity | $ 1,939,309 | $ 598,934 |
| Total capitalization | $ 3,600,111 | $ 1,583,774 |

(1) A $1.00 increase (decrease) in the assumed offering price of $45.62 per share would increase (decrease) each of additional paid-in capital, total stockholders' equity and total capitalization by $14.8 million, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.



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## DILUTION

### Net Tangible Book Value

In connection with the purchase of minority stockholders' interest and minority step-up, we allocated a portion of the purchase price to resident leases and intangible lease costs. If we included the net unamortized amounts of resident leases and intangible lease costs of $141.6 million at March 31, 2006 to our net tangible book value at March 31, 2006, our net tangible book value would be $8.96 per share.

### Dilution After This Offering

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Net tangible book value per share represents the amount of book value of our total tangible assets less book value of our total liabilities, excluding deferred gains, divided by the number of shares of common stock then outstanding.

Our net tangible book value as of March 31, 2006 was approximately $440.6 million, or approximately $6.78 per share, based on the 65,006,833 shares of common stock (not including unvested restricted shares) then outstanding. After giving effect to our sale of 15,350,000 shares of common stock in this offering at the public offering price of $45.62 per share, and after deducting estimated underwriting discounts and estimated offering expenses and the use of the proceeds as described under the section entitled ''Use of Proceeds,'' including but not limited to financing a portion of the purchase price of the ARC Merger; the sale of 17,600,867 shares of our common stock to the Investor at a price of $36.93 per share pursuant to the Investment Agreement; and the sale of 475,681 (excluding 475,681 shares of unvested restricted stock grants) shares of our common stock to the ARC executives as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits'', and all of the pro forma adjustments as noted in the unaudited condensed consolidated pro forma financial statements included in this prospectus, our pro forma net tangible book value as of March 31, 2006 would have been $960.7 million based on 98,433,381 shares of common stock, or $9.76 per share. This represents an immediate and substantial dilution of $35.09 per share to new investors purchasing common stock in this offering.

The following table illustrates this dilution on a per share basis:

| | | |
|---|---|---|
| Assumed public offering price per share | | $ 45.62 |
| Net tangible book value per share as of March 31, 2006 | $ 6.78 | |
| Increase in net tangible book value per share attributable to this offering and related transactions | 2.98 | |
| Pro forma net tangible book value per share after giving effect to this offering | | 9.76 |
| Dilution per share to new investors | | $ 35.86 |

A $1.00 increase (decrease) in the assumed offering price of $45.62 per share would increase (decrease) our pro forma net tangible book value attributable to this offering by $14.8 million, our pro forma net tangible book value per share attributable to this offering by $0.15 per share and in pro forma net tangible book value per share to new investors in this offering by $0.85 per share, assuming the number of shares of our common stock offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

The following table summarizes, on a pro forma basis as of March 31, 2006, the total number of shares of common stock purchased from us, the total consideration paid to us and the average price of $45.62 per share.



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| | Shares Assuming No Exercise of Underwriters' Over-Allotment Option | | Cash/Book Value of Contributions(1) | | Average Price Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount (in thousands) | Percent | |
| Existing stockholders | 65,006,833 | 66.0% | $ 317,918 | 18.9% | $ 4.89 |
| New investors | | | | | |
| Investor and ARC executives | 18,076,548 | 18.4% | 668,109 | 39.6% | 36.96 |
| Investors in this offering | 15,350,000 | 15.6% | 700,267 | 41.5% | 45.62 |
| | 98,433,381 | 100.0% | $ 1,686,294 | 100.0% | $ 17.13 |

(1) Represents pro forma tangible book value as of March 31, 2006, reflecting the purchase of ARC, significant and insignificant acquisitions and repayment of the New Credit Facility and includes values allocated to resident and intangible lease costs but not the effects of this offering (in thousands):

| | |
|---|---|
| Pro forma total assets | $ 4,739,343 |
| Less pro forma deferred charges and goodwill | (339,118) |
| Pro forma tangible assets | 4,400,225 |
| Less pro forma total liabilities | (2,800,034) |
| Plus pro forma deferred gains | 59,594 |
| Pro forma net tangible assets | 1,659,785 |
| Less proceeds of offering and sale of shares to Investor and ARC executives, net of costs associated with the offering | (1,341,867) |

| | |
|---|---|
| Pro forma net tangible assets after the purchase of ARC, significant and insignificant acquisitions and repayment of the line of, but before the effects of this offering | $ 317,918 |

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SELECTED CONSOLIDATED AND COMBINED HISTORICAL FINANCIAL AND OPERATING DATA

The following table sets forth our selected historical consolidated and combined financial data as of and for each of the years in the five-year period ended December 31, 2005 and for the three months ended March 31, 2006 and 2005. Our historical statement of operations data and balance sheet data for each of the years in the five-year period ended and as of December 31, 2005 have been derived from our audited financial statements and certain of these periods are included elsewhere in this prospectus. The statement of operations data for the three months ended March 31, 2006 and 2005 and the balance sheet data as of March 31, 2006 are derived from our unaudited condensed consolidated and combined interim financial statements included elsewhere in this prospectus. We completed our formation transactions on September 30, 2005. Results prior to that date represent the combined operations of BLC for all periods presented, Alterra Healthcare Corporation effective December 1, 2003, Fortress CCRC Portfolio, effective April 5, 2005, and the acquisition of eight of the nine facilities in the Prudential Portfolio on June 21, 2005 and the ninth facility on July 22, 2005. Together we refer to these entities as the ‘‘Brookdale Facility Group’’. For comparative purposes, the three months ended December 31, 2005 and the nine months ended September 30, 2005 have been aggregated in the year ended December 31, 2005 presentation.

You should read this information in conjunction with the information under ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations,’’ ‘‘Business’’ and our historical combined financial statements and the related notes thereto included elsewhere in this prospectus.

| | For the three Months Ended March 31, | | For the Period October 1, 2005 to December 31, | For the Period January 1, 2005 to September 30, | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2005 | 2005 | 2004 | 2003 | 2002 |
| Statement of Operations Data (in thousands, except per share data): | | | | | | | | |
| Revenue | $222,183 | $174,983 | $213,047 | $577,530 | $790,577 | $660,872 | $222,584 | $161,516 |
| Facility operating expenses | 136,945 | 110,349 | 127,105 | 366,782 | 493,887 | 415,169 | 133,119 | 92,980 |
| Lease expense | 45,734 | 46,502 | 48,487 | 140,852 | 189,339 | 99,997 | 30,744 | 31,003 |
| Depreciation and amortization | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 | 21,383 | 13,650 |
| Amortization of goodwill | — | — | — | — | — | — | — | — |
| General and administrative expenses (including | 21,085 | 11,658 | 27,690 | 54,006 | 81,696 | 43,640 | 15,997 | 12,540 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| non-cash stock compensation of $3,018, $—, $11,534, $11,146, $22,680, $—, $—, $—, $—) | | | | | | | | |
| Total operating expenses | 226,063 | 173,682 | 222,066 | 591,674 | 813,740 | 608,993 | 201,243 | 150,173 |
| Income (loss) from operations | (3,880) | 1,301 | (9,019) | (14,144) | (23,163) | 51,879 | 21,341 | 11,343 |
| Interest income | 1,052 | 696 | 1,588 | 2,200 | 3,788 | 637 | 14,037 | 18,004 |
| Interest expense: | | | | | | | | |
| Debt | (13,690) | (9,125) | (12,809) | (33,439) | (46,248) | (63,634) | (25,106) | (9,490) |
| Amortization of deferred financing costs | (703) | (423) | (238) | (827) | (1,065) | (2,120) | (1,097) | (58) |
| Change in fair value of derivatives | (101) | 4,062 | (88) | 4,080 | 3,992 | 3,176 | — | — |
| Loss on sale of properties | — | — | — | — | — | — | (24,513) | — |
| Loss (gain) on extinguishment of debt | (1,334) | (453) | (3,543) | (453) | (3,996) | 1,051 | 12,511 | — |
| Equity in earnings (loss) of unconsolidated ventures, net of minority interest | (168) | (187) | (197) | (641) | (838) | (931) | 318 | 584 |
| Other | — | — | — | — | — | (114) | — | — |
| Income (loss) before taxes | (18,824) | (4,129) | (24,306) | (43,224) | (67,530) | (10,056) | (2,509) | 20,383 |
| (Provision) benefit for income taxes | (386) | (166) | (150) | 247 | 97 | (11,111) | (139) | (8,666) |
| Income (loss) before minority interest | (19,210) | (4,295) | (24,456) | (42,977) | (67,433) | (21,167) | (2,648) | 11,717 |
| Minority interest | (116) | 2,532 | — | 16,575 | 16,575 | 11,734 | 1,284 | (5,262) |



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| | For the three Months Ended March 31, | | For the Period October 1, 2005 to December 31, | For the Period January 1, 2005 to September 30, | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2005 | 2005 | 2004 | 2003 | 2002 |
| Income (loss) before discontinued operations and cumulative effect of a change in accounting principle | (19,326) | (1,763) | (24,456) | (26,402) | (50,858) | (9,433) | (1,364) | 6,45 |
| Loss on discontinued operations | — | (35) | — | (128) | (128) | (361) | (322) | |
| Cumulative effect of a change in accounting principle, net of income | — | — | — | — | — | — | (7,277) | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| taxes of $8,095 | | | | | | | | |
| Net income (loss) | $(19,326) | $ (1,798) | $(24,456) | $(26,530) | $(50,986) | $ (9,794) | $ (8,963) | $ 6,45 |
| Basic earnings (loss) per share(1) | $ (0.30) | $ — | $ (0.41) | $ — | $ — | $ — | $ — | $ |
| Shares used in computing basic earnings (loss) per share | 65,007 | — | 59,710 | — | — | — | — | |
| Diluted earnings (loss) per share | $ (0.30) | — | (0.41) | — | — | — | — | |
| Shares used in computing diluted earnings (loss) per share | 65,007 | — | 59,710 | — | — | — | — | |
| Other Operating Data: | | | | | | | | |
| Number of facilities (at end of period) | 403 | 366 | 383 | 380 | 383 | 367 | 359 | 6 |
| Total units operated | 30,770 | 26,109 | 30,055 | 30,048 | 30,055 | 26,208 | 24,423 | 11,33 |
| Occupancy rate | 89.7% | 89.0% | 89.8% | 88.9% | 89.6% | 89.4% | 87.5% | 91. |
| Average monthly revenue per unit/bed (same store) | $ 3,116 | $ 2,903 | $ 3,062 | $ 2,972 | $ 2,991 | $ 2,827 | $ 2,660 | $ 2,51 |

| | As of March 31, | | As of December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 20( |
| Balance Sheet Data (in thousands): | | | | | | | |
| Cash and cash equivalents | $ 94,096 | $ 76,083 | $ 77,682 | $ 86,858 | $ 56,468 | $ 2,172 | $ 1 |
| Total assets | 1,925,071 | 729,420 | 1,697,811 | 746,625 | 1,656,582 | 730,298 | 570 |
| Total debt | 897,840 | 383,275 | 754,301 | 371,037 | 1,044,736 | 290,483 | 171 |
| Total stockholders' equity | 598,934 | 38,004 | 630,403 | 40,091 | 237,744 | 183,807 | 177 |

Note — On September 19, 2000, BLC was acquired by Fortress Brookdale Acquisition LLC and the purchase price was pushed down to BLC's consolidated financial statements and the historical cost adjusted to reflect fair value. Prior to September 19, 2000, BLC was a public company.

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(1) We have excluded the earnings (loss) per share data for the three months ended March 31, 2005, nine months ended September 30, 2005, and the years ended December 31, 2005, 2004, 2003, 2002 and 2001. We believe these calculations are not meaningful to investors due to the different ownership and legal structures (e.g., corporation and limited liability companies) of the various entities prior to the combination transaction on September 30, 2005.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our ‘‘Selected Combined Historical Financial And Operating Data’’ and combined financial statements and related notes appearing elsewhere in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management’s expectations. Please see ‘‘Special Note Regarding Forward-Looking Statements’’ for more information. Factors that could cause such differences include those described in ‘‘Risk Factors’’ and elsewhere in this prospectus.

Executive Overview

Upon consummation of the merger with ARC, or the ARC Merger, as described in this prospectus, we will become the largest operator of senior living facilities in the United States based on total capacity with over 530 facilities in 33 states and the ability to serve over 50,000 residents. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we would have operated 97 independent living facilities with 18,890 units/beds, 409 assisted living facilities with 21,284 units/beds, 27 continuing care retirement communities, or CCRCs, with 9,874 units/beds and three skilled nursing facilities with 395 units/beds. We believe that the consummation of the ARC Merger and the Recent Acquisitions will bring us significant additional incremental revenue and help us to attain additional synergies and cost savings.

Prior to the consummation of the ARC Merger, as of the date of this prospectus, we operate 453 facilities in 32 states and have the ability to serve over 34,000 residents. We offer our residents access to a full continuum of services across all sectors of the senior living industry. As of the date of this prospectus, we operate 77 independent living facilities with 13,733 units/beds, 368 assisted living facilities with 17,447 units/beds, seven CCRCs with 3,084 units/beds (including 817 resident-owned cottages on our CCRC campuses managed by us) and one skilled nursing facility with 82 units/beds. The majority of our units/beds are located in campus settings or facilities containing multiple services, including CCRCs. As of March 31, 2006, our facilities were on average 90.2% occupied. We generate over 96% of our revenues from private pay customers, which limits our exposure to government reimbursement risk. In addition, we control all financial and operational decisions regarding our facilities through property ownership and long-term leases. We believe we operate in the most attractive sectors of the senior living industry with significant opportunities to increase our revenues through providing a combination of housing, hospitality services and health care services. For the three months ended March 31, 2006, 33.7% of our revenues were generated from owned facilities, 65.8% from leased facilities and 0.5% from management fees from facilities we operate on behalf of third parties and affiliates.

We plan to grow our revenue and operating income through a combination of: (i) organic growth in our existing portfolio; (ii) acquisitions of additional operating companies and facilities; and (iii) the realization of economies of scale, including the continuing realization of those created by the combination of Brookdale Living Communities, Inc., or BLC, and Alterra Healthcare Corporation, or Alterra, which occurred in September 2005, and those that we expect to be created as a result of the ARC Merger. Given the size and breadth of our nationwide platform, we believe that we are well positioned to continue to invest in a broad spectrum of assets in the senior living industry, including independent living, assisted living and CCRC assets. For the period January 2001 through the date of this prospectus, we have begun leasing or acquired the ownership or management of 125 senior living facilities (not including those facilities we acquired and subsequently disposed of) with approximately 15,200 units/beds. Since the completion of our initial public offering in November 2005, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or entered into definitive agreements to purchase $788.6 million in senior housing assets representing 107 facilities (which includes 12 facilities that we previously operated under long-term leases) with 9,495 units/beds.

Our senior living facilities offer residents a supportive ‘‘home-like’’ setting, assistance with activities of daily living, or ADLs, and, in a few facilities, licensed skilled nursing services. By providing residents

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with a range of service options as their needs change, we provide greater continuity of care, enabling seniors to ‘‘age-in-place’’ and thereby maintain residency with us for a longer period of time. The ability of residents to age-in-place is also beneficial to our residents and their families who are burdened with care decisions for their elderly relatives.

Our independent living facilities’ average resident is 83 years old and desires or needs a more supportive living environment. The average independent living resident resides in an independent living facility for 34 months. Many of our residents relocate to one of our independent living facilities in order to be in a metropolitan area that is closer to their adult children. Our assisted living facilities’ average resident is an 83 year old who requires assistance with two or three ADLs. 85% of our assisted living residents require medication management. The average assisted living resident resides in an assisted living facility for 23 months. Residents typically enter an assisted living facility due to a relatively immediate need for services that might have been triggered by a medical event or need. Our assisted living facilities consist of 75% traditional assisted living facilities and 25% memory care facilities.

Overbuilding in the late 1990s in the senior living industry put downward pressure on the occupancy rates and the resident fees of certain senior living providers. The slowdown in construction and lack of construction financing since 1999 has led to a reduction in the supply of new units being constructed. Growing demand for senior living services has resulted in a recent trend towards increasing occupancy rates and resident fees for operators of existing facilities.

Growing consumer awareness among seniors and their families concerning the types of services provided by independent and assisted living operators has further contributed to the opportunities in the senior living industry. Also, seniors possess greater financial resources, which makes it more likely that they are able to afford to live in market-rate senior housing. Seniors in the geographic areas in which we operate tend to have a significant amount of assets generated from savings, pensions and, due to strong national housing markets, the sale of private homes.

Challenges in our industry include increased state and local regulation of the assisted living industry, which has led to an increase in the cost of doing business; the regulatory environment continues to intensify in the amount and types of laws and regulations affecting us, accompanied by an increase by state and local officials in enforcement thereof. In addition, like other companies, our financial results may be negatively impacted by increasing employment costs including salaries, wages and benefits, such as health care, for our employees. Increases in the costs of utilities and real estate taxes will also have a negative impact on our financial results.

## Formation Transaction

We are a holding company formed in June 2005 for the purpose of combining, through a series of mergers, two leading senior living operating companies, BLC and Alterra. The combination of these two companies created a nationwide operating platform to grow our existing portfolio, realize economies of scale and add to our existing portfolio through strategic acquisitions of existing assets and/or senior living portfolios. In connection with the combination of BLC and Alterra, we negotiated new contracts for food, insurance and other goods and services and have and will continue to consolidate our corporate functions such as accounting, finance, human resources and legal, which are collectively expected to result in recurring operating and general and administrative expense savings, net of additional recurring costs expected to be incurred as a public company, of between approximately $13.0 million and $15.0 million per year. We began to realize these savings upon completion of the formation transactions in September 2005 and expect to realize the remainder by the end of 2006.

In addition to the combination of BLC and Alterra, funds managed by affiliates of Fortress contributed the Prudential Portfolio to Alterra in exchange for membership interests in FEBC-ALT Investors and merged the Fortress CCRC Portfolio with and into a wholly-owned subsidiary of the Company in exchange for shares of our common stock. Alterra purchased the Prudential Portfolio to expand its western presence and to strengthen its overall financial position. These portfolios together consisted of 17 senior living facilities with an aggregate of 4,499 units, of which two facilities with an aggregate of 422 units/beds were sold on July 1, 2005 and September 14, 2005, for $2.5 million and $9.0 million, respectively, and the proceeds of which were contributed to us in the series of formation transactions





described in ''Business—History.'' An affiliate of BLC managed one of these facilities through January 2006. All of the preceding were purchased in the second and third quarter of 2005 by funds managed by affiliates of Fortress.

As a holding company, we own 100% of the outstanding stock and membership interests of the operating companies of our business. The previous stockholders and members of the operating companies contributed their ownership interests to us in exchange for shares of our common stock. For financial reporting purposes, the Fortress entities that own the stock or membership interests in the operating companies are considered the control group as defined under paragraph 3 of EITF No. 02-5, ''Definition of 'Common Control' in relation to FASB Statement No. 141.'' Accordingly, the combined financial statements of the Predecessor Company reflect the historical cost of the operating companies. Upon the completion of the formation transactions on September 30, 2005, the non-controlling minority interests were accounted for as a purchase in accordance with Statement of Financial Accounting Standards (''SFAS'') No. 141.

As a result of these transactions we are the third largest operator of senior living facilities in the United States based on total capacity.

Segments

We have seven reportable segments, which we determined based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. In addition, the management approach focuses on financial information that an enterprise's decision makers use to make decisions about the enterprise's operating matters. We continue to evaluate the type of financial information necessary for the decision makers as we implement our growth strategies. Prior to September 30, 2005 (the date of the formation transactions described in ''Business —History'') and presently, each of Brookdale Living, which includes BLC, the Fortress CCRC Portfolio and the Prudential Portfolio, and Alterra, had and has distinct chief operating decision makers, or CODMS. Each of our facilities are considered separate operating segments because they each engage in business activities from which they earn revenues and incur expenses, their operating results are regularly reviewed by the CODMS to make decisions about resources to be allocated to the segment and assess its performance, and discrete financial information is available.

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, permits aggregation of operating segments that share all common operating characteristics (similar products and services, similar methods used to deliver or provide their products and services, and similar type and class of customer for their products and services) and similar economic characteristics (revenue recognition and gross margin). We believe that each of our facilities provides similar services, delivers these services in a similar manner, and has common type and class of customer. In addition, all of our facilities recognize and report revenue in a similar manner. However, our individual facility gross margins vary significantly. Therefore, we have aggregated our segments based upon the lowest common economic characteristic of each of our facilities: gross margin. The CODMS allocate resources in large part based on margin and analyze each of the facilities as having either (1) less than 20% operating margins, (2) more than 20% operating margins but less than 40% operating margins, or (3) greater than 40% operating margins. The CODMS believe that the margin is the primary, most significant and most useful indicator of the necessary allocation of resources to each individual facility because it is the best indicator of a facility's operating performance and resource requirements. Accordingly, our operating segments are aggregated into six reportable segments based on comparable operating margins within each of Brookdale Living and Alterra. We define our operating margin for each group of facilities as that group's operating income divided by its revenue. Operating income represents revenue less operating expenses (excluding depreciation and amortization). See Note 14 to our Consolidated and Combined Financial Statements contained elsewhere in this prospectus.

We also present a seventh reportable segment for management services because the economic and operating characteristics of these services are different from our facilities aggregated above.

Brookdale Living.    Our Brookdale Living group of facilities operates independent living facilities and CCRCs that provide a continuum of services, including independent living, assisted living,



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Alzheimer's care, dementia care and skilled nursing care. Our facilities include rental facilities and three entrance fee facilities. We also provide various ancillary services to our residents, including extensive wellness programs, personal care and therapy services for all levels of care. Our facilities are large, often in campus or high-rise settings, with an average unit/bed capacity of 210 units/beds as of March 31, 2006, or 236 units/beds on a pro forma basis for the ARC Merger. These facilities generally maintain high and consistent occupancy levels. As of March 31, 2006, we operate 69 facilities, with an aggregate capacity of 14,497 units/beds, representing approximately 47% of the total unit/bed capacity of our facilities. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we operate 108 facilities, with an aggregate capacity of 25,489 units/beds, representing approximately 51% of the total unit/bed capacity of our facilities.

Alterra.    Our Alterra group of facilities operates primarily assisted living facilities that provide specialized assisted living care to residents in a comfortable residential atmosphere. Most of our facilities provide specialized care, including Alzheimer's and other dementia programs. These facilities are designed to provide care in a home-like setting, as opposed to a more institutional setting. Our assisted living facilities target residents generally requiring assistance with two or three ADLs and are generally smaller than our Brookdale Living facilities, with an average unit/bed capacity of 44 units/beds as of March 31, 2006, or 52 units/beds on a pro forma basis for the ARC Merger. As of March 31, 2006, we operate 324 facilities, with an aggregate capacity of 14,309 units/beds, representing approximately 47% of the total unit/bed capacity of our facilities. On a pro forma basis for the ARC Merger and the Recent Acquisitions, we operate 416 facilities, with an aggregate capacity of 21,890 units/beds, representing approximately 43% of the total unit/bed capacity of our facilities.

Management Services.    As of March 31, 2006, our management services segment includes 10 facilities owned by others and operated by us pursuant to management agreements. On a pro forma basis for the ARC Merger, the Recent Acquisitions and divestitures, as of March 31, 2006, our management services segment includes 12 facilities. Under our management agreements for these facilities, we receive management fees as well as reimbursed expense revenues, which represent the reimbursement of certain expenses we incur on behalf of the owners. These 10 facilities have an aggregate capacity of 1,964 units/beds, as of March 31, 2006, representing approximately 6% of the total unit/bed capacity of our facilities. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, these 12 facilities have an aggregate capacity of 3,064 units/beds, representing approximately 6% of the total unit/bed capacity of our facilities.

Revenues

We generate all of our revenues from resident fees, entrance fees and management fees. For the three months ended March 31, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, approximately 99.5% and 0.5%, 99.5% and 0.5%, 99.5% and 0.5%, 99.5% and 0.5% and 97.6% and 2.4% of our revenues were generated from resident fees and management fees, respectively. In addition, we generated a small amount of revenue from entrance fees during 2005, which accounted for less than 0.1% of our revenue during this period.

As of March 31, 2006, we derive over 96%, or over 91% on a pro forma basis for the ARC Merger and the Recent Acquisitions, of our resident fees from private pay sources. Our resident fees are paid, on a monthly basis in advance, by residents, their families or other responsible parties, typically out of personal income, assets or other savings. As a result, economic downturns or changes in demographics, among other things, could impact our ability to charge and collect resident fees. Ancillary charges are billed in arrears.

Resident Fees. We generate resident fee revenue on a monthly basis from each resident in each facility that we own and operate or lease and operate. The rates we charge are highly dependent on local market conditions and the competitive environment in which the facilities operate. Substantially all of our independent and assisted living residency agreements allow for adjustments in the monthly fee payable thereunder not less frequently than 12 or 13 months, or monthly, respectively, thereby enabling us to seek increases in monthly fees due to inflation, increased levels of care or other factors. Any such pricing increase would be subject to market and competitive conditions and could result in a decrease in



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occupancy in the facilities. In addition, regulations governing assisted living facilities in several states stipulate that each resident must have the right to terminate the resident agreement for any reason on reasonable notice. Consistent with these regulations, a majority of our assisted living resident agreements allow residents to terminate their agreements upon 0 to 30 days' notice. Our independent living facilities generally allow residents to terminate their leases upon the need for a higher level of care not provided at the facility or death. Upon termination of a lease, the resident is usually obligated to pay rent for the lesser of 60 days after he or she vacates the unit or until the unit is rented by another resident.

On average, for the three months ended March 31, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, we generated resident fees of approximately $3,116, $2,903, $2,991, $2,827 and $2,660 per unit/bed per month, respectively, and approximately $221.0 million, $174.1 million, $786.7 million, $657.3 million and $217.2 million, respectively, in resident fee revenue. The increases were attributable to the leasing of 15 properties from Ventas during the first half of 2004 and the integration of the Fortress CCRC Portfolio and Prudential Portfolios into our operations and increased revenue from the 347 facilities operated during both periods, which includes the lease-up of five facilities.

Entrance Fees. In three of our CCRC facilities, independent living residents pay an entrance fee upon moving into the facility in addition to a monthly fee. We have two types of entrance fee arrangements, as described below.

In two of our facilities, a portion of the entrance fee is generally non-refundable and a portion is refundable. The non-refundable portion of the fee is initially recorded as deferred revenue and amortized to revenue over the estimated stay of the resident in the facility. The refundable portion of the fee is generally refundable upon the resale of the unit, or in certain agreements upon resale of a comparable unit or 12 months after the resident vacates the unit and is classified as current liabilities. Based on market conditions and resident preferences we periodically review our entrance fee arrangements to determine the amount of the fee and the allocation between the refundable and non-refundable portions.

In one facility the entrance fee is refundable to the resident pro rata over a 67-month period. Accordingly, the fee is amortized to revenue over 67 months.

For the three months ended March 31, 2006 and the year ended December 31, 2005 we received \$2.1 million and \$5.2 million of entrance fees and refunded \$0.7 million and \$2.7 million. We had no entrance fees prior to 2005. Of the amount received, \$1.2 million is deferred and amortized and \$30.7 million, including net obligations assumed in connection with the purchase, is refundable to the resident generally upon resale of the unit or a comparable unit.

Management Fees.    Management fees are monthly fees that we collect from owners of facilities for which we are the manager. Management fees typically range from 2.8% to 5.0% of the facility's total gross revenues. All management fees are recognized as revenues when services are provided. For the three months ended March 31, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003, we earned approximately \$1.1 million \$0.9 million, \$3.9 million, \$3.5 million and \$5.4 million, respectively, in management fee revenue. Management fee revenues have declined since 2003 primarily due to the lease of the 14 facilities from Ventas during the quarter ended March 31, 2004, that were previously managed by us, partially offset by the additional nine facilities for which we took over management in August and December 2004.

The terms of our management agreements generally range from one to three years and can be cancelled by the property owners for cause, sale of the facility or upon 30 to 60 days' notice at renewal.

Operating Expenses

We classify our operating expenses into the following categories: (i) facility operating expenses, which include labor, food, marketing and other direct facility expenses, insurance and real estate taxes; (ii) general and administrative expenses, which primarily include the cost to staff and maintain our corporate headquarters, our regional and divisional operating infrastructure and other overhead costs; (iii) facility lease payments; and (iv) depreciation and amortization.



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Alterra Reorganization

In the second half of 2000, two issues emerged that had a materially adverse effect on Alterra's liquidity. First, costs associated with operating Alterra's residences, labor and liability insurance costs in particular, increased significantly in the second half of 2000. Labor costs increased due to an increase in demand for skilled nursing professionals and an overall low unemployment rate. The costs of obtaining liability insurance increased due to an increase in the number of professional liability claims. Second, due both to a generally unfavorable financing market for assisted living residences and the declining credit fundamentals at both the residence and corporate level, Alterra was unable to complete its anticipated financing transactions in 2000 and 2001. Declining credit fundamentals relates to a reduction in Alterra's liquidity position and negative equity value caused by its inability to meet the projections in its business plan. These declining credit fundamentals and its assessment of future market conditions caused management to decide to reorganize its business under Chapter 11 (as discussed below). Throughout 2000 and 2001, Alterra sought to implement several strategic initiatives designed to strengthen its balance sheet and to enable management to focus on stabilizing and enhancing its core business operations. The principal components of these strategic initiatives included: (i) discontinuing its development activity; (ii) reducing its use of and reliance upon joint venture arrangements; (iii) reducing the amount of outstanding debt; and (iv) focusing on improving its cash flow.

On January 22, 2003, Alterra filed a voluntary petition with the Bankruptcy Court to reorganize under Chapter 11 of the Bankruptcy Code. Alterra believed that its Chapter 11 Filing was an appropriate and necessary step to conclude its reorganization initiatives commenced in 2001.

On November 26, 2003, the United States Bankruptcy Court for the District of Delaware entered an order confirming Alterra's Second Amended Plan of Reorganization, or the Plan. Alterra executed an Agreement and Plan of Merger, or the Merger Agreement, with FEBC-ALT Investors pursuant to which FEBC-ALT Investors purchased 100% of the common stock of Alterra upon emergence from the Chapter 11 bankruptcy proceeding. FEBC-ALT Investors is a limited liability company with the following members: FIT-ALT Investor LLC, a fund managed by an affiliate of Fortress, or FIT-ALT Investor; Emeritus; NW Select; and certain members of our management. Prior to Alterra's bankruptcy, there was no relationship between Alterra and Emeritus, NW Select or Fortress. However, Daniel R. Baty, an affiliate of Emeritus and NW Select, through his affiliates, participated in an investment in convertible debt of Alterra prior to the bankruptcy, which was expunged in the bankruptcy proceedings. Pursuant to the Merger Agreement, FEBC-ALT Investors was capitalized with $76.0 million, including (i) a $15.0 million senior loan to FEBC-ALT Investors from an affiliate of Fortress Investment Trust II, or FIT II, a private equity fund, and (ii) $61.0 million of aggregate equity contributions. FIT II provided approximately 75% of the equity investment to FEBC-ALT Investors and was entitled to appoint a majority of the directors of Alterra. Emeritus and NW Select provided the remaining equity capital to FEBC-ALT Investors and each was entitled to appoint one director. The merger consideration was used to fund (i) costs of Alterra's bankruptcy and reorganization and to provide for the working capital and other cash needs of Alterra and (ii) a distribution to the unsecured creditors. In connection with the execution of the Merger Agreement, Emeritus and FIT II delivered a Payment Guaranty to Alterra pursuant to which Emeritus and FIT II guaranteed up to $6.9 million and $69.1 million, respectively, of the merger consideration.

Alterra emerged from bankruptcy on December 4, 2003, which we refer to as the Effective Date. Since FEBC-ALT Investors purchased Alterra in December 2003, a number of actions have been taken in an effort to resolve the issues which led to Alterra's bankruptcy filing. These actions included, but were not limited to, (i) implementing the various strategic initiatives that were begun by management in 2000 and 2001 described above, (ii) selling or otherwise disposing of more than 200 facilities and vacant land parcels that either generated negative cash flow or were in non-strategic markets (with the proceeds from most of these sales being used to pay down existing debt or reduce other liabilities), and (iii) reducing recurring general and administrative expenses. We believe these initiatives have adequately addressed the problems that resulted in the bankruptcy.

Prior to the execution of the Merger Agreement, Alterra was a publicly traded company. Public holders of Alterra's common stock prior to Alterra's bankruptcy received no payment or equity interest in exchange for their common stock following the company's emergence from bankruptcy.



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Pursuant to the Merger Agreement, the maximum distribution to holders of unsecured claims was approximately $23.0 million (which includes payments pursuant to settlement agreements with holders of deficiency claims), which was to be adjusted pursuant to the Merger Agreement based on working capital and the cash requirements of the Plan through the Effective Date. Alterra has distributed all of the approximately $23.0 million. Certain liabilities deemed subject to compromise were subsequently repaid by Alterra, pursuant to the Plan.

The working capital settlement between Alterra and the committee of unsecured creditors was finalized and approved by the Bankruptcy Court on December 29, 2004, for a total fixed distributable amount of $2.5 million. Through December 31, 2005, $1.0 million has been distributed. Payment of the remaining $1.5 million distributable amount was made on March 14, 2006, when all unsecured claims were determined and liquidated.

On the Effective Date, Alterra adopted fresh start accounting pursuant to the guidance provided by the American Institute of Certified Public Accountant's Statement of Position (SOP) 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code. For financial reporting purposes, Alterra adopted the provisions of fresh start accounting effective December 1, 2003. In accordance with the principles of fresh start accounting, Alterra adjusted its assets and liabilities to their fair values as of December 1, 2003. Alterra's reorganization value was determined to be equal to the cash amount paid for all of the outstanding common stock of post-bankruptcy Alterra plus the post-emergence liabilities existing at the reorganization date of December 4, 2003. To the extent the fair value of its tangible and identifiable intangible assets, net of liabilities, exceeded the reorganization value, the excess was recorded as a reduction of the amount allocated to property, plant and equipment and intangible assets.

Acquisitions and Dispositions

Our financial results are impacted by the timing, size and number of acquisitions, leases and sale-leasebacks we complete in a period. From January 2001 through March 31, 2006, the number of facilities we owned or leased increased by 46, which resulted in an increase of approximately 10,500 units/beds, for an aggregate purchase price or lease value of approximately $1.073 billion (including two facilities held for sale, which were sold at no gain or loss on July 1, 2005 and September 14, 2005 for $2.5 million and $9.0 million, respectively).

On June 30, 2006, we completed the acquisition of two facilities from AEW II Corporation for $37.8 million. We refer to these facilities in this prospectus as the ‘‘AEW-New Jersey Portfolio’’. The AEW-New Jersey Portfolio is located in New Jersey. Concurrent with the closing, we obtained $24.9 million of first mortgage financing bearing interest at LIBOR plus 1.65%, payable interest only through maturity in June 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The loan is combined with the financing of and is also secured by the Southland Portfolio.

On May 12, 2006, we entered into the ARC Merger Agreement. See ‘‘—Financial Developments — Effect of the American Retirement Corporation Transaction’’.

On May 1, 2006, we completed the acquisition of four owned senior living facilities with 262 units/beds located in Florida from Southland Suites for $24.0 million. We refer to these facilities in this prospectus as the ‘‘Southland Portfolio’’. On May 18, 2006, we obtained $16.1 million of first mortgage financing bearing interest at LIBOR plus 1.65%, payable interest only through maturity in June 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The loan is combined with the financing of and is also secured by the AEW-New Jersey Portfolio.

On April 28, 2006, we acquired five facilities with 813 units/beds for $179.5 million from AEW Capital Management. In connection with the acquisition, we obtained $124.5 million of first mortgage financing, bearing interest at LIBOR plus 1.50%, payable interest only through maturity in May 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge. On June 30, 2006, we closed on an interim agreement with an affiliate of AEW Capital Management to (i) loan approximately $12.4 million





to the affiliate pending lender approval or our acquiring one additional facility from AEW and our assuming the outstanding mortgage loan related to the facility and (ii) take over the management of the facility. The loan is due the earlier of (i) June 30, 2007, or (ii) the date on which the facility lender approves the assumption of the existing mortgage loan by us. The loan bears interest in an amount equal to the facility's net cash flow (as defined) or the maximum permissible by law. For financial reporting purposes, we evaluated our relationship with the entity that owns the facility pursuant to FIN 46R and determined that the entity is a VIE and we are the primary beneficiary and accordingly will consolidate the entity as of June 30, 2006. We are also under contract with AEW Capital Management to purchase a skilled nursing component of one of the purchased facilities for an additional $9.5 million. The remainder of this transaction is expected to close during the third quarter of 2006 and is subject to customary closing conditions and possible multiple closings. We refer to these facilities in this prospectus, as the ‘‘AEW Portfolio’’. The AEW Portfolio is located in California, Ohio and Washington and is comprised of six independent living, assisted living and CCRC facilities with a total of 1,017 units/beds.

On April 7, 2006, we completed the acquisition of 41 leased senior living facilities from Southern Assisted Living Inc., or SALI, with 2,887 units/beds for $82.9 million. Also included in the transaction was one property managed by SALI for a third party with 155 independent and assisted living units/beds. We refer to these facilities in this prospectus as the ‘‘SALI Portfolio’’. The SALI Portfolio is located in North Carolina, South Carolina and Virginia.

On March 31, 2006, we completed the acquisition of seven senior living facilities, all of which are owned, with 1,077 units/beds from American Senior Living L.P. for an aggregate purchase price of $92.1 million. We refer to these facilities in this prospectus as the ‘‘Liberty Owned Portfolio’’. The Liberty Owned Portfolio is located in Florida, Georgia and Tennessee and consists of seven owned facilities. In connection with the acquisition, we obtained a $65.2 million first mortgage loan, bearing interest at a variable rate of LIBOR plus 1.75%, payable interest only through maturity in March 2011, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is recorded as a cash flow hedge. We are also under contract to acquire a skilled nursing component of one of the acquired facilities and an additional 11 leased senior living facilities from American Senior Living L.P. The transaction for the remaining facilities is expected to close in the third quarter of 2006 and is subject to customary closing conditions.

On March 28, 2006, we completed the acquisition of 17 assisted living facilities with 814 units/beds from The Wellington Group LLC for $79.5 million. We refer to these facilities in this prospectus as the ‘‘Wellington Portfolio’’. On January 11, 2006, we signed a definitive agreement to acquire 18 facilities; however, the agreement to acquire one facility was terminated. In connection with the acquisition we obtained $52.6 million of first mortgage financing bearing interest at a variable rate of LIBOR plus 1.70%, payable interest only through maturity in March 2009, with two-one year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge. The Wellington Portfolio is located in Alabama, Florida, Georgia, Mississippi, and Tennessee and consists of 13 owned and four leased facilities.

On February 28, 2006, we acquired two facilities with 114 units/beds in Orlando, Florida from Orlando Madison Ivy, LLC for an aggregate purchase price of $13.0 million. In connection with the acquisition, we obtained an $8.8 million first mortgage bearing interest at a variable rate of LIBOR plus 1.70% payable, interest only through maturity in December 2008, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge.

On December 30, 2005, we acquired from Capstead Mortgage Corporation all of the outstanding stock of CMCP-Properties, Inc., or CMCP, which owns six senior living facilities that we previously leased with 1,394 units/beds that we operated since May 2002 under a long-term operating lease. We refer to these facilities in this prospectus as the ‘‘Chambrel Portfolio’’. In connection with the acquisition, the lease was terminated. We paid $57.5 million in cash to acquire all of the outstanding stock of CMCP, and assumed $119.8 million of debt and $5.2 million of working capital and cash and investments-restricted. In connection with the acquisition we obtained a $30.0 million first mortgage related to one facility that refinanced the existing $18.9 million first mortgage on that facility and we incurred a loss of $2.5 million



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in connection with the early extinguishment of debt. On April 14, 2006, we completed a $12.0 million financing secured by the Chambrel Portfolio, bearing interest at 6.56% and payable principal and interest until maturity in 2013.

On December 22, 2005, we acquired four facilities with 183 units/beds from Merrill Gardens for an aggregate purchase price of $16.5 million. We refer to these facilities in this prospectus as the ‘‘Merrill Gardens Portfolio’’. On November 30, 2005, we completed our acquisition of six facilities which we leased at the time with 237 units/beds from Omega Healthcare Investors, Inc., pursuant to our exercise of a purchase option, for an aggregate purchase price of $20.5 million. We refer to these facilities in this prospectus as the ‘‘Omega Portfolio’’ and the leases were terminated following the acquisition. The Merrill Gardens Portfolio and the Omega Portfolio acquisitions were financed in part by a $24.0 million of first mortgage financing bearing interest at a variable rate of LIBOR plus 1.70% and in part using a portion of the proceeds of our initial public offering.

During the fourth quarter of 2004, we completed a sale-leaseback with Provident Senior Living Trust, or Provident, whereby we sold 68 facilities with 6,819 units/beds to Provident for an aggregate sales price of $982.8 million and leased the facilities back through October 31, 2019 and December 31, 2019 with extension rights at our option. On June 7, 2005, Ventas announced that it had completed the acquisition of Provident pursuant to the terms of an Agreement and Plan of Merger, dated as of April 12, 2005, under which Provident was merged with and into a wholly-owned subsidiary of Ventas.

During the first quarter of 2004, the limited partnerships that owned 14 facilities in which our subsidiaries had general and limited partnership interests sold these facilities to affiliates of Ventas for an aggregate sales price of $114.6 million. Ventas also acquired another facility from a third party in a separate transaction. Simultaneously with such sales, certain of our subsidiaries entered into agreements to lease the 15 facilities (which included 2,215 units/beds) from Ventas pursuant to either a master lease or individual leases (collectively, the Ventas Leases).

Asset dispositions consist of facilities and land parcels previously identified during Alterra’s bankruptcy as non-core assets and facilities acquired in connection with the Fortress CCRC acquisition that have been classified as held for sale. For the years ended December 31, 2005, 2004 and 2003, we disposed of five, 13 and 9 facilities and land parcels that included 543, 790 and 551 units/beds, respectively.

Financial Developments

The following are certain changes in our financial results that have occurred or that we expect to occur in 2006 and beyond, as compared to our 2005 results.

As a new public company, we have incurred, and will continue to incur, significant legal, accounting and other expenses that we did not incur as a private company related to corporate governance, Securities and Exchange Commission, or SEC, reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and compliance with the various provisions of the Sarbanes-Oxley Act of 2002. In particular, we expect to incur significant incremental expenses associated with Sarbanes-Oxley Section 404 compliance documentation and remediation. In addition, as a New York Stock Exchange-listed company, we were required to establish an internal audit function, and did so, on an outsourced basis. As a result, we will incur additional cost associated with this function. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. We expect the legal, accounting and other expenses that we will incur as a public company to result in general and administrative costs of approximately $4.1 million in 2006 and approximately $2.3 million thereafter on an annual basis. We expect to fund these additional costs using cash flows from operations and from financing activities such as this offering and additional indebtedness, including availability under our expected lines of credit.

As of March 31, 2006, our facilities were 90.2% occupied, or 91.5% on a pro forma basis for the ARC Merger and the Recent Acquisitions. We expect to maintain and increase these occupancy levels due to the projected demand for senior living services; however, there can be no assurance that we will maintain



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or increase this occupancy level or the resident fees we charge for our services. Due to the stable nature of our portfolio, we do not expect to add significant personnel to our facilities as occupancy increases; however, we are subject to wage and benefit cost increases as we strive to attract and retain skilled management and staff at our facilities. In addition, we are subject to increases in other operating expenses such as: real estate taxes, as the taxing authorities are under increasing pressure to raise revenues; utilities, as a result of the recent oil shortages and supply problems; and insurance costs.

General and administrative costs have increased primarily due to the inclusion of Alterra in our operations, effective December 1, 2003, and the increase in the number of facilities we own, lease and manage. During 2005, we purchased the Fortress CCRC Portfolio (eight facilities with 3,238 units/beds of which 817 are resident-owned cottages managed by us; we sold two of these facilities in the third quarter of 2005, one of which we continued to manage through January 2006), we purchased the Prudential Portfolio (nine facilities with 1,261 units/beds), we purchased the Chambrel Portfolio (six facilities with 1,394/beds) from Capstead that we previously leased, we purchased the Merrill Gardens Portfolio (four facilities with 183 units/beds) from Merrill Gardens, and we purchased the Omega Portfolio (six facilities with 237 units/beds) from Omega that we previously leased. During 2006, we purchased two facilities with 114 units/beds from Orlando Madison Ivy, LLC, we purchased the Wellington Portfolio (17 facilities with 814 units/beds), we purchased the Liberty Owned Portfolio (seven facilities with 1,077 units/beds), we purchased the SALI Portfolio (42 facilities with 3,042 units/beds), we purchased a portion of the AEW Portfolio (six facilities with 897 units/beds) and we purchased the AEW-New Jersey Portfolio (two facilities with 193 units/beds). These acquisitions, excluding the acquisitions from Capstead and Omega, required us to add incremental corporate staff to oversee these facilities, and we expect to incur similar incremental and general and administrative costs in the future as we acquire additional senior housing facilities.

Historically we have leased facilities under long-term leases. We intend to finance our future acquisitions primarily through a combination of traditional mortgage debt and equity and to reduce our use of sale-leaseback transactions. As a result, we expect the overall percentage of our revenues derived from our leased portfolio to decline. From a business standpoint, there is no fundamental difference in the way we manage the operations of our leased versus owned facilities, while from a financial standpoint, financing future acquisitions with traditional mortgage financing and equity is expected to generate more cash flow to distribute to our stockholders and the opportunity to generate additional proceeds from future refinancing opportunities.

Due to the fact that we are an acquisition-focused company, as we evaluate operating companies and facilities for potential acquisition, we incur costs both internally and for various third parties' assistance, including in connection with due diligence, negotiation and structuring of these acquisitions. These third party costs are capitalized once the acquisition is deemed probable. If an acquisition is abandoned, these costs will be expensed. If the acquisition is consummated, these third party costs will be capitalized as a part of the total purchase price.

Effect of the American Retirement Corporation Transaction

On May 12, 2006, we entered into an Agreement and Plan of Merger, or the ARC Merger Agreement, with Beta Merger Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of the Company, or Merger Sub, and ARC, pursuant to which Merger Sub will be merged with and into ARC with ARC continuing as the surviving corporation and as a wholly-owned subsidiary of the Company. We refer to this transaction in this prospectus as the ‘‘ARC Merger’’.

Upon consummation of the ARC Merger, we will become the largest operator of senior living facilities in the United States based on total capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we own, manage or lease over 530 facilities in 33 states and the ability to serve over 50,000 residents.

We will account for the acquisition of ARC common stock as a purchase and hence will record the assets and liabilities on our balance sheet at fair value. We will depreciate and amortize these tangible and intangible assets over the shorter of their estimated useful lives or lease terms, which we expect to be similar to the current estimated useful lives of our existing tangible and intangible assets. As a result, depreciation and amortization will increase significantly.



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The ARC Merger is significantly larger than any acquisition that we have completed since the completion of our initial public offering in November 2005. ARC owns or leases and operates 83 senior living facilities in 19 states, with a unit capacity of approximately 16,100 unit/beds. Integrating these facilities into our current operations will be a significant undertaking, as our resident capacity will be increased by nearly 50%. To help facilitate the integration of the ARC facilities into our company, we entered into employment agreements, to take effect at the closing of the ARC Merger, with W.E. Sheriff, ARC's Chief Executive Officer, and the following other executive officers of ARC: Gregory B. Richard, George T. Hicks, Bryan D. Richardson, H. Todd Kaestner, and James T. Money, regarding their continued service with us following the consummation of the ARC Merger. Mr. Sheriff will become our co-Chief Executive Officer. We also expect to maintain an executive office in Nashville, Tennessee, as well as add over 10,800 employees, all of which will add significant costs. We will also incur a substantial amount of non-recurring integration costs with respect to the ARC Merger transaction that will be expensed primarily in 2006 and 2007.

As a result of the increased depreciation and amortization, additional general and administrative expenses, integration costs, lease expense and interest expense that we expect to incur upon consummation of the ARC Merger, we expect to generate losses after the closing of the ARC Merger.

Simultaneously with entering into the ARC Merger Agreement, in order to finance the ARC Merger, we entered into an Investment Agreement, or the Investment Agreement, with RIC Coinvestment Fund LP, or the Investor, a fund managed by an affiliate of Fortress. Under the terms of the Investment Agreement, the Investor has committed to purchase from us, at and simultaneously with the closing of the ARC Merger, up to $1.3 billion in aggregate of our common stock at a price of $36.93 per share. We intend to use a portion of the net proceeds from this offering together with the proceeds we expect to receive from the Investor pursuant to the Investment Agreement to consummate the ARC Merger.

In connection with the consummation of the ARC Merger, we expect to refinance certain ARC facilities, pursuant to which we expect to receive net cash proceeds of approximately $141.8 million.

In addition, under the New Credit Facility we have a $60.0 million letter of credit limit of which $59.4 million is outstanding as of the date of this prospectus. We expect to enter into a new credit agreement with a letter of credit limit to replace the existing agreement.

Results of Operations

Comparison of Three Months Ended March 31, 2006 to Three Months Ended March 31, 2005

The following table sets forth, for the periods indicated, statement of operations items and the amount and percentage of increase or decrease of these items. The results of operations for any particular period are not necessarily indicative of results for any future period. The following data should be read in conjunction with our consolidated and combined financial statements and the notes thereto, which are included herein. Our results reflect the inclusion of the Fortress CCRC Portfolio (effective April 2005), the Prudential Portfolio (effective June/July 2005), the Merrill Gardens Portfolio (effective November 2005) the Omega Portfolio and Chambrel Portfolio (effective December 2005), two facilities in Orlando, Florida (effective February 2006), the Liberty Owned Portfolio and the Wellington Portfolio (effective March 2006) into our operations. We completed our formation transaction on September 30, 2005. Results prior to that date represent the combined operations of BLC, Alterra, the Fortress CCRC Portfolio and the Prudential Portfolio (together, the ‘‘Brookdale Facility Group’’ or the ‘‘Predecessor Company’’):

| | Three Months Ended March 31, | | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Statement of Operations Data: | 2006 | 2005 | | |
| Revenue | | | | |
| Resident fees: | | | | |
| Brookdale Living: | | | | |
| Less than 20% operating margin | $ 17,724 | $ 3,492 | $ 14,232 | 407.6% |
| 20%–40% operating margin | 31,253 | 27,192 | 4,061 | 14.9% |





| | Three Months Ended March 31, | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|

| Statement of Operations Data: | 2006 | 2005 | | |
|---|---|---|---|---|
| Greater than 40% operating margin | 59,873 | 40,240 | 19,633 | 48.8% |
| Total | 108,850 | 70,924 | 37,926 | 53.5% |
| Alterra: | | | | |
| Less than 20% operating margin | 13,737 | 15,098 | (1,361) | (9.0%) |
| 20%–40% operating margin | 46,570 | 48,804 | (2,234) | (4.6%) |
| Greater than 40% operating margin | 51,879 | 39,286 | 12,593 | 32.1% |
| Total | 112,186 | 103,188 | 8,998 | 8.7% |
| Total resident fees | 221,036 | 174,112 | 46,924 | 27.0% |
| Management fees | 1,147 | 871 | 276 | 31.7% |
| Total revenue | 222,183 | 174,983 | 47,200 | 27.0% |
| Expenses | | | | |
| Facility operating: | | | | |
| Brookdale Living: | | | | |
| Less than 20% operating margin | 14,362 | 3,069 | 11,293 | 368.0% |
| 20%–40% operating margin | 21,123 | 18,425 | 2,698 | 14.6% |
| Greater than 40% operating margin | 29,629 | 20,583 | 9,046 | 43.9% |
| Total | 65,114 | 42,077 | 23,037 | 54.7% |
| Alterra: | | | | |
| Less than 20% operating margin | 12,492 | 13,956 | (1,464) | (10.5%) |
| 20%–40% operating margin | 31,553 | 32,961 | (1,408) | (4.3%) |
| Greater than 40% operating margin | 27,786 | 21,355 | 6,431 | 30.1% |
| Total | 71,831 | 68,272 | 3,559 | 5.2% |
| Total facility operating expenses | 136,945 | 110,349 | 26,596 | 24.1% |
| Lease expense | 45,734 | 46,502 | (768) | (1.7%) |
| General and administrative | 21,085 | 11,658 | 9,427 | 80.9% |
| Depreciation and amortization | 22,299 | 5,173 | 17,126 | 331.1% |
| Total operating expenses | 226,063 | 173,682 | 52,381 | 30.2% |
| Income (loss) from operations | (3,880) | 1,301 | (5,181) | (398.2%) |
| Interest income | 1,052 | 696 | 356 | 51.1% |
| Interest expense: | | | | |
| Debt | (13,690) | (9,125) | (4,565) | (50.0%) |
| Amortization of deferred financing costs | (703) | (423) | (280) | (66.2%) |
| Change in fair value of derivatives | (101) | 4,062 | (4,163) | (102.5%) |
| Loss on extinguishment of debt | (1,334) | (453) | (881) | (194.5%) |
| Equity in earnings (loss) of unconsolidated ventures, net of minority interests | (168) | (187) | 19 | 10.2% |
| Loss before income taxes | (18,824) | (4,129) | (14,695) | (355.9%) |
| (Provision) benefit for income taxes | (386) | (166) | (220) | (132.5%) |
| Income loss before minority interest | (19,210) | (4,295) | (14,915) | (347.3%) |
| Minority interest | (116) | 2,532 | (2,648) | (104.6%) |
| Income (loss) before discontinued operations | (19,326) | (1,763) | (17,563) | (996.2%) |
| Discontinued operations | — | (35) | 35 | 100.0% |
| Net loss | $ (19,326) | $ (1,798) | $ (17,528) | (974.9%) |



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| Statement of Operations Data: | Three Months Ended March 31, 2006 | 2005 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Selected Operating and Other Data: | | | | |
| Number of facilities (at end of period) | 403 | 366 | 37 | 10.1% |
| Total units/beds operated[(1)] | 30,770 | 26,109 | 4,661 | 17.9% |
| Owned/leased facilities units/beds | 28,806 | 22,541 | 6,265 | 27.8% |
| Owned/leased facilities occupancy rate: | | | | |
| Period end | 89.7% | 89.0% | 0.7% | 0.8% |
| Weighted average | 89.5% | 89.1% | 0.4% | 0.4% |
| Average monthly revenue per unit/beds[(2)] | $ 3,116 | $ 2,903 | 213 | 7.3% |
| Selected Segment Operating and Other Data | | | | |
| Brookdale Living: | | | | |
| Number of Facilities (period end) | 69 | 49 | 20 | 40.8% |
| Total Units/beds | 14,497 | 9,477 | 5,020 | 53.0% |
| Occupancy Rate: | | | | |
| Period end | 90.8% | 92.8% | (2.0%) | (2.2%) |
| Weighted average | 90.9% | 92.7% | (1.8%) | (1.9%) |
| Average monthly rate per unit/bed[(2)] | $ 2,969 | $ 2,724 | $ 245 | 9.0% |
| Alterra: | | | | |
| Number of Facilities (period end) | 324 | 299 | 25 | 8.4% |
| Total Units/beds | 14,309 | 13,064 | 1,245 | 9.5% |
| Occupancy Rate | | | | |
| Period end | 88.6% | 86.2% | 2.4% | 2.8% |
| Weighted average | 88.2% | 86.6% | 1.6% | 1.8% |
| Average monthly rate per unit/bed[(2)] | $ 3,191 | $ 3,041 | $ 150 | 4.9% |
| Managed: | | | | |
| Number of Facilities (period end) | 10 | 18 | (8) | (44.4%) |
| Total Units/beds | 1,964 | 3,568 | (1,604) | (45.0%) |
| Occupancy Rate[(3)]: | | | | |
| Period end | 92.7% | 82.3% | 10.4% | 12.6% |
| Weighted average | 92.0% | 82.7% | 9.3% | 11.2% |
| Average monthly rate per unit/beds[(2)] | $ 2,381 | $ 2,350 | $ 31 | 1.3% |

(1) Total units/beds operated represent the total units/beds operated as of the end of the period. Occupancy rate is calculated by dividing total occupied units/beds by total units/beds operated as of the end of the period.

(2) Average monthly revenue per unit/bed represents the average of the total monthly revenues divided by occupied units/beds at the end of the period averaged over the respective period presented.

(3) Includes facilities managed by us, but excludes Town Village Oklahoma City, which is under development and was sold January, 2006.

Revenues

Total revenues increased primarily due to increased resident fees of approximately $46.9 million, or 27.0% and an increase in management fees of $0.3 million, or 31.7%.

Resident fee revenue

Resident fees increased by approximately $10.6 million, or 6.4%, at the facilities we operated during both periods, which excludes the lease-up of four facilities. The remaining increase in resident fee revenue was primarily due to the addition of the Fortress CCRC Portfolio, the Prudential Portfolio, the Merrill Gardens Portfolio, two facilities located in Orlando, Florida, the Liberty Owned Portfolio and the Wellington Portfolio into our operations effective April, June/July, December 2005 and February and March 2006, respectively.

Brookdale Living revenue increased $37.9 million, or 53.5%, primarily due to the addition of the Fortress CCRC Portfolio and the Prudential Portfolio into our operations effective April and June/July 2005, respectively. The Prudential Portfolio and the Fortress CCRC Portfolio had lower occupancies at the acquisition, which resulted in 1.8% decline in average occupancy. The Prudential Portfolio had



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higher average monthly rates, which were partially offset by the Fortress CCRC Portfolio's average rate as the independent living units/beds at three facilities charge an entrance fee, which is deferred and amortized over the expected stay of the resident.

Alterra revenue increased $9.0 million, or 8.7%, primarily due to the addition of the Merrill Gardens Portfolio and the Wellington Portfolio, a 1.8% increase in average occupancy and a 4.9% increase in average monthly rent per unit/bed.

Management fee revenue

Management fee revenue increased over this period primarily due to termination fees of $0.2 million received in connection with the third party owner's sale of four facilities during the three months ended March 31, 2006.

Operating Expenses

The increase in total operating expenses was attributable to the following: (i) facility operating expenses increased $26.6 million, or 24.1%; (ii) general and administrative expenses increased $9.4 million, or 80.9%; and (iii) depreciation and amortization expenses increased $17.1 million, or 331.1% offset by a decrease in lease expense of $0.8 million, or 1.7%.

Explanations of significant variances noted in individual line-item expenses for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005 are as follows:

- Of our increased facility operating expenses, $2.0 million, or 1.8% of the increase was attributable to the facilities we operated during both periods, which excludes the lease up of four facilities. The remaining increase was primarily due to the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations effective April, June/July, and December 2005, respectively.

Brookdale Living facility operating expenses increased $23.0 million, or 54.7%, primarily due to the addition of the Fortress CCRC Portfolio and the Prudential Portfolio into our operations effective April and June/July 2005, respectively. The balance was primarily due to increases in salaries, wages and benefits.

Alterra facility operating expenses increased $3.6 million, or 5.2%, primarily due to the Merrill Gardens acquisition and increased salaries, wages and benefits as a result of increased occupancy and level of care provided to residents.

- General and administrative expenses increased $9.4 million, or 80.9%, primarily as a result of

$3.0 million of non-recurring costs, non-cash compensation expense of $3.0 million as a result of our adoption of SFAS No. 123R, an increase in salaries, wages and benefits, an increase in the number of employees in anticipation of and in connection with the acquisitions. General and administrative expense as a percentage of total revenue, including revenue generated by the facilities we manage was 6.4% and 6.0% for the three months ended March 31, 2006 and 2005, respectively, calculated as follows:

| | Three Months Ended March 31, 2006 | Three Months Ended March 31, 2005 |
|---|---|---|
| Combined resident fee revenues | $ 221,036 | $ 174,112 |
| Resident fee revenues under management | 12,909 | 19,734 |
| Total | $ 233,945 | $ 193,846 |
| General and administrative expenses (excluding merger and integration expenses and non-cash stock compensation expense totaling $6.0 million in 2006) | $ 15,060 | $ 11,658 |
| General and administrative expenses as of % of total revenues | 6.4% | 6.0% |





- Lease expense decreased by $0.8 million, or 1.7%, primarily due to the acquisition of the Omega and Chambrel Portfolios in December 2005, which were previously leased by us and includes $5.3 million of additional straight-line rent expense, partially offset by $1.1 million of additional deferred gain amortization.
- Total depreciation and amortization expense increased by $17.1 million, or 331.1%, primarily due to the step-up in minority interest recorded in connection with the initial public offering, increased capital expenditures and leasehold improvements and the addition of the Fortress CCRC, Prudential, Omega and Chambrel Portfolio acquisitions.
- Interest income increased $0.4 million, or 51.1%, primarily due to an increase in cash and cash equivalents invested from our initial public offering and cash flow from operations.
- Interest expense increased $9.0 million, or 164.2%, primarily due to additional debt in connection with our acquisitions and the change in the fair value liability of the interest rate swaps from the three months ended March 31, 2006 and 2005.

Comparison of Year Ended December 31, 2005 to Year Ended December 31, 2004

The following table sets forth, for the periods indicated, statement of operations items and the amount and percentage of increase or decrease of these items. The results of operations for any particular period are not necessarily indicative of results for any future period. The following data should be read in conjunction with our consolidated and combined financial statements and the notes thereto, which are included herein. Our results reflect the inclusion of the Fortress CCRC, Prudential, Chambrel, Omega and Merrill Gardens Portfolios into our operations effective April, June/July, November and December 2005, respectively. Brookdale Senior Living Inc. completed its formation transaction on September 30, 2005. Results prior to that date represent the combined operations of Brookdale Facility Group. The three months ended December 31, 2005 and the nine months ended September 30, 2005, have been aggregated for the year ended December 31, 2005 presentation ($ in 000's):

| Statement of Operations Data: | For Period October 1, 2005 to December 31, 2005 | For the Period January 1, 2005 to September 30, 2005 | 2005 | 2004 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Resident fees: | | | | | | |
| Brookdale Living: | | | | | | |
| Less than 20% operating margin | $ 13,685 | $ 29,903 | $ 43,588 | $ 17,475 | $ 26,113 | 149.4% |
| 20%–40% operating margin | 30,299 | 102,269 | 132,568 | 86,290 | 46,278 | 53.6% |
| Greater than 40% operating margin | 60,251 | 129,228 | 189,479 | 159,844 | 29,635 | 18.5% |
| Total | 104,235 | 261,400 | 365,635 | 263,609 | 102,026 | 38.7% |
| Alterra: | | | | | | |
| Less than 20% operating margin | 7,904 | 38,773 | 46,677 | 52,267 | (5,590) | (10.7%) |
| 20%–40% operating margin | 38,045 | 153,973 | 192,018 | 179,857 | 12,161 | 6.8% |
| Greater than 40% operating margin | 61,676 | 120,709 | 182,385 | 161,594 | 20,791 | 12.9% |
| Total | 107,625 | 313,455 | 421,080 | 393,718 | 27,362 | 6.9% |
| Total resident fees | 211,860 | 574,855 | 786,715 | 657,327 | 129,388 | 19.7% |
| Management fees | 1,187 | 2,675 | 3,862 | 3,545 | 317 | 8.9% |
| Total revenue | 213,047 | 577,530 | 790,577 | 660,872 | 129,705 | 19.6% |





| Statement of Operations Data: | For Period October 1, 2005 to December 31, 2005 | For the Period January 1, 2005 to September 30, 2005 | 2005 | 2004 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|---|---|
| Expenses | | | | | | |
| Facility operating: | | | | | | |
| Brookdale Living: | | | | | | |
| Less than 20% operating margin | 11,826 | 26,176 | 38,002 | 15,225 | 22,777 | 149.6% |
| 20%–40% operating margin | 20,560 | 69,778 | 90,338 | 59,682 | 30,656 | 51.4% |
| Greater than 40% operating margin | 29,598 | 65,423 | 95,021 | 83,737 | 11,284 | 13.5% |
| Total | 61,984 | 161,377 | 223,361 | 158,644 | 64,717 | 40.8% |
| Alterra: | | | | | | |
| Less than 20% operating margin | 7,219 | 34,999 | 42,218 | 46,593 | (4,375) | (9.4%) |

| | | | | | | |
|---|---|---|---|---|---|---|
| 20%–40% operating margin | 25,974 | 104,190 | 130,164 | 122,060 | 8,104 | 6.6% |
| Greater than 40% operating margin | 31,928 | 66,216 | 98,144 | 87,872 | 10,272 | 11.7% |
| Total | 65,121 | 205,405 | 270,526 | 256,525 | 14,001 | 5.5% |
| Total facility operating expenses | 127,105 | 366,782 | 493,887 | 415,169 | 78,718 | 19.0% |
| Lease expense | 48,487 | 140,852 | 189,339 | 99,997 | 89,342 | 89.3% |
| General and administrative | 27,690 | 54,006 | 81,696 | 43,640 | 38,056 | 87.2% |
| Depreciation and amortization | 19,022 | 30,861 | 49,883 | 52,307 | (2,424) | (4.6%) |
| Total operating expenses | 222,304 | 592,501 | 814,805 | 611,113 | 203,692 | 33.3% |
| Income from operations | (9,257) | (14,971) | (24,228) | 49,759 | (73,987) | (148.7%) |
| Interest income | 1,588 | 2,200 | 3,788 | 637 | 3,151 | 494.7% |
| Interest expense: Debt | (12,809) | (33,439) | (46,248) | (63,634) | 17,386 | (27.3%) |
| Change in fair value of derivatives | (88) | 4,080 | 3,992 | 3,176 | 816 | 25.7% |
| Gain on extinguishment of debt | (3,543) | (453) | (3,996) | 1,051 | (5,047) | (480.2%) |
| Equity in earnings (loss) of unconsolidated ventures, net of minority interests | (197) | (641) | (838) | (931) | 93 | (10.0%) |
| Other | — | — | — | (114) | 114 | N/A |
| Loss before income taxes | (24,306) | (43,224) | (67,530) | (10,056) | (57,474) | 571.5% |
| (Provision) benefit for income taxes | (150) | 247 | 97 | (11,111) | 11,208 | (100.9%) |
| Income loss before minority interest | (24,456) | (42,977) | (67,433) | (21,167) | (46,266) | (218.6%) |
| Minority interest | — | 16,575 | 16,575 | 11,734 | 4,841 | 41.3% |
| Income (loss) before discontinued operations and cumulative effect of a change in accounting principle | (24,456) | (26,402) | (50,858) | (9,433) | (41,425) | (439.1%) |
| Discontinued operations | — | (128) | (128) | (361) | 233 | 64.5% |
| Net loss | $ (24,456) | $ (26,530) | $ (50,986) | $ (9,794) | $ (41,192) | (420.6%) |
| Selected Operating and Other Data: | | | | | | |
| Number of facilities (at end of period). | 383 | 380 | 383 | 367 | 16 | 4.4% |
| Total units/beds operated[(1)] | 30,055 | 30,048 | 30,055 | 26,208 | 3,847 | 14.7% |

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| Statement of Operations Data: | For Period October 1, 2005 to December 31, 2005 | For the Period January 1, 2005 to September 30, 2005 | 2005 | 2004 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|---|---|
| Owned/leased facilities units/beds | 26,805 | 26,618 | 26,805 | 22,540 | 4,265 | 18.9% |
| Owned/leased facilities occupancy rate: | | | | | | |
| Period end | 89.8% | 88.9% | 89.6% | 89.4% | 0.2% | 0.0% |
| Weighted average | 89.4% | 88.5% | 88.9% | 87.4% | 1.5% | 1.7% |
| Average monthly revenue per unit/beds(2) | $ 3,062 | $ 2,972 | $ 2,991 | $ 2,827 | 164 | 5.8% |
| Selected Segment Operating and Other Data | | | | | | |
| Brookdale Living: | | | | | | |
| Number of Facilities (period end) | 64 | 64 | 64 | 49 | 15 | 30.6% |
| Total Units/beds | 13,554 | 13,554 | 13,554 | 9,476 | 4,078 | 43.0% |
| Occupancy Rate: | | | | | | |
| Period end | 91.0% | 90.3% | 91.0% | 92.8% | (1.8%) | (1.9%) |
| Weighted average | 90.9% | 91.1% | 91.0% | 91.5% | (0.5%) | (0.1%) |
| Average monthly rate per unit/bed(2) | $ 3,002 | $ 2,857 | $ 2,887 | $ 2,655 | $ 232 | 8.7% |
| Alterra: | | | | | | |
| Number of Facilities (period end) | 303 | 299 | 303 | 299 | 4 | 1.3% |
| Total Units/beds | 13,251 | 13,064 | 13,251 | 13,064 | 187 | 1.4% |
| Occupancy Rate Period end | 88.2% | 87.5% | 88.2% | 86.9% | 1.3% | 1.5% |
| Weighted average | 88.0% | 86.7% | 87.2% | 84.4% | 2.8% | 3.3% |
| Average monthly rate per unit/bed(2) | $ 3,122 | $ 3,076 | $ 3,088 | $ 2,976 | $ 112 | 3.8% |
| Managed: | | | | | | |
| Number of Facilities (period end) | 16 | 17 | 16 | 19 | (3) | (15.8%) |
| Total Units/beds | 3,250 | 3,430 | 3,250 | 3,668 | (418) | (11.4%) |
| Occupancy Rate(3): | | | | | | |
| Period end | 88.4% | 89.9% | 88.4% | 79.8% | 8.6% | 10.8% |
| Weighted average | 87.5% | 89.7% | 84.5% | 84.6% | (0.1%) | 0.0% |
| Average monthly rate per unit/beds(2) | $ 2,246 | $ 2,286 | $ 2,225 | $ 2,581 | $ (356) | (13.8%) |

(1) Total units/beds operated represent the total units/beds operated as of the end of the period. Occupancy rate is calculated by dividing total occupied units/beds by total units/beds operated as of the end of the period.

(2) Average monthly revenue per unit/bed represents the average of the total monthly revenues divided by occupied units/beds at the end of the period averaged over the respective period presented.

(3)Includes facilities managed by us, but excludes Town Village Oklahoma City, which is under development and was sold January, 2006.

Revenues

Total revenues increased primarily due to increased resident fees of approximately $129.4 million, or 19.7% and an increase in management fees of $0.3 million, or 8.9%.

Resident fee revenue

Resident fees increased by approximately $39.0 million, or 5.9%, at the 347 facilities we operated during both periods, which includes the lease-up of four facilities. The remaining increase in resident fee revenue was primarily due to the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations effective April, June/July, and December 2005, respectively.

Brookdale Living revenue increased $102.0 million, or 38.7%, primarily due to the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations





effective April, June/July and December 2005, respectively, and the 15 facilities leased from Ventas in January through March and May 2004. The inclusion of these facilities offset increases in occupancy and average rate for the 34 facilities operated in the same period in the prior year. The Fortress CCRC Portfolio has a lower average rate as the independent living units/beds at three facilities charge an entrance fee, which is deferred and amortized over the expected stay of the resident.

Alterra revenue increased $27.4 million, or 6.9%, primarily due to a 2.8% increase in average occupancy and a 3.8% increase in average monthly rent per unit/bed.

Management fee revenue

Management fee revenue increased over this period primarily due to the addition of nine new management agreements entered during the second half of 2004 and an early termination fee of $0.3 million received relating to a facility we no longer manage due to its sale, offset by the 14 properties leased from Ventas that were previously managed by us for a portion of the first quarter of 2004.

Operating Expenses

The increase in total operating expenses was attributable to the following: (i) facility operating expenses increased $78.7 million, or 19.0%; (ii) general and administrative expenses increased $38.1 million, or 87.2%; (iii) lease expenses increased $89.3 million, or 89.3%; and (iv) depreciation and amortization expenses decreased $2.4 million, or 4.6%.

Explanations of significant variances noted in individual line-item expenses for the year ended December 31, 2005 as compared to the year ended December 31, 2004 are as follows:

- Of our increased facility operating expenses, $11.4 million, or 14.5% of the increase, was attributable to the 347 facilities we operated during both periods. The remaining increase was primarily due to increases in salaries, wages and benefits, the operations from the 15 facilities that we leased from Ventas, and the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and Merrill Gardens Portfolio into our operations effective April, June/July, and December 2005, respectively.

Brookdale Living Facility operating expenses increased $64.7 million, or 40.8%, primarily due to the addition of the Fortress CCRC Portfolio and the Prudential Portfolio into our operations effective April and June/July 2005, respectively. The balance was primarily due to increases in salaries, wages and benefits.

Alterra Facility operating expenses increased $14.0 million, or 5.5%, primarily due to increased salaries, wages and benefits as a result of increased occupancy and level of care provided to residents and net of a non-cash benefit of $4.7 million related to the reversal of an accrual established in connection with Alterra's emergence from bankruptcy in December 2003.

- General and administrative expenses increased $38.1 million, or 87.2%, primarily as a result of the $12.5 million of merger and integration costs in connection with our formation in September 2005, which includes $6.6 million of bonuses to reimburse key management for their Federal and state income taxes in connection with our restricted stock grant, non-cash compensation expense of $22.7 million as a result of the restricted stock grant and our adoption of SFAS No. 123R, an increase in salaries, wages and benefits, an increase in the number of employees in anticipation of and in connection with the addition of nine new management agreements and the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations effective April, June/July and December 2005, respectively. General and administrative expense as a percentage of total revenue, including revenue generated by the facilities we manage was 5.4% and 6.0% for the years ended December 31, 2005 and 2004, respectively, calculated as follows ($ in 000's):



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| | Year Ended December 31, 2005 | Year Ended December 31, 2004 |
|---|---|---|
| Combined resident fee revenues | $ 786,715 | $ 657,327 |
| Resident fee revenues under management | 77,375 | 64,191 |
| Total | $ 864,090 | $ 721,518 |
| General and administrative expenses (excluding merger and integration expenses, non-cash stock compensation expense and bonuses in connection with the restricted stock grant totaling $35.2 million in 2005) | $ 46,504 | $ 43,640 |
| General and administrative expenses as of % of total revenues | 5.4% | 6.0% |

- Lease expense increased $89.3 million, or 89.3%, primarily due the addition of 15 operating leases executed during the first half of 2004 for the Ventas facilities, and the addition of 68 operating leases executed during the fourth quarter 2004 for the Provident facilities, including $23.8 million of additional straight-line rent expense, partially offset by $7.9 million of additional deferred gain amortization.
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Total depreciation and amortization expense decreased by $2.4 million, or 4.6%, primarily due to sale-leaseback arrangements entered into with respect to the 68 facilities sold and leased back from Provident in the fourth quarter of 2004 and fully depreciated lease intangibles as of December 31, 2004 from the five Variable Interest Entities, or VIE's consolidated as of December 31, 2003, partially offset by increased depreciation and amortization on the step-up in minority interest recorded in connection with the initial public offering, increased capital expenditures and leasehold improvements and the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations effective April, June/July and December 2005, respectively.

- Interest income increased $3.2 million, or 494.7%, primarily due to an increase in cash and cash equivalents invested from our initial public offering, Provident transaction proceeds, and increased lease security deposits.
- Interest expense decreased $18.2 million, or 30.1%, primarily due to approximately $433.6 million of our debt that was assumed by Provident or repaid using proceeds from the sale-leaseback arrangements in the fourth quarter of 2004, partially offset by the addition of the Fortress CCRC Portfolio, the Prudential Portfolio and the Merrill Gardens Portfolio into our operations effective April, June/July and December 2005, respectively, and increased interest rates on floating-rate debt. This increase was partially offset by a $0.8 million decrease in the fair value liability of the interest rate swaps from December 31, 2004 to December 31, 2005.

Comparison of Year Ended December 31, 2004 to Year Ended December 31, 2003

The following table sets forth, for the periods indicated, statement of operations items and the amount and percentage of increase or decrease of these items. The results of operations for any particular period are not necessarily indicative of results for any future period. The following data should be read in conjunction with our combined financial statements and the notes thereto, which are included herein ($ in 000's). Our results reflect the inclusion of Alterra in our operations effective December 1, 2003.



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| | 2004 | 2003 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Statement of Operations Data: | | | | |
| Revenue | | | | |
| Resident fees: | | | | |
| Brookdale Living: | | | | |
| Less than 20% operating margin | $ 17,475 | $ 6,719 | $ 10,756 | 160.1% |
| 20%–40% operating margin | 86,290 | 67,879 | 18,411 | 27.1% |
| Greater than 40% operating margin | 159,844 | 109,836 | 50,008 | 45.5% |
| Total | 263,609 | 184,434 | 79,175 | 42.9% |
| Alterra: | | | | |
| Less than 20% operating margin | 52,267 | 5,744 | 46,523 | 809.9% |
| 20%–40% operating margin | 179,857 | 15,814 | 164,043 | 1,037.3% |
| Greater than 40% operating margin | 161,594 | 11,224 | 150,370 | 1,339.7% |
| Total | 393,718 | 32,782 | 360,936 | 1,101.0% |
| Total resident fees | 657,327 | 217,216 | 440,111 | 202.6% |

| | | | | |
|---|---|---|---|---|
| Management fees | 3,545 | 5,368 | (1,823) | (34.0)% |
| Total revenues | 660,872 | 222,584 | 438,288 | 196.9% |
| Expenses | | | | |
| Facility operating: | | | | |
| Brookdale Living: | | | | |
| Less than 20% operating margin | 15,225 | 6,381 | 8,844 | 138.6% |
| 20%–40% operating margin | 59,682 | 47,227 | 12,455 | 26.4% |
| Greater than 40% operating margin | 83,737 | 56,821 | 26,916 | 47.4% |
| Total | 158,644 | 110,429 | 48,215 | 43.7% |
| Alterra: | | | | |
| Less than 20% operating margin | 46,593 | 5,452 | 41,141 | 754.6% |
| 20%–40% operating margin | 122,060 | 11,013 | 111,047 | 1,008.3% |
| Greater than 40% operating margin | 87,872 | 6,225 | 81,647 | 1,311.6% |
| Total | 256,525 | 22,690 | 233,835 | 1,030.6% |
| Total facility operating expenses | 415,169 | 133,119 | 282,050 | 211.9% |
| Lease expense | 99,997 | 30,744 | 69,253 | 225.3% |
| General and administrative | 43,640 | 15,997 | 27,643 | 172.8% |
| Depreciation and amortization | 52,307 | 22,480 | 29,827 | 132.7% |
| Total operating expenses | 611,113 | 202,340 | 408,773 | 202.0% |
| Income from operations | 49,759 | 20,244 | 29,515 | 145.8% |
| Interest income | 637 | 14,037 | (13,400) | (95.5)% |
| Interest expense: | | | | |
| Debt | (63,634) | (25,106) | (38,528) | (153.5)% |
| Change in fair value of derivatives | 3,176 | — | 3,176 | N/A |
| Loss from sale of properties | — | (24,513) | 24,513 | 100.0% |
| Gain on extinguishment of debt | 1,051 | 12,511 | (11,460) | (91.6)% |



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| | 2004 | 2003 | Increase (Decrease) | % Increase (Decrease) |
|---|---|---|---|---|
| Equity in earnings (loss) of unconsolidated ventures, net of minority interests | (931) | 318 | (1,249) | (392.8)% |
| Other | (114) | — | (114) | N/A |
| Loss before income taxes | (10,056) | (2,509) | (7,547) | (300.8)% |
| (Provision) benefit for income taxes | (11,111) | (139) | (10,972) | (7,893.5)% |
| Income (loss) before minority interest | (21,167) | (2,648) | (18,519) | (699.4%) |
| Minority interest | 11,734 | 1,284 | 10,450 | 813.9% |
| Income (loss) before discontinued operations and cumulative effect of a change in accounting principle | (9,433) | (1,364) | (8,069) | (591.6)% |
| Discontinued operations | (361) | (322) | (39) | (12.1%) |
| Cumulative effect of change in accounting principle, net of income taxes of $4,460 | — | (7,277) | 7,277 | 100.0% |
| Net loss | $ (9,794) | $ (8,963) | $(831) | (9.3)% |
| Selected Operating and Other Data: | | | | |
| Number of facilities (at end of period) | 367 | 359 | 8 | 2.2% |
| Total units/beds operated[(1)] | 26,208 | 24,423 | 1,785 | 7.3% |

| | | | | |
|---|---|---|---|---|
| Owned/leased facilities units/beds | 22,540 | 20,324 | 2,216 | 10.9% |
| Owned/leased facilities occupancy rate: | | | | |
| Period end | 89.4% | 87.5% | 1.9% | 2.2% |
| Weighted average | 87.4% | 88.0% | (0.6)% | (0.7)% |
| Average monthly revenue per unit/beds[2] | $ 2,827 | $ 2,660 | $167 | 6.3% |
| Selected Segment Operating and Other Data | | | | |
| Brookdale Living: | | | | |
| Number of Facilities (period end) | 49 | 34 | 15 | 44.1% |
| Total Units/beds | 9,476 | 7,260 | 2,216 | 30.5% |
| Occupancy Rate | | | | |
| Period end | 92.8% | 89.7% | 3.1% | 3.5% |
| Weighted average | 91.5% | 91.8% | (0.3)% | — |
| Average monthly rate per unit/bed[2] | $ 2,655 | $ 2,720 | $(65) | (2.4)% |
| Alterra: | | | | |
| Number of Facilities (period end) | 299 | 299 | n/a | n/a |
| Total Units/beds | 13,064 | 13,064 | n/a | n/a |
| Occupancy Rate | | | | |
| Period end | 86.9% | 85.4% | 1.5% | 1.8% |
| Weighted average | 84.4% | 86.4% | (2.0)% | (2.3)% |
| Average monthly rate per unit/bed[2] | $ 2,976 | $ 2,848 | $128 | 4.5% |
| Managed: | | | | |
| Number of Facilities (period end) | 19 | 26 | (7) | (26.9)% |
| Total Units/beds | 3,668 | 4,099 | (431) | (10.5)% |
| Occupancy Rate[3] | | | | |
| Period end | 79.8% | 89.2% | (9.4)% | (10.5)% |
| Weighted average | 84.6% | 83.6% | 1.0% | 1.2% |
| Average monthly rate per unit/bed[2] | $ 2,581 | $ 2,263 | $318 | 14.1% |



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(1) Total units/beds operated represent the total units/beds operated as of the end of the period. Occupancy rate is calculated by dividing total occupied units/beds by total units/beds operated as of the end of the period.

(2) Average monthly revenue per unit/bed represents the average of the total monthly revenues divided by occupied units/beds at the end of the period averaged over the respective period presented.

(3) Includes facilities managed by us, but excludes Town Village Oklahoma City, which is currently under development.

Revenues

Total revenues increased primarily due to increased resident fees of $440.1 million, or 202.6%, the inclusion of Alterra into our operations for a full year following the Effective Date in December 2003, leasing of the 15 Ventas facilities in the first half of 2004 (14 of which were leased in the three months ended March 31, 2004 and one of which was leased on May 13, 2004), partially offset by a decrease in management fee revenue of $1.8 million, or 34.0%.

Resident fee revenue

Resident fees increased by $11.6 million, or 6.5%, at the 29 facilities we operated during both periods. The remaining increase was primarily due to the addition of Alterra into our operations for a full year following the Effective Date, the consolidation of the five facilities as of December 31, 2003 developed and managed by us pursuant to revised Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (''FIN 46R'') and an increase in resident fees resulting from the 15 facilities leased from Ventas in the first half of 2004.

Brookdale Living revenue increased $79.2 million, or 42.9%, primarily due to the consolidation of the five facilities developed and managed by us pursuant to FIN 46R and the 15 facilities leased from Ventas in the first half of 2004.

Alterra revenue increased $360.9 million, or 1,101.0%, due to the addition of Alterra in our results effective December 1, 2003.

Management fee revenue

Management fee revenue decreased over this period primarily due to the 14 properties leased from Ventas that were previously managed by us, partially offset by the additional nine facilities (which include 1,915 units/beds) for which we took over management in August and December 2004, and consolidation of five facilities developed and managed by us pursuant to FIN 46R at December 31, 2003.

Operating Expenses

The increase in total operating expenses was attributable to the following: (i) facility operating expenses increased $282.1 million, or 211.9%; (ii) general and administrative expenses increased $27.6 million, or 172.8%; (iii) lease expenses increased $69.3 million, or 225.3%; and (iv) depreciation and amortization expenses increased $29.8 million, or 132.7%.

Explanations of significant variances noted in individual line-item expenses for the year ended December 31, 2004 as compared to the year ended December 31, 2003 are as follows:

- Of our increased facility operating expenses, $4.6 million, or 1.6% of the increase, was attributable to the 29 facilities we operated during both periods. The remaining increase was primarily a result of the inclusion of Alterra into our operations for a full year following the Effective Date in December 2003, the consolidation of the five facilities pursuant to FIN 46R developed and managed by us and expenses associated with operating an additional 15 facilities leased from Ventas in the first half of 2004.





Brookdale Living Facility operating expenses increased $48.2 million, or 43.7%, primarily due to the consolidation of the five facilities developed and managed by us pursuant to FIN 46R and the 15 facilities leased from Ventas in the first half of 2004.

Alterra Facility operating expenses increased $233.8 million, or 1,030.6%, due to the inclusion of Alterra in our results, effective December 1, 2003.

- General and administrative expenses increased $27.6 million, or 172.8%, primarily as a result of the inclusion of Alterra into our operations for a full year following the Effective Date in December 2003, and an increase in salaries, wages and number of personnel (due to wage and salary increases and an additional nine properties we managed during the second half of 2004). General and administrative expense as a percentage of total revenue, including revenue generated by the facilities we manage was 6.0% and 4.9% for the years ended December 31, 2004 and 2003, respectively, calculated as follows ($ in 000's):

| | Year Ended December 31, 2004 | Year Ended December 31, 2003 |
|---|---|---|
| Combined resident fee revenues | $ 657,327 | $ 217,216 |
| Resident fee revenues under management | 64,191 | 108,320 |
| Total | $ 721,518 | $ 325,536 |
| General and administrative expenses | $ 43,640 | $ 15,997 |
| General and administrative expenses as of % of total revenues | 6.0% | 4.9% |

- Lease expense increased $69.3 million, or 225.3%, primarily due to lease expense associated with a full year's operation of Alterra following the Effective Date in December 2003, the addition of 15 operating leases executed during the first half of 2004 for the Ventas facilities, and the addition of 68 operating leases executed during the fourth quarter 2004 for the Provident facilities, including $3.5 million of additional straight-line rent expense, partially offset by $1.7 million of additional deferred gain amortization.
- Total depreciation and amortization expense increased by $29.8 million, or 132.7%, primarily due to depreciation and amortization on Alterra's owned facilities, taking into account a full year's operation of Alterra following the Effective Date in December 2003, capital additions (including capital additions from 15 additional facilities leased from Ventas in 2004); the purchase of 15 facilities previously leased by us and the consolidation of five facilities pursuant to FIN 46R developed and managed by us at December 31, 2003.
- Interest income decreased $13.4 million, or 95.5%, primarily due to the reduction in lease security deposits resulting from the purchase of 15 facilities in 2003 and one facility in 2002 that were previously leased by us.
- Interest expense increased $35.4 million, or 140.8%, primarily due to the cost of servicing Alterra's debt obligations for a full year following the Effective Date in December 2003, five facilities consolidated at December 31, 2003, pursuant to FIN 46R, and interest expense from 15 facilities purchased in 2003 and one facility purchased in 2002 that were previously leased by us. This increase was partially offset by a $3.2 million decrease in the fair value liability of the interest rate swaps from December 31, 2003 to December 31, 2004.

Liquidity and Capital Resources

We had $94.1 million of cash and cash equivalents at March 31, 2006, excluding cash and investments—restricted and lease security deposits of $69.3 million. In addition, we had $20.0 million available under the revolving credit loan under the New Credit Facility. See ''New Credit Facility'' for a detailed description.

As discussed below, we had a net increase in cash and cash equivalents of $16.4 million for the three months ended March 31, 2006.

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Net cash provided by (used in) operating activities was $12.1 million and $(4.4) million for the three months ended March 31, 2006 and 2005, respectively. The increase of $16.5 million was primarily due to recent acquisitions and the decrease in lease expense as a result of Omega Portfolio and Chambrel Portfolio, which were acquired in the fourth quarter of 2005. Changes in current assets and current liabilities primarily relate to the timing of collections of resident fees and payment of operating expenses, including salaries and wages, real estate taxes and insurance.

Net cash (used in) investing activities was $(186.0) million and $(1.8) million for the three months ended March 31, 2006 and 2005, respectively. During the three months ended March 31, 2006 we used $197.9 million to purchase two facilities in Orlando, Florida, the Liberty Owned Portfolio and the Wellington Portfolio, respectively, and to fund capital improvements at our existing facilities.

Net cash provided by (used in) financing activities was $190.3 million and $(4.6) million for the three months ended March 31, 2006 and 2005, respectively. During the three months ended March 31, 2006, we received $214.8 million of net proceeds from debt primarily as a result of the debt incurred in connection with our acquisitions and draws on our line of credit to fund a portion of the equity required for these acquisitions and the acquisition of the SALI Portfolio that closed on April 7, 2006, partially offset by the repayment of $3.9 million of debt, payment of a $16.5 million dividend in January 2006 and payment of financing costs of $5.0 million.

To date we have financed our operations primarily with cash generated from operations, both short- and long-term borrowings and draws from our line of credit.

At March 31, 2006, we had $897.8 million of debt outstanding at a weighted-average interest rate of 6.98%, of which $10.8 million was due in the next 12 months and primarily attributable to the three limited partnerships consolidated pursuant to EITF 04-5.

In addition, in February 2006 we entered into a $330.0 million credit agreement, as amended in May 2006 and June 2006, consisting of a $250.0 million term loan, a $20.0 million revolving loan, and a $60.0 million letters of credit commitment of which $87.0 million is drawn on the term loan and $56.0 million of letters of credit have been issued as of March 31, 2006. See ‘‘New Credit Facility’’ below.

Our liquidity requirements have historically arisen from, and we expect they will continue to arise from, working capital, general and administrative costs, debt service and lease payments, acquisition costs, employee compensation and related benefits, capital improvements and dividend payments. In the past, we have met our cash requirements for operations using cash flows from operating revenues, the receipt of resident fees and the receipt of management fees from third-party-managed facilities. In addition to using cash flows from operating revenues, we use available funds from our indebtedness and long-term leasing of our facilities to meet our cash obligations. Over 96% of our resident fee revenues are generated from private pay residents with less than 4% of our resident fee revenues coming from reimbursement programs such as Medicare and Medicaid. The primary use of our cash is for operating costs, which includes debt service and lease payments and capital expenditures. We currently estimate that our existing cash flows from operations, together with existing working capital, asset sales and the credit facility we recently entered into will be sufficient to fund our short-term liquidity needs. In addition to normal recurring capital expenditures, we expect to spend approximately $14.3 million for major improvements at the six Fortress CCRC Portfolio facilities and several existing Alterra facilities that we own. The source of these funds is the prior sale of two Fortress CCRC facilities for $11.5 million in the aggregate, before closing costs, during the third quarter of 2005, cash on hand and cash generated from operations and financings. There can be no assurance that financing or refinancing will be available to us or available on acceptable terms.

We expect to fund the growth of our business through cash flows from operations and cash flows from financing activities, such as equity offerings, and through the incurrence of additional indebtedness or leasing arrangements. We expect to assess our financing alternatives periodically and access the capital markets opportunistically. If our existing resources are insufficient to satisfy our liquidity requirements, or if we enter into an acquisition or strategic arrangement with another company, we may need to sell additional equity or debt securities. Any such sale of additional equity securities will dilute the interests of our existing stockholders, and we cannot be certain that additional public or private financing



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will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to delay, reduce the scope of, or eliminate one or more aspects of our business development activities, which could harm the growth of our business. At March 31, 2006, we had approximately $94.1 million in cash and cash equivalents of which $82.9 was used to fund the April 7, 2006 acquisition of the SALI Portfolio. We may incur additional indebtedness or lease financing to fund such acquisitions. In addition, we may incur additional indebtedness or lease financing to fund future dividends.

Our actual liquidity and capital funding requirements depend on numerous factors, including our operating results, our ability to acquire new facilities, general economic conditions and the cost of capital.

American Retirement Transaction and Related Financing

On May 12, 2006, we entered into an Agreement and Plan of Merger, or the ARC Merger Agreement, with Beta Merger Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of the Company, or Merger Sub, and American Retirement Corporation, a Tennessee corporation, or ARC, pursuant to which Merger Sub will be merged with and into ARC with ARC continuing as the surviving corporation and as a wholly-owned subsidiary of the Company. We refer to this transaction in this prospectus as the ‘‘ARC Merger’’.

Under the terms of the ARC Merger Agreement, upon consummation of the ARC Merger, each outstanding share of common stock, par value $0.01 per share, of ARC, or ARC Common Stock, together with the rights issued pursuant to the Rights Agreement, dated as of November 18, 1998, between ARC and American Stock Transfer and Trust Company, will be converted into the right to receive $33.00 per share in cash. In addition to the outstanding shares, all of the options to purchase ARC Common Stock, whether vested or unvested, will be cancelled and each holder of any such option will be entitled to receive a cash payment equal to the product of (i) the excess of $33.00 over the applicable option exercise price, and (ii) the number of shares of ARC Common Stock for which the options had not been previously exercised, for aggregate consideration of approximately $1.2 billion in cash. We expect to use a portion of the net proceeds from this offering towards fulfillment of our obligations in connection with the ARC Merger. The remainder of the purchase price is expected to be financed through a private placement of equity, as is more fully described below.

Simultaneously with entering into the ARC Merger Agreement, in order to finance the ARC Merger, we entered into the Investment Agreement with the Investor. Under the terms of the Investment Agreement, the Investor has committed to purchase from us, at and simultaneously with the closing of the ARC Merger up to $1.3 billion in aggregate of our common stock at a price of $36.93 per share. The issuance of these securities will be made pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Prior to the ARC Closing, we intend to exercise our right to reduce the Investor's $1.3 billion commitment by $650.0 million. If we do not complete this or another equity offering prior to the closing of the ARC Merger, the Investor will issue to us, at the closing, a one-time option to purchase from the Investor a number of shares of our common stock having a value equal to the difference between the total consideration paid by the Investor and $650.0 million. Pursuant to this option, we would have the right and the option (but not the obligation) to purchase those shares at a price per share of $38.07. The option would be immediately vested upon issuance at the closing of the ARC Merger and would expire six months and one day after the closing. If we complete this or another equity offering, we will not be entitled to this option and no option will be issued by the Investor.

Cash Flows

We had cash and cash equivalents of $94.1 million and $77.7 million at March 31, 2006 and December 31, 2005, respectively. These amounts exclude cash and investments-restricted and lease security deposits totaling $69.3 million and $86.7 million, respectively, escrowed pursuant to the terms of our indebtedness, leases, residency agreements and insurance programs. Restricted cash amounts are generally available to pay real estate taxes and insurance premiums, reimbursements of capital improvements and refundable tenant security deposits, and to collateralize our debt, lease and self-insured retention obligations.



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The increase in cash and cash equivalents at March 31, 2006 as compared to March 31, 2005 was primarily due to the following:

- Net cash provided by (used in) operating activities for the three months ended March 31, 2006 totaled approximately $12.1 million, compared to approximately $(4.4) million for the three months ended March 31, 2005, primarily due to recent acquisitions and decreased facility lease expense related to the Chambrel Portfolio and Omega Portfolio acquisitions as these were previously leased by us;
- Net cash (used in) investing activities for the three months ended March 31, 2006 totaled approximately $(186.0) million, compared to approximately $(1.8) million for the three months ended March 31, 2005, primarily due to the 2006 purchase of two facilities in Orlando, Florida, the Liberty Owned Portfolio and the Wellington Portfolio, additions to property, plant and equipment and partially offset by the release of cash from cash and investments-restricted; and
- Net cash provided by (used in) financing activities for the three months ended March 31, 2006 totaled approximately $190.3 million, compared to approximately $(4.6) million for the three months ended March 31, 2005, primarily due to the receipt of net proceeds from debt primarily as a result of the debt incurred in connection with the purchase of the Orlando, Florida facilities, the Liberty Owned Portfolio and the Wellington Portfolio and draws on our credit agreement.

We had $94.1 million of cash and cash equivalents at March 31, 2006, excluding cash and investments—restricted and lease security deposits of $69.3 million. In addition, we had $20.0 million available under our credit facilities.

As discussed below, we had a net decrease in cash and cash equivalents of $9.2 million for the year ended December 31, 2005.

Net cash provided by operating activities was $16.9 million and $50.1 million for the years ended December 31, 2005 and 2004, respectively. The decrease of $33.2 million was primarily due to the increase in lease expense as a result of the Provident sale-leaseback transactions completed in the fourth quarter of 2004, which was partially offset by improved operations and reduction in debt service as a result of the Provident transaction. Changes in current assets and current liabilities primarily relate to the timing of collections of resident fees and payment of operating expenses, including salaries and wages, real estate taxes and insurance.

Net cash provided by (used in) investing activities was $(580.4) million and $524.7 million for the years ended December 31, 2005 and 2004, respectively. During the year ended December, 2005 we used $595.1 million to purchase the Fortress CCRC, Prudential, Chambrel, Omega and Merrill Gardens Portfolios, respectively, and to fund capital improvements at our existing facilities. During the year ended December 31, 2004 we received $13.0 million in distributions and proceeds from the sale of the Grand Court partnerships' facilities, $520.0 million in sale proceeds from the sale and leaseback of the Provident facilities and $24.0 million from the sale of property, plant and equipment, offset by a cash outflow of $38.0 million for additions to property, plant and equipment.

Net cash provided by (used in) financing activities was $554.3 million and $(544.5) million for the years ended December 31, 2005 and 2004, respectively. During the year ended December 31, 2005, we received $151.8 million from issuance of common stock from our initial public offering, $522.8 million of net proceeds from debt primarily as a result of the debt incurred in connection with the purchase of the Fortress CCRC, Prudential, Chambrel, Omega and Merrill Gardens Portfolios and refinancing of the five development facilities and $196.8 million of equity contributed by funds managed by affiliates of Fortress in connection with the purchase of the Fortress CCRC Portfolio and the Prudential Portfolio, partially offset by the repayment of $260.0 million of debt payment of a $20.0 million dividend to funds managed by affiliates of Fortress by Alterra and payment of a $14.4 million dividend in October 2005. During the year ended December 31, 2004, we used $312.4 million primarily to repay debt.

To date we have financed our operations primarily with cash generated from operations, both short- and long-term borrowings and proceeds from our sale-leaseback transaction completed in the fourth quarter of 2004. We financed the acquisitions completed during fiscal year 2005 with long-term



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borrowings, equity contributed by funds managed by affiliates of Fortress, and proceeds from the initial public offering. In connection with the formation transactions, funds managed by affiliates of Fortress contributed the Prudential Portfolio and the Fortress CCRC Portfolio to us in exchange for shares of our common stock.

At March 31, 2006, we had $897.8 million of debt outstanding at a weighted-average interest rate of 6.98%, of which $10.8 million was due in the next 12 months. In February 2006 we entered into a $330.0 million credit agreement, consisting of a $250.0 million term loan, a $20.0 million revolving loan, and a $60.0 million letters of credit commitment. See ''New Credit Facility'' below.

Our liquidity requirements have historically arisen from, and we expect they will continue to arise from, working capital, general and administrative costs, debt service and lease payments, acquisition costs, employee compensation and related benefits, capital improvements and dividend payments. In the past, we have met our cash requirements for operations using cash flows from operating revenues, the receipt of resident fees and the receipt of management fees from third-party-managed facilities. In addition to using cash flows from operating revenues, we use available funds from our indebtedness and long-term leasing of our facilities to meet our cash obligations. Over 96% of our resident fee revenues are generated from private pay residents with less than 4% of our resident fee revenues coming from reimbursement programs such as Medicare and Medicaid. The primary use of our cash is for operating costs, which includes debt service and lease payments and capital expenditures. We currently estimate that our existing cash flows from operations, together with existing working capital, asset sales and the credit facility we recently entered into will be sufficient to fund our short-term liquidity needs. In addition to normal recurring capital expenditures, we expect to spend approximately $14.3 million for major improvements at the six Fortress CCRC Portfolio and several existing Alterra facilities that we own. The source of these funds is the prior sale of two Fortress CCRC facilities for $11.5 million in the aggregate, before closing costs, during the third quarter of 2005 and cash on hand and generated from operations and financings. There can be no assurance that financing or refinancing will be available to us or available on acceptable terms.

We expect to fund the growth of our business through cash flows from operations and cash flows from financing activities, such as equity offerings, and through the incurrence of additional indebtedness or leasing arrangements. We expect to assess our financing alternatives periodically and access the capital markets opportunistically. If our existing resources are insufficient to satisfy our liquidity requirements, or if we enter into an acquisition or strategic arrangement with another company, we may need to sell additional equity or debt securities. Any such sale of additional equity securities will dilute the interests of our existing stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. If we are unable to obtain this additional financing, we may be required to delay, reduce the scope of, or eliminate one or more aspects of our business development activities, which could harm the growth of our business. At March 31, 2006, we had approximately $94.1 million in cash and cash equivalents. We may incur additional indebtedness or lease financing to fund such acquisitions. In addition, we may incur additional indebtedness or lease financing to fund future dividends.

Our actual liquidity and capital funding requirements depend on numerous factors, including our operating results, our ability to acquire new facilities, general economic conditions and the cost of capital.

We had cash and cash equivalents of $94.1 million, $77.7 million, $86.9 million and $56.5 million at March 31, 2006 and December 31, 2005, 2004 and 2003, respectively. These amounts exclude cash and investments-restricted and lease security deposits totaling $69.3 million, $86.7 million, $74.2 million and $61.6 million, respectively, escrowed pursuant to the terms of our indebtedness, leases, residency agreements and insurance programs. Restricted cash amounts are generally available to pay real estate taxes and insurance premiums, reimbursements of capital improvements and refundable tenant security deposits, and to collateralize our debt, lease and self-insured retention obligations.



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The increase in cash and cash equivalents at March 31, 2006 as compared to March 31, 2005 was primarily due to the following:

- Net cash provided by (used in) operating activities for the three months ended March 31, 2006 totaled approximately $12.1 million, compared to approximately $(4.4) million for the three months ended March 31, 2005, primarily due to recent acquisitions and decreased facility lease expense related to the Chambrel and Omega acquisitions as these were previously leased by us;

- Net cash (used in) investing activities for the three months ended March 31, 2006 totaled approximately $(186.0) million, compared to approximately $(1.8) million for the three months ended March 31, 2005, primarily due to the 2006 purchase of two facilities in Orlando, Florida, the Liberty Owned Portfolio and the Wellington Portfolio, additions to the property, plant and equipment and partially offset by the release of cash from cash and investments-restricted; and
- Net cash provided by (used in) financing activities for the three months ended March 31, 2006 totaled approximately $190.3 million, compared to approximately $(4.6) million for the three months ended March 31, 2005, primarily due to the receipt of net proceeds from debt primarily as a result of the debt incurred in connection with the purchase of the Orlando, Florida facilities, the Liberty Owned Portfolio and the Wellington Portfolio and draws on our credit agreement.

The increase in cash and cash equivalents at December 31, 2005 as compared to December 31, 2004 was primarily due to the following:

- Net cash provided by operating activities for the year ended December 31, 2005 totaled approximately $16.9 million, compared to approximately $50.1 million for the year ended December 31, 2004, primarily due to increased facility lease expense related to the Provident sale-leaseback that occurred in the fourth quarter of 2004 partially offset by reduced interest expense for the properties related to the Provident sale-leaseback;
- Net cash provided by (used in) investing activities for the year ended December 31, 2005 totaled approximately $(580.4) million, compared to approximately $524.7 million for the year ended December 31, 2004, primarily due to the 2005 purchase of the Fortress CCRC, Prudential, Omega and Merrill Gardens Portfolios compared to the 2004 sale leaseback of the Provident facilities, the proceeds of which were used to repay debt and to pay dividends, the 2004 sale of the Grand Court partnerships' facilities, the proceeds of which were used to repay loans and amounts due from the partnerships and to pay distributions to the general and limited partners (of which we owned interests through our investment in GFB-AS Investors, LLC), and the release of cash from cash and investments-restricted; and
- Net cash provided by (used in) financing activities for the year ended December 31, 2005 totaled approximately $554.3 million, compared to approximately $(544.5 million) for the year ended December 31, 2004, primarily due to the $151.8 million we received from issuance of common stock from our initial public offering, financing of the purchase of the Fortress CCRC, Prudential, Omega and Merrill Gardens Portfolios as compared to repayment of outstanding indebtedness related to the sale of properties and dividends in 2004.

The increase in cash and cash equivalents at December 31, 2004 from December 31, 2003 was primarily due to the following:

- Net cash provided by operating activities for the year ended December 31, 2004 totaled approximately $50.1 million, compared to approximately $34.1 million for the year ended December 31, 2003, primarily due to the inclusion of Alterra into our operations following the Effective Date in December 2003 and improved operations and partially offset by the consolidation of five facilities pursuant to FIN 46R, effective December 31, 2003, that were still in lease up and generating operating deficits;
- Net cash provided by investing activities for the year ended December 31, 2004 totaled approximately $524.7 million, compared to approximately $105.9 million for the year ended December 31, 2003, primarily due to the receipt of proceeds from the Provident sale-leaseback transaction, partially offset by the inclusion of Alterra effective December 1, 2003; and

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- Net cash used in financing activities for the year ended December 31, 2004 totaled approximately $544.5 million, compared to approximately $85.7 million for the year ended December 31, 2003, primarily due to payment of a dividend of $304.6 million to our stockholders, of which $254.6 million was paid in connection with the Provident sale-leaseback in the fourth quarter 2004, and the repayment of approximately $312.4 million of outstanding indebtedness.

New Credit Facility

On February 10, 2006, we entered into a $330.0 million credit agreement, as amended on May 10, 2006 and June 29, 2006 (the ‘‘New Credit Facility’’), consisting of a $250.0 million term loan, a $20.0 million revolving loan and a $60.0 million letters of credit commitment, with the several lenders from time to time parties thereto, Lehman Brothers Inc., as lead arranger, LaSalle Bank National Association, as syndication agent, Goldman Sachs Credit Partners L.P., Citigroup Global Markets Inc., and LaSalle Bank National Association, as co-arrangers, Goldman Sachs Credit Partners L.P. and Citicorp North America, Inc., as co-documentation agents and Lehman Commercial Paper Inc., as administrative agent. Concurrent with the New Credit Facility we terminated our existing line of credit.

In connection with the New Credit Facility, we and certain of our subsidiaries (the ‘‘Guarantors’’) made a Guarantee and Pledge Agreement (the ‘‘Guarantee and Pledge Agreement’’) in favor of Lehman Commercial Paper Inc., as administrative agent for the banks and other financial institutions from time to time parties to the New Credit Facility, pursuant to which certain of the Guarantors guarantee the prompt and complete payment and performance when due by us of our obligations under the New Credit Facility and certain of the Guarantors pledge certain assets for the benefit of the secured parties as collateral security for the payment and performance of our obligations under the New Credit Facility and under the guarantee. The pledged assets include, among other things, equity interests in certain of our subsidiaries, all related books and records and, to the extent not otherwise included, all proceeds and products of any and all of the foregoing, all supporting obligations in respect of any of the foregoing and all collateral security and guarantees given by any person with respect to any of the foregoing.

The term loan and the revolving loan and the letters of credit commitment under the New Credit Facility is scheduled to expire on February 10, 2007. We have the option of requesting a six-month extension of any or all of the maturity or expiration dates.

At our option, the term loan and the revolving loan bear interest at either (i) the greater of (a) the prime lending rate as set forth on the British Banking Association Telerate Page 5 plus a margin of 0.50% and (b) the Federal Funds Effective Rate plus $^1/2$ of 1% plus a margin of 0.50%, or (ii) the Eurodollar rate plus a margin of 1.50%. In connection with the revolving loan and the letters of credit commitment, we will pay a commitment fee of 0.25% per annum on the average daily amount of undrawn funds. In connection with the term loan, we will pay a commitment fee of 0.125% of the average daily amount of undrawn funds so long as we draw less than $150.0 million, or 0.25% if we draw $150.0 million or more.

The proceeds of the loans under the New Credit Facility shall be used to finance a portion of acquisitions of fee-simple and leasehold ownership interests in senior housing real estate and to pay related fees and expenses and for general corporate purposes.

The New Credit Facility contains typical representations and covenants for loans of this type. A violation of any of these covenants could result in a default under the New Credit Facility, which would result in termination of all commitments and loans under the New Credit Facility and all other amounts owing under the New Credit Facility and the other loan documents to become immediately due and payable.

As of the date of this prospectus, we have drawn $195.0 million and $0 on the term loan and the revolving loan, respectively. In addition $59.4 million of letters of credit have been issued under the letter of credit commitment.



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Contractual Commitments

The following table presents a summary of our material indebtedness, lease and other contractual commitments, as of March 31, 2006.

| | Total | 2006(1) | 2007 | 2008 | 2009 | 2010 | Thereafter |
|---|---|---|---|---|---|---|---|
| | | | | ($ in 000's) | | | |
| Contractual Obligations: | | | | | | | |
| Long-term debt(2) | $1,147,010 | $ 41,952 | $136,585 | $222,404 | $114,485 | $132,024 | $ 499,560 |
| Capital lease obligations(2) | 97,684 | 5,958 | 7,944 | 7,944 | 7,944 | 7,944 | 59,950 |
| Operating lease obligations(3) | 2,467,984 | 121,597 | 165,183 | 167,543 | 170,455 | 173,702 | 1,669,504 |
| Purchase obligations(4) | 1,199 | 717 | 438 | 44 | — | — | — |
| Total | $3,713,877 | $170,224 | $310,150 | $397,935 | $292,884 | $313,670 | $2,229,014 |

(1) Nine months ended December 31, 2006.

(2) Includes contractual interest for all fixed-rate obligations and assumes interest on variable rate instruments at the March 31, 2006 rate.

(3) Reflects future cash payments after giving effect to lease escalators and assumes payments on variable rate instruments at the March 31, 2006 rate.

(4) Represents minimum purchase commitments pursuant to contracts with suppliers.

The following table presents a summary of our material indebtedness, including the related interest payments, lease and other contractual commitments, as of March 31, 2006, on a pro forma basis for the ARC Merger and the Recent Acquisitions that closed after March 31, 2006.

| Contractual Obligations | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Long-term debt | $ 58,179 | $155,004 | $248,772 | $128,944 | $162,117 | $ 574,678 | $1,327,694 |
| Capital lease obligations | 29,526 | 29,823 | 30,299 | 30,760 | 31,352 | 152,000 | 303,760 |
| Operating lease obligations | 231,580 | 234,971 | 236,790 | 240,834 | 243,862 | 1,964,483 | 3,152,519 |
| Purchase obligations | 1,637 | 438 | 44 | — | — | — | 2,119 |
| Commitments | 79,824 | 23,549 | 7,072 | 440 | 477 | 7,498 | 118,860 |
| Note receivable | (2,901) | (2,693) | (2,693) | (2,693) | (8,671) | (4,135) | (23,786) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total, net | $397,845 | $441,092 | $520,284 | $398,285 | $429,137 | $2,694,524 | $4,881,166 |

Company Indebtedness, Long-term Leases and Hedging Agreements

Indebtedness

As of March 31, 2006 and December 31, 2005, 2004 and 2003, our outstanding property-specific debt was approximately $897.8 million and $754.3 million, $371.1 million and $1,029.3 million, respectively. The increase from December 31, 2004 to December 31, 2005 was primarily due to debt incurred to fund the acquisition of the Fortress CCRC , Prudential, Chambrel, Omega and Merrill Gardens Portfolios and the refinancing of our $182.0 million Guaranty Bank loan, partially offset by scheduled principal payments and repayment of debt from the proceeds of our initial public offering. The decrease from December 31, 2003 to December 31, 2004, was primarily due to the assumption by Provident of approximately $483.3 million of indebtedness, including first mortgage loans, mezzanine loans and an unsecured line of credit, in connection with the Provident sale-leaseback and net repayment of approximately $232.5 million of indebtedness, including $19.4 million of loans to the members of Fortress Brookdale Acquisition LLC.

On February 10, 2006, we entered into a new credit agreement. See ‘‘New Credit Facility’’ above.

We had an unsecured line of credit of $330.0 million at March 31, 2006, of which $60.0 million was restricted for certain letters of credit and $20.0 million for working capital. The balance consists of a $250.0 million term loan to fund the equity portion of our acquisitions. As of March 31, 2006, we had drawn $87.0 million on the term loan and had issued $56.0 million of letters of credit.





On March 30, 2005, we refinanced the construction loans secured by five facilities with new construction loans in the aggregate amount of $182.0 million, bearing interest at 30-day LIBOR plus 3.05% to 5.60% (with a weighted average of 3.50%), payable in monthly installments of interest only through the maturity of April 1, 2008. The loans can be extended for two additional one-year terms (subject to certain performance covenants and payment of an annual extension fee of 0.25% of the amount outstanding). Upon completion of our initial public offering, we repaid $32.0 million of this loan that bore interest at LIBOR plus 5.60%. The remaining loan bears interest at LIBOR plus 3.05%. We expect to repay the indebtedness under this loan using proceeds received from the Investor pursuant to the Investment Agreement.

We have secured our self-insured retention risk under our workers’ compensation and general liability and professional liability programs and our lease security deposits with $23.1 million and $34.9 million, respectively, of cash and letters of credit at March 31, 2006.

As of March 31, 2006, we are in compliance with the financial covenants of our outstanding debt, including those covenants measuring facility operating income to gauge debt coverage.

Long-term Leases

We have historically financed our acquisitions and current portfolio with a combination of mortgage financing and long-term leases. During 2004, we entered into two long-term leases with Ventas and Provident (which was acquired by Ventas in June 2005). In connection with the leases, we substantially reduced our outstanding debt during 2004 by $483.3 million. Our strategy going forward is to finance acquisitions through traditional mortgage financing of up to 65% of the cost of a facility, with the balance in the form of our equity. The source of equity is expected to be from current cash and cash equivalents, cash generated from operations, lines of credit, refinancing of our existing facilities, joint ventures or additional equity offerings.

As of March 31, 2006, we have 299 facilities under long-term leases. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we have 384 facilities under long-term leases. Our lessors invested a total of $1,647.8 million in the facilities we lease from them. The leased facilities are generally fixed rate leases with annual escalators that are either fixed or tied to the consumer price index.

The following two leases have or had a floating-rate debt component built into the lease payment:

We acquired the Chambrel Portfolio from Capstead on December 30, 2005. Prior to the acquisition, the Chambrel Portfolio lease payment was a pass through of debt service, which includes $100.8 million of floating rate tax-exempt debt that is credit enhanced by Fannie Mae and subject to interest rate caps at 6.0% and $18.9 million of fixed rate debt, and a stated equity return subject to annual escalation based on the CPI.

As of March 31, 2006, the Brookdale Provident leases contain $109.5 million of variable rate mortgages, which includes $80.0 million of floating-rate tax-exempt debt that is credit enhanced by Freddie Mac. The payments under the lease are subject to interest rate caps with a weighted-average rate of 6.17%. $24.4 million is hedged by an interest rate swap and the balance of $5.1 million is not hedged and matured in May 2006.

For the three months ended March 31, 2006 and for the years ended December 31, 2005 and 2004, our minimum annual lease payments for our capital and financing leases and operating leases was $2.0 million and $41.6 million, $8.0 million and $173.5 million, and $7.9 million and $169.3 million, respectively. These amounts exclude the straight-line rent expense associated with our annual escalators and the amortization of the deferred gains recognized in connection with the sale-leasebacks.

As of March 31, 2006, we are in compliance with the financial covenants of our capital and operating leases, including those covenants measuring facility operating income to gauge debt coverage.



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Hedging

We had one interest rate swap agreement with Firstar Bank, N.A. (now doing business as US Bank Corp.) that converted $37.3 million of its floating-rate construction debt to a fixed-rate basis of 5.19% through maturity on April 1, 2005. This interest rate swap agreement was designated as a fair value hedge.

We had four 10-year forward interest rate swaps with LaSalle Bank, N.A. to fix $97.3 million of future mortgage debt at 7.03%-7.325% with maturity dates ranging from August 2012 to March 2013 with a scheduled termination date of June 2006. The terms of the forward interest rate swaps required us to pay a fixed-interest rate to the counterparties. On March 30, 2005, we terminated our four 10-year forward interest rate swaps and incurred a termination payment of $15.8 million, including accrued interest of $1.7 million, which was funded by cash deposited with the counterparty and a $10.0 million unsecured loan bearing interest payable monthly at prime plus 1% and principal payable in quarterly installments of $500 commencing July 1, 2005 and maturing March 31, 2007. The loan was repaid in November 2005 from the proceeds of our initial public offering.

In connection with the funding of $182.0 million of loans secured by five facilities on March 30, 2005, we entered into interest rate swaps for a notional amount of $182.0 million to hedge the floating rate debt payments where we pay an average fixed rate of 4.64% and receive 30-day LIBOR from the counterparty. The interest rate swaps are comprised of a $145.0 million notional amount for seven years and a $37.0 million notional amount for three years. In connection with the swaps, we originally posted approximately $2.3 million as cash collateral with the counterparty, which was returned in March 2006, and are required to post additional cash collateral based on changes in the fair value of the swaps. The swaps are recorded as cash flow hedges.

In connection with the purchase of the Chambrel Portfolio, we assumed interest rate caps with an aggregate notional amount of $100.8 million, a strike price of 6.0% and a maturity date of November/December 2007.

In February 2006, we entered into five-year forward interest rate swaps in the aggregate notional amounts of $283.5 million whereby we pay an average fixed rate of 4.97% and receive 30-day LIBOR from the counterparty. Of this amount $6.1 million was designated for existing floating rate debt, $126.5 was designated as a hedge on the floating rate debt incurred in connection with two Orlando facilities, Liberty owned and Wellington Portfolio acquisitions, and $150.9 is designated for future acquisitions of which the AEWI Portfolio with $124.5 million of floating rate debt closed on April 28, 2006.

At March 31, 2006, we had interest swaps with an aggregate notional amount of $653.0 million and a fair value of $11.9 million. The average fixed rate is 4.61% with a weighted average maturity of 5.2 years.

Impacts of Inflation

Resident fees for the facilities we own or lease and management fees from facilities we manage for third parties are our primary source of revenue. These revenues are affected by the amount of monthly resident fee rates and facility occupancy rates. The rates charged are highly dependent on local market conditions and the competitive environment in which our facilities operate. Substantially all of our independent and assisted living residency agreements allow for adjustments in the monthly fee payable thereunder not less frequently than 12 or 13 months, or monthly, respectively, thereby enabling us to seek increases in monthly fees due to inflation, increased levels of care or other factors. Any pricing increase would be subject to market and competitive conditions and could result in a decrease in occupancy in the facilities. We believe, however, that our ability to periodically adjust the monthly fee serves to reduce the adverse affect of inflation. In addition, employee compensation expense is a principal cost element of facility operations and is also dependent upon local market conditions. There can be no assurance that resident fees will increase or that costs will not increase due to inflation or other causes. At March 31, 2006, approximately $688.1 million of our indebtedness and lease payments bore interest at floating rates. We have mitigated $683.0 million of our exposure to floating rates by using $502.1 million of interest rate swaps and $180.9 million of interest rate caps under our lease arrangements. Inflation, and its impact on floating interest rates, could affect the amount of interest payments due on such debt.

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Application of Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States, or GAAP, requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses. We consider an accounting estimate to be critical if it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate, or different estimates that could have been selected, could have a material impact on our combined results of operations or financial condition. We have identified the following critical accounting policies that affect significant estimates and judgments.

Self-Insurance Liability Accruals

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. Although we maintain general liability and professional liability insurance policies for our owned, leased and managed facilities under a master insurance program, our current policy provides for deductibles of $1.0 million for each and every claim. As a result, we are effectively self-insured for most claims. In addition, we maintain a self-insured workers compensation program (with excess loss coverage above $0.5 million per individual claim) and a self-insured employee medical program (with excess loss coverage above $0.2 million to $0.3 million per individual claim). We are self-insured for amounts below these excess loss coverage amounts. We review the adequacy of our accruals related to these liabilities on an ongoing basis, using historical claims, actuarial valuations, third-party administrator estimates, consultants, advice from legal counsel and industry data, and adjust accruals periodically. Estimated costs related to these self-insurance programs are accrued based on known claims and projected claims incurred but not yet reported. Subsequent changes in actual experience are monitored and estimates are updated as information is available.

Tax Valuation Allowance

We account for income taxes under the provisions of SFAS No. 109, Accounting for Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are expected to be realized. As of March 31, 2006 and December 31, 2005 and 2004, we have a valuation allowance against deferred tax assets of approximately $46.4 million, $47.5 million and $89.3 million, respectively. When we determine that it is more likely than not that we will be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the deferred tax asset would be made and reflected in either income or as an adjustment to Goodwill. This determination will be made by considering various factors, including our expected future results, that in our judgment will make it more likely than not that these deferred tax assets will be realized.

Lease Accounting

We determine whether to account for our leases as either operating or capital leases depending on the underlying terms. As of March 31, 2006, we operated 299 facilities under long-term leases with $1,581.5 million of operating and $66.3 million of capital and financing lease obligations. The determination of this classification is complex and in certain situations requires a significant level of judgment. Our classification criteria is based on estimates regarding the fair value of the leased facilities, minimum lease payments, effective cost of funds, the economic life of the facility and certain other terms in the lease agreements as stated in our consolidated financial statements included elsewhere in this prospectus. Facilities under operating leases are accounted for in our statement of operations as lease expenses for actual rent paid plus or minus straight-line adjustments for fixed or estimated minimum lease escalators and amortization of deferred gains. For facilities under capital lease and lease financing obligation arrangements, a liability is established on our balance sheet and a corresponding long-term asset is recorded. Lease payments are allocated between principal and interest on the remaining base lease obligations and the lease asset is depreciated over the term of the lease. In addition, we amortize

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leasehold improvements purchased during the term of the lease over the shorter of their economic life or the lease term. Sale-leaseback transactions are recorded as lease financing obligations when the transactions include a form of continuing involvement, such as purchase options.

One of our leases provide for various additional lease payments based on changes in the interest rates on the debt underlying the lease. All of our leases contain fixed or formula based rent escalators. To the extent that the escalator increases are tied to a fixed index or rate, lease payments are accounted for on a straight-line basis over the life of the lease. In addition, we recognize all rent-free or rent holiday periods in operating leases on a straight-line basis over the lease term, including the rent holiday period.

Allowance for Doubtful Accounts

Accounts receivable are reported net of an allowance for doubtful accounts, to represent our estimate of the amount that ultimately will be realized in cash. The allowance for doubtful accounts was $3.0 million, $3.0 million and $2.9 million as of March 31, 2006, December 31, 2005 and 2004, respectively. The adequacy of our allowance for doubtful accounts is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of receivable portfolios by payor source and aging of receivables, as well as a review of specific accounts, and adjustments are made to the allowance as necessary. Changes in legislation are not expected to have a material impact on collections; however, changes in economic conditions could have an impact on the collection of existing receivable balances or future allowance considerations.

Long-lived Assets and Goodwill

As of March 31, 2006, December 31, 2005, 2004 and 2003, our long-lived assets were comprised primarily of $1,610.6 million, $1,408.7 million, $523.6 million and $1,395.3 million, respectively, of property, plant and equipment. In accounting for our long-lived assets, other than goodwill, we apply the provisions of SFAS No. 141, Business Combinations, and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. In connection with our formation transactions, for financial reporting purposes we recorded the non-controlling stockholders' interest at fair value. Goodwill associated with the step-up was allocated to the carrying value of each facility and included in our application of the provisions of SFAS No. 142. Beginning January 1, 2002, we account for goodwill under the provisions of SFAS No. 142, Goodwill and Other Intangible Assets. As of March 31, 2006, December 31, 2005 and 2004, we had $65.6 million, $65.6 million and $9.0 million, respectively, of goodwill.

In determining the allocation of the purchase price of facilities to net tangible and identified intangible assets acquired, we make estimates of the fair value of the tangible and intangible assets using information obtained as a result of pre-acquisition due diligence, marketing, leasing activities and independent appraisals. We allocate a portion of the purchase price to the value of leases acquired based on the difference between the facility valued with existing leases adjusted to market rental rates and the facility valued as if vacant.

The determination and measurement of an impairment loss under these accounting standards requires the significant use of judgment and estimates. The determination of fair value of these assets utilizes cash flow projections that assume certain future revenue and cost levels, assumed cap and discount rates based upon current market conditions and other valuation factors, all of which involve the use of significant judgment and estimation. Future events may indicate differences from management's current judgments and estimates, which could, in turn, result in impairment. Future events that may result in impairment charges include increases in interest rates, which would impact discount rates, differences in projected occupancy rates and changes in the cost structure of existing communities.

Recently Issued Accounting Pronouncements

SFAS No. 123, Share-Based Payment

In December 2004, the Financial Accounting Standards Board (‘‘FASB’’) issued SFAS No. 123 (revised), Share-Based Payment, which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an



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entity obtains employee services in share-based payment transactions. SFAS No. 123R is a revision to SFAS No. 123 and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. For all companies, this Statement will require measurement of the cost of employee services received in exchange for stock compensation based on the grant-date fair value of the employee stock options. Incremental compensation costs arising from subsequent modifications of stock awards after the grant date must be recognized. This Statement will be effective for us as of January 1, 2006, although early adoption is permitted. We adopted SFAS 123R in connection with our initial stock compensation grant of restricted stock effective August 2005. We recorded initial compensation expense of $18.5 million, based on an offering price of $19.00 per share, for the vested shares from the date of grant to the date of our initial public offering, and total compensation expense of $22.7 million was recorded as of December 31, 2005. In addition, we paid a cash bonus of $6.4 million to the grantees to reimburse them for their Federal and state taxes incurred on the grant.

EITF Issue No. 04-05, General Partner Controls a Limited Partnership

In June 2005, the FASB issued EITF Issue No. 04-05, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights (‘EITF 04-05’’). EITF 04-05 provides guidance in determining whether a general partner controls a limited partnership that is not a VIE and thus should consolidate the limited partnership. The effective date is June 29, 2005, for all new limited partnerships and existing limited partnerships for which the partnership agreements are modified and no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005 for all other limited partnerships. We adopted EITF 04-05 effective January 1, 2006 and the impact on our consolidated financial statements was not significant.

FASB Interpretation No. 46, Consolidation of Variable Interest Entities

In December 2003, the ‘‘FASB’’ issued FIN 46R. This Interpretation addresses the consolidation by business enterprises of primary beneficiaries in variable interest entities (‘‘VIEs’’) as defined in the Interpretation.

We developed and manage five facilities for third-party entities, for which we have guaranteed certain debt obligations and have the right to purchase or lease the facilities. We evaluated our relationship with the entities that own the facilities pursuant to FIN 46R, and determined they are VIEs, of which we are the primary beneficiary. We elected to adopt FIN 46R as of December 31, 2003 and accordingly, consolidated the entities as of December 31, 2003 in the accompanying financial statements. On March 1, 2005, we obtained legal title to four of the VIEs (The Meadows of Glen Ellyn, The Heritage of Raleigh, Trillium Place and The Hallmark of Creve Coeur facilities). Additionally, on December 30, 2005 we obtained legal title to the Hallmark of Battery Park City. The five VIE's were previously consolidated pursuant to FIN 46R. The legal acquisition of the facilities had minimal accounting impact.

Off-Balance Sheet Arrangements

We have one joint venture, Brookdale Senior Housing, LLC, with an affiliate of Northwestern Mutual Life, which owns and operates two facilities, The Heritage of Southfield, Southfield, Michigan (which includes 217 units/beds) and The Devonshire of Mt. Lebanon, Mt. Lebanon (Pittsburgh), Pennsylvania (which includes 218 units/beds). The venture partner made a first mortgage loan to a third facility owned by us, The Heritage at Gaines Ranch, Austin, Texas (which includes 208 units/beds) and the venture made a mezzanine loan of $12.7 million to the entity that owns the facility. Pursuant to the terms of the mezzanine loan, all net cash flow, including sale or refinancing proceeds, is payable to the venture. Pursuant to the terms of the venture agreements all net cash flow, including sale or refinancing proceeds, is distributed to the venture partner until it receives a 16% compounded return and then net cash flow is distributed 60% to the venture partner and 40% to us. Capital contributions, if any, are contributed 75% by the venture partner and 25% by us.



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We developed and managed eight facilities for a third party. In addition, we indemnified the owner for any federal or state tax liabilities associated with the ownership of the facilities. Three of the facilities were purchased in 2002 and were sold or refinanced by the joint venture described above in September 2003. As described above, effective December 31, 2003, the remaining five facilities (which include 1,104 units/beds) were consolidated in our financial statements pursuant to FIN 46R. Prior to purchasing and consolidating the facilities in our financial statements, we recorded management fees of 5%–7% of gross revenues with respect to the facilities in our combined financial statements.

As described above, on March 1 and December 30, 2005, we purchased four and one of the five facilities (which include 887 and 217 units/beds), respectively. Although the facilities were consolidated effective December 31, 2003, pursuant to FIN 46R, they were not included in our Federal and state income tax returns until we purchased them. On March 30, 2005, we obtained $182.0 million of first mortgage financing to refinance the existing indebtedness on the five facilities.

ARC's management services segment includes six large retirement centers owned by others and operated by ARC pursuant to multi-year management agreements. Under ARC's management agreements for these six communities, ARC receives management fees as well as reimbursed expense revenues, which represent the reimbursement of certain expenses that ARC incurs on behalf of the owners. Two of these communities are retirement center cooperatives that are owned by their residents, and three others are owned by not-for-profit sponsors. The remaining retirement center is owned by an unaffiliated third party. These six communities have approximately 1,400 units, representing approximately 10% of ARC's total unit capacity as of March 31, 2006 and December 31, 2005.

ARC also owned non-controlling interests in 13 senior living communities at March 31, 2006 and nine senior living communities as of December 31, 2005. ARC's interests, through limited liability companies and partnerships, were 20% for all related communities with the exception of one free-standing assisted living community in which ARC owned a 37.5% interest. ARC does not control these entities, since the other partners and members participate in the management decisions of these communities. Accordingly, these investments were accounted for under the equity method, and ARC recognized profits on sales of services to these entities to the extent of the ventures' outside ownership interest. ARC joined its venture partners in guaranteeing $8.3 million and $8.4 million of first mortgage debt (secured by the joint venture's assets) of one of these communities at March 31, 2006 and December 31, 2005, respectively.

Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks from changes in interest rates charged on our credit facilities used to finance acquisitions on an interim basis, floating-rate indebtedness and lease payments subject to floating rates. The impact on earnings and the value of our long-term debt and lease payments are subject to change as a result of movements in market rates and prices. As of March 31, 2006, we had approximately $240.5 million of long-term fixed rate debt, $591.1 million of long-term variable rate debt, and $66.3 million of capital lease obligations. As of March 31, 2006, our total fixed-rate debt and variable-rate debt outstanding had weighted-average interest rates of 6.98%.

We do not expect changes in interest rates to have a material effect on earnings or cash flows since 100% of our debt and lease payments either have fixed rates or variable rates that are subject to swap or interest rate cap agreements with major financial institutions to manage our risk.



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The following table presents future principal payment obligations and weighted-average interest rates as of March 31, 2006 associated with long-term debt instruments ($ in 000s).

| | Weighted Average Interest Rate[1] | Total | Expected Maturity Date—December 31, 2006 | 2007 | 2008 | 2009 | 2010 | Thereafter |
|---|---|---|---|---|---|---|---|---|
| Mortgage notes payable 2008 through 2012 | 5.54% | $196,935 | $ — | $ — | $ — | $68,994 | $ 32,771 | $ 95,170 |
| Mortgage notes payable 2005 through 2037 | 9.12% | 74,588 | 16 | 71,233 | 25 | 27 | 29 | 3,258 |
| Mortgage notes payable through 2010 | 6.615% | 105,756 | — | — | — | 1,401 | 104,355 | — |
| Mortgage notes payable through 2010 | 5.38% | 171,000 | — | — | — | — | 2,478 | 168,522 |
| Mortgage rates payable through 2010[3] | 7.88% | 19,697 | 249 | 10,605 | 164 | 177 | 2,548 | 5,954 |
| Notes payable | 8.14% | 150,000 | — | — | 150,000 | — | — | — |
| Capital and financing lease obligation | 11.83% | 66,284 | — | — | — | — | — | 66,284 |
| Mezzanine loan | (2) | 12,739 | — | — | — | — | — | 12,739 |
| Tax exempt and taxable bonds | 3.18% | 100,841 | — | — | — | — | — | 100,841 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total Debt | 6.98% | $897,840 | $265 | $81,838 | $150,189 | $70,599 | $142,181 | $452,768 |

(1) Variable rate debt reflected at the swapped rate.

(2) Payable to the extent of all available net cash flow (as defined).

(3) Debt related to consolidation of limited partnerships pursuant to EITF 04-5.

Non-GAAP Financial Measures

A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows, but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. In this report, we define and use the non-GAAP financial measures Adjusted EBITDA, Cash From Facility Operations and Facility Operating Income, as set forth below.

Adjusted EBITDA

Definition of Adjusted EBITDA

We define Adjusted EBITDA as follows:

Net income before:

- provision (benefit) for income taxes;
- non-operating (income) loss items;
- depreciation and amortization;
- straight-line rent expense (income);
- amortization of deferred entrance fees;
- and non-cash compensation expense;





and including:

- entrance fee receipts and refunds.

Management's Use of Adjusted EBITDA

We use Adjusted EBITDA to assess our overall financial and operating performance. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day performance because the items excluded have little or no significance on our day-to-day operations. This measure 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. It provides an indicator for management to determine if adjustments to current spending decisions are needed.

Adjusted EBITDA provides us with a measure of financial performance, independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, straight-line rent expense (income), taxation and interest expense associated with our capital structure. This metric measures our financial performance based on operational factors that management can impact in the short-term, namely the cost structure or expenses of the organization. Adjusted EBITDA is one of the metrics used by senior management and the board of directors to review the financial performance of the business on a monthly basis. Adjusted EBITDA is also used by research analysts and investors to evaluate the performance of and value companies in our industry.

Limitations of Adjusted EBITDA

Adjusted EBITDA has limitations as an analytical tool. It should not be viewed in isolation or as a substitute for GAAP measures of earnings. Material limitations in making the adjustments to our earnings to calculate Adjusted EBITDA, and using this non-GAAP financial measure as compared to GAAP net income (loss), include:

- the cash portion of interest expense, income tax (benefit) provision and non-recurring charges related to gain (loss) on sale of facilities and extinguishment of debt activities generally represent charges (gains), which may significantly affect our financial results; and
- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our facilities, which affects the services we provide to our residents and may be indicative of future needs for capital expenditures.

An investor or potential investor may find this item important in evaluating our performance, results of operations and financial position. We use non-GAAP financial measures to supplement our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business.

Adjusted EBITDA is not an alternative to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. You should not rely on Adjusted EBITDA as a substitute for any such GAAP financial measure. We strongly urge you to review the reconciliation of Adjusted EBITDA to GAAP net income (loss), along with our consolidated and combined financial statements included below. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because Adjusted EBITDA is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Adjusted EBITDA measure, as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.

The table below shows the reconciliation of net income (loss) to Adjusted EBITDA for the three months ended March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004, and 2003:





| | Three Months Ended March 31, 2006(1)(2) | Three Months Ended March 31, 2005 | Three Months Ended December 31, 2005(1)(2) | Nine Months Ended September 30, 2005(1)(2) | Years Ended December 31, | | |
|---|---|---|---|---|---|---|---|
| | | | | | 2005(1)(2) | 2004 | 2003 |
| Net loss | $(19,326) | $ (1,798) | $(24,456) | $(26,530) | $(50,986) | $ (9,794) | $ (8,963) |
| Cumulative effect of a change in accounting | — | — | — | — | — | — | 7,277 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| principle, net | | | | | | | |
| Loss on discontinued operations | — | 35 | — | 128 | 128 | 361 | 322 |
| Provision (benefit) for income taxes | 386 | 166 | 150 | (247) | (97) | 11,111 | 139 |
| Other | — | — | — | — | — | 114 | — |
| Minority interest | 116 | (2,532) | — | (16,575) | (16,575) | (11,734) | (1,284) |
| Equity in (earning) loss of unconsolidated ventures | 168 | 187 | 197 | 641 | 838 | 931 | (318) |
| Loss (gain) on extinguishment of debt | 1,334 | 453 | 3,543 | 453 | 3,996 | (1,051) | (12,511) |
| Loss on sale of properties | — | — | — | — | — | — | 24,513 |
| Interest expense: | | | | | | | |
| Debt | 11,530 | 6,849 | 10,485 | 26,564 | 37,049 | 55,851 | 24,484 |
| Amortization of deferred financing costs | 703 | 423 | 238 | 827 | 1,065 | 2,120 | 1,097 |
| Capitalized lease obligation | 2,160 | 2,276 | 2,324 | 6,875 | 9,199 | 7,783 | 622 |
| Change in fair value of derivatives | 101 | (4,062) | 88 | (4,080) | (3,992) | (3,176) | — |
| Interest income | (1,052) | (696) | (1,588) | (2,200) | (3,788) | (637) | (14,037) |
| Income (loss) From operations | (3,880) | 1,301 | (9,019) | (14,144) | (23,163) | 51,879 | 21,341 |
| Depreciation and amortization | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 | 21,383 |
| Straight-line lease expense | 5,259 | 6,094 | 5,895 | 17,857 | 23,752 | 4,588 | 1,102 |
| Amortization of deferred gain | (1,087) | (2,296) | (1,152) | (6,786) | (7,938) | (2,260) | (539) |
| Amortization of entrance fees | (83) | — | (15) | (18) | (33) | — | — |
| Non-cash compensation expense | 3,018 | — | 11,534 | 11,146 | 22,680 | — | — |
| Entrance fee receipts | 2,069 | — | 1,999 | 3,230 | 5,229 | — | — |
| Entrance fee disbursements | (703) | — | (1,065) | (1,670) | (2,735) | — | — |
| Adjusted EBITDA | $ 26,892 | $10,272 | $ 26,961 | $ 39,649 | $ 66,610 | $104,394 | $ 43,287 |

(1)Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group.

(2)Includes non-recurring expenses totaling $3.0 million and $3.4 million, $9.1 million and $12.5 million for the three months ended March 31, 2006 and December 31, 2005, the nine months ended September 30, 2005 and the year ended December 31, 2005.

(3)Three months ended December 31, 2005 includes a non-cash benefit of $4.7 million related to the reversal of an accrual established in connection with Alterra's emergence from bankruptcy.

Cash From Facility Operations

Definition of Cash From Facility Operations

We define Cash From Facility Operations as follows:

Net cash provided by (used in) operating activities adjusted for:

- changes in operating assets and liabilities;
- deferred interest and fees added to principal;
- non refundable entrance fees;
- entrance fees disbursed;
- other; and
- recurring capital expenditures.



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Recurring capital expenditures include expenditures capitalized in accordance with GAAP that are funded from Cash From Facility Operations. Amounts excluded from recurring capital expenditures consist primarily of unusual or non-recurring capital items and facility purchases and/or major renovations that are funded using financing proceeds and/or proceeds from the sale of facilities that are held for sale.

Management's Use of Cash From Facility Operations

We use Cash From Facility Operations to assess our overall liquidity. This measure provides an assessment of controllable expenses and affords management the ability to make decisions, which are expected to facilitate meeting current financial and liquidity goals as well as to achieve optimal financial performance. It provides an indicator for management to determine if adjustments to current spending decisions are needed.

This metric measures our liquidity based on operational factors that management can impact in the short-term, namely the cost structure or expenses of the organization. Cash From Facility Operations is one of the metrics used by our senior management and board of directors (i) to review our ability to service our outstanding indebtedness (including our credit facilities and long-term leases), (ii) our ability to pay dividends to stockholders, (iii) our ability to make regular recurring capital expenditures to maintain and improve our facilities on a period-to-period basis and (iv) for planning purposes, including preparation of our annual budget. Our credit facility, which we entered into on February 10, 2006 with Lehman Brothers Inc., LaSalle Bank National Association, Goldman Sachs Credit Partners L.P., and Citicorp North America, Inc. contains a concept similar to Cash From Facility Operations as part of a formula to calculate availability of borrowing under the credit facility. In addition, our operating leases and loan agreements generally contain provisions requiring us to make minimum annual capital expenditures. These agreements generally require us to escrow or spend a minimum of between $250 and $450 per unit/bed per year. Historically, we have spent in excess of these per unit/bed amounts; however, there is no assurance that we will have funds available to escrow or spend these per unit/bed amounts in the future. If we do not escrow or spend the required minimum annual amounts, we would be in default of the applicable debt or lease agreement, which could trigger cross default provisions in our outstanding indebtedness and lease arrangements.

Limitations of Cash From Facility Operations

Cash From Facility Operations has limitations as an analytical tool. It should not be viewed in isolation or as a substitute for GAAP measures of cash flow from operations. Cash From Facility Operations does not represent cash available for dividends or discretionary expenditures, since we may have mandatory debt service requirements or other non-discretionary expenditures not reflected in the measure. Material limitations in making the adjustment to our cash flow from operations to calculate Cash From Facility Operations, and using this non-GAAP financial measure as compared to GAAP operating cash flows, include:

- the cash portion of interest expense, income tax (benefit) provision and non-recurring charges related to gain (loss) on sale of facilities and extinguishment of debt activities generally represent charges (gains), which may significantly affect our financial results; and
- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our facilities, which affects the services we provide to our residents and may be indicative of future needs for capital expenditures.

We believe Cash From Facility Operations is useful to investors because it assists their ability to meaningfully evaluate (1) our ability to service our outstanding indebtedness, including our credit facilities and capital and financing leases, (2) our ability to pay dividends to stockholders and (3) our ability to make regular recurring capital expenditures to maintain and improve our facilities.

Cash From Facility Operations is not an alternative to cash flows provided by or used in operations as calculated and presented in accordance with GAAP. You should not rely on Cash From Facility Operations as a substitute for any such GAAP financial measure. We strongly urge you to review the





reconciliation of Cash From Facility Operations to GAAP net cash provided by (used in) operating activities, along with our combined financial statements included below. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because Cash From Facility Operations is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Cash From Facility Operations measure, as presented in this report, may differ from and may not be comparable to similarly title measures used by other companies.

The table below shows the reconciliation of net cash provided by operating activities to Cash From Facility Operations for the three months ended March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004, and 2003:

| | Three Months Ended March 31, | | Three Months Ended December 31, | Nine Months Ended September 30, | Years Ended December 31, | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005(1) | 2005 | 2005(1) | 2004 | 2003 |
| Net cash provided by operating activities | $12,119 | (4,428) | $ 9,093 | $ 7,807 | $ 16,900 | $ 50,128 | $34,111 |
| Changes in operating assets and liabilities | 831 | 6,271 | 6,199 | (257) | 5,942 | (7,465) | (1,095) |
| Long-term deferred interest and fee added to principal | — | — | — | — | — | (1,380) | (798) |
| Refundable entrance fees received | 1,621 | — | 1,513 | 2,530 | 4,043 | — | — |
| Reimbursement of | 1,500 | — | — | — | — | — | — |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| operating expenses | | | | | | | |
| Entrance fees disbursed | (703) | — | (1,065) | (1,670) | (2,735) | — | — |
| Other | — | — | — | — | — | 114 | — |
| Recurring capital expenditures | (2,061) | (3,428) | (4,868) | (12,640) | (17,508) | (13,527) | (4,434) |
| Cash From Facility Operations | $13,307 | $(1,585) | $10,872 | $ (4,230) | $ 6,642 | $ 27,870 | $27,784 |

(1)Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group.

(2)Includes non-recurring expenses totaling $3.0 million and $3.4 million, $9.1 million and $12.5 million for the three months ended March 31, 2006 and December 31, 2005, the nine months ended September 30, 2005 and the year ended December 31, 2005.

Facility Operating Income

Definition of Facility Operating Income

We define Facility Operating Income as follows:

Net income before:

- provision (benefit) for income taxes;
- non-operating (income) loss items;
- depreciation and amortization;
- facility lease expense;
- general and administrative expense
- compensation expense;
- amortization of deferred entrance fee revenue; and
- management fees.

Management's Use of Facility Operating Income

We use Facility Operating Income to assess our facility operating performance. We believe this non-GAAP measure, as we have defined it, is helpful in identifying trends in our day-to-day facility

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performance because the items excluded have little or no significance on our day-to-day facility operations. This measure provides an assessment of revenue generation and expense management and affords management the ability to make decisions, which are expected to facilitate meeting current financial goals as well as to achieve optimal facility financial performance. It provides an indicator for management to determine if adjustments to current spending decisions are needed.

Facility Operating Income provides us with a measure of facility financial performance, independent of items that are beyond the control of management in the short-term, such as depreciation and amortization, lease expense, taxation and interest expense associated with our capital structure. This metric measures our facility financial performance based on operational factors that management can impact in the short-term, namely the cost structure or expenses of the organization. Facility Operating Income is one of the metrics used by our senior management and board of directors to review the financial performance of the business on a monthly basis. Facility Operating Income is also used by research analysts and investors to evaluate the performance of and value companies in our industry by investors, lenders and lessors. In addition, Facility Operating Income is a common measure used in the industry to value the acquisition or sales price of facilities and is used as a measure of the returns expected to be generated by a facility.

A number of our debt and lease agreements contain covenants measuring Facility Operating Income to gauge debt or lease coverages. The debt or lease coverage covenants are generally calculated as facility net operating income (defined as total operating revenue less operating expenses, all as determined on an accrual basis in accordance with GAAP). For purposes of the coverage calculation, the lender or lessor will further require a pro forma adjustment to facility operating income to include a management fee (generally 4%-5% of operating revenue) and an annual capital reserve (generally $250-$450 per unit/bed). As of March 31, 2006, we are in compliance with the financial covenants of all of our debt and lease agreements. An investor or potential investor may find this item important in evaluating our performance, results of operations and financial position, particularly on a facility-by-facility basis.

Limitations of Facility Operating Income

Facility Operating Income has limitations as an analytical tool. It should not be viewed in isolation or as a substitute for GAAP measures of earnings. Material limitations in making the adjustments to our earnings to calculate Facility Operating Income, and using this non-GAAP financial measure as compared to GAAP net income (loss), include:

- interest expense, income tax (benefit) provision and non-recurring charges related to gain (loss) on sale of facilities and extinguishment of debt activities generally represent charges (gains), which may significantly affect our financial results; and
- depreciation and amortization, though not directly affecting our current cash position, represent the wear and tear and/or reduction in value of our facilities, which affects the services we provide to our residents and may be indicative of future needs for capital expenditures.

An investor or potential investor may find this item important in evaluating our performance, results of operations and financial position on a facility-by-facility basis. We use non-GAAP financial measures to supplement our GAAP results in order to provide a more complete understanding of the factors and trends affecting our business. Facility Operating Income is not an alternative to net income, income from operations or cash flows provided by or used in operations as calculated and presented in accordance with GAAP. You should not rely on Facility Operating Income as a substitute for any such GAAP financial measure. We strongly urge you to review the reconciliation of Facility Operating Income to GAAP net income (loss), along with our combined financial statements included below. We also strongly urge you to not rely on any single financial measure to evaluate our business. In addition, because Facility Operating Income is not a measure of financial performance under GAAP and is susceptible to varying calculations, the Facility Operating Income measure, as presented in this report, may differ from and may not be comparable to similarly titled measures used by other companies.



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The table below shows the reconciliation of net income (loss) to Facility Operating Income for the three months ended

March 31, 2006 and 2005 and December 31, 2005, the nine months ended September 30, 2005, and the years ended December 31, 2005, 2004, and 2003:

| | Three Months Ended March 31, 2006(1) | Three Months Ended March 31, 2005(1)(2) | Three Months Ended December 31, 2005(1) | Nine Months Ended September 30, 2005(1) | Years Ended December 31, 2005(1) | 2004 | 2003 |
|---|---|---|---|---|---|---|---|
| Net loss | $(19,326) | $ (1,798) | $(24,456) | $ (26,530) | $ (50,986) | $ (9,794) | $ (8,963) |
| Cumulative effect of a change in accounting principle, net | — | — | — | — | — | — | 7,277 |
| Loss on discontinued operations | — | 35 | — | 128 | 128 | 361 | 322 |
| Provision (benefit) for income taxes | 386 | 166 | 150 | (247) | (97) | 11,111 | 139 |
| Other | — | — | — | — | — | 114 | — |
| Minority interest | 116 | (2,532) | — | (16,575) | (16,575) | (11,734) | (1,284) |
| Equity in (earning) loss of unconsolidated ventures | 168 | 187 | 197 | 641 | 838 | 931 | (318) |
| Loss (gain) on extinguishment of debt | 1,334 | 453 | 3,543 | 453 | 3,996 | (1,051) | (12,511) |
| Loss on sale of properties | — | — | — | — | — | — | 24,513 |
| Interest expense: | | | | | | | |
| Debt | 11,530 | 6,849 | 10,485 | 26,564 | 37,049 | 55,851 | 24,484 |
| Amortization of deferred financing costs | 703 | 423 | 238 | 827 | 1,065 | 2,120 | 1,097 |
| Capitalized lease obligation | 2,160 | 2,276 | 2,324 | 6,875 | 9,199 | 7,783 | 622 |
| Change in fair value of derivatives | 101 | (4,062) | 88 | (4,080) | (3,992) | (3,176) | — |
| Interest income | (1,052) | (696) | (1,588) | (2,200) | (3,788) | (637) | (14,037) |
| Income (loss) from operations | (3,880) | 1,301 | (9,019) | (14,144) | (23,163) | 51,879 | 21,341 |
| Depreciation and amortization | 22,299 | 5,173 | 18,784 | 30,034 | 48,818 | 50,187 | 21,383 |
| Facility lease expense | 45,734 | 46,502 | 48,487 | 140,852 | 189,339 | 99,997 | 30,744 |
| General and administrative (including non-cash stock compensation expense) | 21,085 | 11,658 | 27,690 | 54,006 | 81,696 | 43,640 | 15,997 |
| Amortization of entrance fees | (83) | — | (15) | (18) | (33) | — | — |
| Management fees | (1,147) | (871) | (1,187) | (2,675) | (3,862) | (3,545) | (5,368) |
| Facility operating income | $ 84,008 | $63,763 | $ 84,740 | $208,055 | $292,795 | $242,158 | $ 84,097 |

(1) Brookdale Senior Living Inc. completed its formation transactions on September 30, 2005. Results prior to that date represent the combined operations of the Brookdale Facility Group.

(2) Three months ended December 31, 2005 includes non-cash benefit of $4.7 million related to the reversal of an accrual established in connection with Alterra's emergence from bankruptcy.

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INDUSTRY OVERVIEW

The Senior Living Industry

Housing alternatives for seniors include a broad spectrum of senior living service and care options, including independent living, assisted living, memory care, skilled nursing care and continuing care retirement communities, or CCRCs.

- Independent living is designed for seniors who choose to live in an environment surrounded by their peers where they pay for certain services such as housekeeping, meals and activities as part of their monthly resident fee, but are generally not reliant on assistance with activities of daily living, or ADLs, such as bathing, eating, toileting, transferring and dressing; some residents however, may contract with outside providers for those services. Independent living residents tend to move into a facility by choice, oftentimes to be in a metropolitan area that is closer to their adult children. According to the American Seniors Housing Association, or ASHA, there are approximately 6,200 independent living facilities nationwide with approximately 723,300 units.
- Assisted living is designed for seniors who seek housing with supportive care and services, including assistance with activities of daily living, memory care and other services (for example, housekeeping, meals and activities). Assisted living residents tend to move into a facility both by choice and by necessity. According to ASHA, there are approximately 7,270 assisted living facilities nationwide with approximately 543,450 units/beds.
- Memory care is designed for seniors who suffer from Alzheimer’s disease or other forms of dementia or memory impairment. Memory care facilities are designed to provide a safe and secure physical environment while providing assisted living services together with programming appropriate to the needs of those with Alzheimer’s disease or other forms of dementia.
- Skilled nursing is designed for seniors whose care needs require 24-hour skilled nursing services or who are receiving certain medical services.
- Continuing Care Retirement Communities offer a variety of living arrangements and services to accommodate residents of varying levels of physical ability and health. The goal of a CCRC is to accommodate changing lifestyle preferences and health care needs. Generally, CCRCs make independent living, assisted living and skilled nursing available all on one campus location. According to ASHA, there are approximately 2,200 CCRC facilities nationwide with approximately 628,000 units/beds.

In all of these settings, seniors may elect to bring in additional care and services as needed, such as home-health care (except in a skilled nursing setting) and end-of-life or hospice care.

The senior living industry is highly fragmented and characterized predominantly by numerous local and regional operators. Senior living providers may operate freestanding independent living, assisted living or skilled nursing residences, or communities that feature a combination of options, such as CCRCs. The level of care and services offered by providers varies along with the size of communities, number of residents served and design of facilities (for example, purpose-built communities or refurbished structures).

Industry Trends

The senior living industry has evolved to meet the growing demand for senior care generated by an aging population demanding new and better housing alternatives. We believe that we are well positioned to capitalize on a number of trends in the senior living industry, including:

- An increasing number of seniors with longer life expectancies and financial resources to support a private pay model. According to the U.S. Census Bureau, the population greater than 65 years old is expected to increase to approximately 20% of the overall U.S. population during the next 25 years, from approximately 12% in 2000. As life expectancy continues to increase and the elderly continue to become a higher percentage of the total U.S. population,



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we believe the demand for service-based senior housing will increase. In addition, seniors in the areas in which we operate tend to have a significant amount of assets generated from savings, pensions and, due to strong national housing markets, the sale of private homes. We believe seniors increasingly will have the ability to afford senior living services.
- Fragmentation in the industry provides significant acquisition and consolidation opportunities. The senior living industry's independent living and assisted living segments are large and fragmented, characterized predominantly by numerous local and regional operators. According to ASHA and public filings, the top five operators of senior living facilities measured by total resident capacity control only 9% of the total capacity. In addition, according to ASHA, only the top seven managers operate more than 14,000 senior living units/beds. We believe that this fragmentation provides significant acquisition and consolidation opportunities.
- Majority of independent and assisted living revenue growth is generated from private pay sources. Because we generate over 96% of our revenues from private pay customers, our resident fees are not constrained by regulatory or other governmental considerations. Independent and assisted living services are not generally reimbursable under government reimbursement programs such as Medicare and Medicaid and thus we have limited exposure to reimbursement risk.
- Favorable and improving supply and demand balance. We believe that the number of vacant senior living units has declined steadily over the past several years. According to ASHA, the number of new senior housing units identified as under construction has declined approximately 60% from 65,879 units in 1999 to 26,355 units in 2004. Combined with increasing life expectancies, we believe there is a favorable and improving supply and demand balance.



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BUSINESS

Overview

Upon consummation of the merger with ARC, or the ARC Merger, as described in this prospectus, we will become the largest operator of senior living facilities in the United States based on total capacity with over 530 facilities in 33 states and the ability to serve over 50,000 residents. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we would have operated 97 independent living facilities with 18,890 units/beds, 409 assisted living facilities with 21,284 units/beds, 27 continuing care retirement communities, or CCRCs, with 9,874 units/beds and three skilled nursing facilities with 395 units/beds. We believe that the consummation of the ARC Merger and the Recent Acquisitions will bring us significant additional incremental revenue and help us to attain additional synergies and cost savings.

Brookdale Senior Living Inc.

As of the date of this prospectus, we operate 453 facilities in 32 states and have the ability to serve over 34,000 residents. We offer our residents access to a full continuum of services across all sectors of the senior living industry. As of the date of this prospectus, we operate 77 independent living facilities with 13,733 units/beds, 368 assisted living facilities with 17,447 units/beds, seven continuing care retirement communities, or CCRCs, with 3,084 units/beds (including 817 resident-owned cottages on our CCRC campuses managed by us) and one skilled nursing facility with 82 units/beds. The majority of our units/beds are located in campus settings or facilities containing multiple services, including CCRCs. As of March 31, 2006, our facilities were on average 90.2% occupied. We generate over 96% of our revenues from private pay customers, which limits our exposure to government reimbursement risk. In addition, we control all financial and operational decisions regarding our facilities through property ownership and long-term leases. We believe we operate in the most attractive sectors of the senior living industry with significant opportunities to increase our revenues through providing a combination of housing, hospitality services and health care services. For the three months ended March 31, 2006, 33.7% of our revenues were generated from owned facilities, 65.8% from leased facilities and 0.5% from management fees from facilities we operate on behalf of third parties and affiliates.

We plan to grow our revenue and operating income through a combination of: (i) organic growth in our existing portfolio; (ii) acquisitions of additional operating companies and facilities; and (iii) the realization of economies of scale, including the continuing realization of those created by the combination of Brookdale Living Communities, Inc., or BLC, and Alterra Healthcare Corporation, or Alterra, which occurred in September 2005, and those that we expect to be created as a result of the ARC Merger. Given the size and breadth of our nationwide platform, we believe that we are well positioned to continue to invest in a broad spectrum of assets in the senior living industry, including independent living, assisted living and CCRC assets. For the period January 2001 through the date of this prospectus, we have begun leasing or acquired the ownership or management of 125 senior living facilities (not including those facilities we acquired and subsequently disposed of) with approximately 15,200 units/beds. Since the completion of our initial public offering in November 2005, as of the date of this prospectus but not taking into account the ARC Merger, we have purchased or entered into definitive agreements to purchase $788.6 million in senior housing assets representing 107 facilities (which includes the acquisition of 12 facilities that we previously operated pursuant to long-term leases) with 9,495 units/beds.

We believe that the senior living industry is the preferred alternative to meet the growing demand for a cost-effective residential setting in which to care for the elderly who cannot, or as a lifestyle choice choose not to, live independently due to physical or cognitive frailties and who may, as a result, require assistance with some of the activities of daily living or the availability of nursing or other medical care. Housing alternatives for seniors include a broad spectrum of senior living service and care options, including independent living, assisted living, memory care and skilled nursing care. More specifically, senior living consists of a combination of housing and the availability of 24-hour a day personal support services and assistance with certain activities of daily living.

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Our facilities are predominantly concentrated in the independent and assisted living portion of the senior housing continuum as depicted below:

SENIOR HOUSING CONTINUUM OF CARE

We completed our formation transactions, which are described more fully under ‘‘—History’’, on September 30, 2005. Results prior to that represent the combined operations of BLC, Alterra, the Fortress CCRC Portfolio and the Prudential Portfolio (together, the ‘‘Brookdale Facility Group’’). The three months ended December 31, 2005, and nine months ended September 30, 2005, have been aggregated for the year ended December 31, 2005. For the three months ended March 31, 2006 and December 31, 2005, the nine months ended September 30, 2005 and years ended December 31, 2005, 2004, and 2003 we generated ($ in millions):

| | Pro forma (1) Three Months Ended March 31, 2006 | Three Months Ended March 31, 2006 | Three Months Ended December 31, 2005 | Nine Months Ended September 30, 2005 | Years Ended 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|---|
| Total revenues | $ 412.8 | $ 222.2 | $ 213.0 | $ 577.5 | $ 790.6 | $ 660.9 | $ 222.6 |
| Net income (loss) | $ (37.0) | $ (19.3) | $ (24.5) | $ (26.5) | $ (51.0) | $ (9.8) | $ (9.0) |
| Adjusted EBITDA (3) | $ 62.1 | $ 26.9 | $ 27.0 | $ 39.6 | $ 66.6 | $ 104.4 | $ 43.3 |
| Cash From Facility Operations (4) | $ 32.6 | $ 13.3 | $ 10.9 | $ (4.2) | $ 6.6 | $ 27.9 | $ 27.8 |
| Facility Operating Income (2) | $ 142.9 | $ 84.0 | $ 84.7 | $ 208.1 | $ 292.8 | $ 242.2 | $ 84.1 |

(1) See ‘‘Summary Combined Financial Information’’ and ‘‘Unaudited Pro Forma Condensed Consolidated Financial Information’’ for a more detailed description of the adjustments included in the pro forma results.

(2) Facility Operating Income is a non-GAAP financial measure we use in evaluating our performance. See ‘‘Summary Combined Financial Information’’ for a description of why we believe such measure is useful, the material limitations of such measure and a computation of this measure and ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations— Non-GAAP Financial Measures—Facility Operating Income’’ for a more detailed description of why we believe such measure is useful and the material limitations of such measure.

(3) Adjusted EBITDA is a non-GAAP financial measure we use in evaluating our performance. See ‘‘Summary Combined Financial Information’’ for a description of why we believe such measure is useful, the material limitations of such measure and a reconciliation of this measure to net income and ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations— Non-GAAP Financial Measures—Adjusted EBITDA’’ for a more detailed description of why we believe such measure is useful and the material limitations of such measure.

(4)

Cash From Facility Operations is a non-GAAP financial measure we use in evaluating our liquidity. See ''Summary Combined Financial Information'' for a description of why we believe such measure



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is useful, the material limitations of such measure and a reconciliation of this measure to cash flows provided by or used in operations and ''Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures—Cash From Facility Operations,'' for a more detailed description of why we believe such measure is useful and the material limitations of such measure.

Growth Strategy

Our objective is to increase our revenues, Adjusted EBITDA, Cash From Facility Operations and dividends per share of our common stock, while remaining one of the premier senior living providers in the United States. Key elements of our strategy to achieve these objectives include:

- Organic growth in our existing operations. We plan to grow our existing operations by:
  - increasing revenues through a combination of occupancy growth and resident fee increases as a result of growing demand for senior living facilities. For the 347 facilities we owned, leased or managed since 2003 (excluding four development facilities), for the three months ended March 31, 2006 our facility operating income has increased approximately 9.3% on an annualized basis and, including the four development facilities, our facility operating income has increased approximately 10.2% on an annualized basis;
  - taking advantage of our sophisticated operating and marketing expertise to retain existing residents and attract new residents to our facilities. For the three months ended March 31, 2006, our facilities were on average 89.5% occupied; and
  - leveraging ARC's experience providing ancillary services to its residents and to other senior living communities it does not operate, such as rehabilitation, home health, institutional pharmacy and other wellness programs, to increase revenues as a combined company.
- Growth through operating efficiencies. Our geographic footprint and centralized infrastructure provide us with a significant cost advantage over local and regional operators of senior living facilities, which enables us to achieve economies of scale with respect to the goods and services we purchase. In connection with the combination of BLC and Alterra, we have undertaken several cost initiatives, which have resulted in and which we expect will continue to result in recurring operating and general and administrative expense savings. In addition, in connection with the ARC Merger we expect the geographic synergies of Brookdale and ARC to create greater economies of scale and a broader platform of services that will result in additional operating and general administrative expense savings. See ''—ARC Merger''.
- Growth through the acquisition and consolidation of asset portfolios and other senior living companies. We plan to take advantage of the fragmented independent living and assisted living sectors by selectively purchasing existing operating companies and facilities. For the period January 2001 through the date of this prospectus, we have begun leasing or acquired the ownership or management of 125 senior living facilities (not including those facilities we acquired and subsequently disposed of) with approximately 15,200 units/beds. Since the consummation of our initial public offering in November 2005, we have acquired 96 facilities (which includes the acquisition of 12 facilities that we previously operated pursuant to long-term leases) with 8,213 units/beds and, not including the ARC Merger, have entered into

definitive agreements to acquire or lease an additional 11 facilities with 1,282 units/beds, all of which we expect to close in the third quarter of 2006. In addition, on May 12, 2006, we entered into the ARC Merger Agreement pursuant to which ARC will become our wholly-owned subsidiary. Upon consummation of the ARC Merger we will assume the leasing, ownership or management of an additional 83 facilities with approximately 16,100 units/beds. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we are the largest operator of senior living facilities in the United States with over 530 senior living facilities in 33 states and the ability to serve over 50,000 residents. However, there can be no assurance we will consummate acquisition or leasing of these facilities. Our acquisition strategy will continue to focus primarily on facilities where we can improve service delivery, occupancy rates and cash flow. We expect to finance our acquisitions, on a long-term basis, by using primarily equity issuances combined with fixed- and floating-rate debt.



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- Expansion of existing facilities where economically advantageous. Certain of our facilities with stabilized occupancies and excess demand in their respective markets may benefit from additions and expansions (which additions and expansions may be subject to landlord, lender and other third party consents) offering increased capacity, as well as additional levels of service for residents requiring higher levels of care.

Competitive Strengths

We believe our nationwide network of senior living facilities is well positioned to benefit from the growth and increasing demand in the industry. Some of our most significant competitive strengths are:

- Skilled management team with extensive experience. Our senior management team, together with the senior management team of ARC, which has agreed to join us upon consummation of the ARC Merger, has extensive experience in acquiring, operating and managing a broad range of senior living assets. Our chairman and top five executive officers have over 115 years of combined experience in the senior living, hospitality and real estate industries. In addition, as stockholders, our management team is incentivized to continue to grow our business. As of March 31, 2006, our senior management team owns approximately 3.8% of our common stock on a fully diluted basis.
- Proven track record of successful acquisitions. For the period January 2001 through the date of this prospectus, we have begun leasing or acquired the ownership or management of 125 senior living facilities (not including those facilities we acquired and subsequently disposed of) with approximately 15,200 units/beds. Our experience in acquiring senior living facilities enables us to consider a wide range of acquisition targets in the senior living industry. In addition, we believe our expertise in integrating these facilities onto our operating platform enables us to acquire facilities while causing minimal disruption to either the residents or facility operating staff.
- High-quality purpose-built facilities. As of the date of this prospectus, we operate a nationwide base of 453 purpose-built facilities in 32 states, including 64 facilities in eight of the top ten standard metropolitan statistical areas, or SMSAs. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we operate a nationwide base of over 530 purpose-built facilities in 33 states, including 85 facilities in nine of the top ten SMSAs. The average age of our facilities is 10.5 years. We have experienced significant

facility operating income growth and occupancy growth over the past year. Our facility operating income increased 31.7%, from $63.8 million for the three months ended March 31, 2005 to $84.0 million for the three months ended March 31, 2006, and our occupancy rate increased 1.2%, from 89.0% as of March 31, 2005 to 90.2% as of March 31, 2006.

• Ability to provide a broad spectrum of care. Given our diverse mix of independent and assisted living facilities and CCRCs, we are able to meet a wide range of our customers' needs. We believe that we are one of the few companies in the senior living industry with this capability. We believe that our multiple product offerings create marketing synergies and cross-marketing opportunities.

• The size of our business allows us to realize cost efficiencies. We are the third largest operator of senior living facilities in the United States based on total capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we are the largest operator of senior living facilities in the United States based on total capacity. The size of our business allows us to realize cost savings in the purchasing of goods and services and also allows us to achieve increased efficiencies with respect to various corporate functions, most of which have yet to be realized in our operating results given the recent combination of BLC and Alterra in September 2005 and more of which we expect to achieve as a result of the ARC Merger. In addition, our size and broad geographical footprint gives us an advantage in executing our acquisition strategy. When we acquire a facility in one of our existing markets, we are able to integrate that facility at little or no incremental cost. This allows us to acquire assets more efficiently and to better compete against other operators for acquisitions with a more geographically limited presence.



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History

The following is a graphic depiction of our ownership structure before and after the series of transactions described below, prior to the consummation of our initial public offering in November 2005:

PRE-COMBINATION STRUCTURE

POST-COMBINATION STRUCTURE



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(1) Consists of approximately 22.8% held by FIT-ALT Investor LLC (''FIT-ALT''), 34.5% held by Fortress Investment Trust II (''FIT II'') and 17.1% held by Fortress Brookdale Acquisition LLC (''FBA''). Fortress Investment Holdings LLC (''FIH'') has beneficial ownership of and control over all shares held by such entities by virtue of the following relationships:

Prior to the combination transaction, Fortress Investment Group LLC (''FIG''), a wholly-owned subsidiary of FIH, controlled each of BLC, Alterra, Fortress CCRC and FIT REN through its ability to exercise voting, financial and investment control over, and its economic interest in, each of Fortress Registered Investment Trust (''FRIT'') and FIT II, which are wholly-owned subsidiaries of Fortress Investment Fund (''FIF'') and Fortress Investment Fund II (''FIF II''), respectively. FRIT owned 50.51% of FBA, which owned 90.91% of BLC, and FIT II owned 100% of FIT-ALT, which owned 73.49% of FEBC-ALT Investors LLC, the indirect parent of Alterra. FIT II also owned 100% of Fortress CCRC and FIT REN. FIG controls FRIT and FIT II through contractual control relationships with and investment advisory control over each of FRIT and FIT II.

Pursuant to various agreements, Fortress Fund MM LLC (''Fund MM'') and Fortress Fund MM II LLC (''Fund MM II''), as managing member of FIF and FIF II, respectively, have ''the full, exclusive and absolute right, power and authority to manage and control'' each of FIF and FIF II, ''and the property, assets, affairs and business thereof.'' In addition, ''the formulation of investment policy'' of FIF and FIF II is ''vested exclusively'' in each of Fund MM and Fund MM II, and ''any and all rights, including voting rights, pertaining to any Portfolio Investments'' (as defined in the agreements) ''may be exercised only by'' each of Fund MM and Fund MM II. In addition, pursuant to these agreements, the control vested in each of Fund MM and Fund MM II is irrevocably delegated to FIG, which serves as the managing member of each of these funds. Finally, FIG, through its wholly-owned subsidiary, FIG Advisors LLC, further exercises control over each of FRIT and FIT II in its capacity as investment advisor to each of these funds.

We are a holding company formed in June 2005 for the purpose of combining, through a series of mergers, two leading senior living operating companies, BLC and Alterra, which had been operating independently since 1986 and 1981, respectively. Fortress, through the relationships and agreements described in detail in Note (1) to the chart labeled ''Post-Combination Structure'' above, had been the majority owner of BLC since September 2000 and of Alterra since December 2003. On November 22, 2005, we completed our initial public offering of 12,732,800 shares of our common stock, including 8,560,800 primary shares, at $19.00 per share, for which we received proceeds, after fees and expenses, of approximately $144.8 million. Following this offering, assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger, funds managed by affiliates of Fortress will beneficially own 61,007,867 shares, or over 65% of our common stock. In addition, in 2005 prior to our initial public offering, we acquired, through funds managed by affiliates of Fortress, 15 additional senior living facilities and two facilities, which were sold in the third quarter of 2005, one of which we continued to manage through January 2006. In June and July 2005, FIT REN purchased eight senior living facilities and one senior living facility, respectively, consisting of 1,261 units/beds from affiliates of Prudential Financial, Inc. for an aggregate purchase price of approximately $282.4 million, before closing costs. In April 2005, Fortress CCRC purchased eight senior living facilities with 3,238 units/beds from The National Benevolent Association of the Christian Church (Disciples of Christ), or the NBA, as debtor-in-possession under Chapter 11 of the U.S. bankruptcy code for an aggregate purchase price of approximately $181.4 million, before closing costs. Of these eight facilities, Fortress CCRC sold one on July 1, 2005 for $2.5 million, and one on September 14, 2005 for $9.0 million before closing costs. Subsequent to the acquisition of these facilities by FIT REN and Fortress CCRC, the facilities were managed by affiliates of BLC. As described below, we acquired ownership of the properties purchased by FIT REN and Fortress CCRC in September 2005 at a price equal to the purchase price for which each of FIT REN and Fortress CCRC acquired the respective facilities. It is our intention to continue to own and manage the nine facilities originally purchased by FIT REN and six facilities originally purchased by Fortress CCRC. In September 2005, the following series of transactions occurred:



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A wholly-owned subsidiary of ours merged with and into BLC. In the merger, FBA, an affiliate of Capital Z Partners and certain members of our management, including our chief executive officer, received an aggregate of 20,000,000 shares of our common stock, representing 34.5% of our outstanding common stock prior to our initial public offering, for all of their outstanding common stock of BLC or membership interests in FBA, as applicable. As a result of the merger, BLC became our wholly-owned subsidiary.

- FEBC-ALT Investors purchased from Fortress Investment Trust II, a fund managed by an affiliate of Fortress, all of the outstanding membership interests of FIT REN, which had recently acquired certain senior living facilities from Prudential Financial, Inc., as described in ‘‘—Acquisition and History of Alterra Healthcare Corporation,’’ for an aggregate purchase price of approximately $282.4 million before closing costs (including the assumption of approximately $171.0 million of debt). Immediately after the purchase, the membership interests of FIT REN were contributed to Alterra. As a result, FIT REN became a wholly-owned subsidiary of Alterra and Fortress Investment Trust II became a member of FEBC-ALT Investors, Alterra’s indirect parent company. In connection with the merger of FEBC-ALT Investors described below, Fortress Investment Trust II received 11,750,000 shares of our common stock, representing 20.3% of our outstanding common stock prior to our initial public offering, for its interest in FIT REN.
- A wholly-owned subsidiary of ours merged with and into FEBC-ALT Investors, Alterra’s indirect parent company. In the merger, FIT-ALT Investor, Fortress Investment Trust II, Emeritus, NW Select and certain members of our management, each of which was a member of FEBC-ALT Investors, received an aggregate of 29,750,000 shares of our common stock, representing 51.3% of our outstanding common stock prior to our initial public offering, for all of the outstanding membership interests of FEBC-ALT Investors. FIT-ALT Investor and Fortress Investment Trust II are funds managed by affiliates of Fortress. As a result of the merger, Alterra became our wholly-owned subsidiary. Each of Emeritus and NW Select sold all of its shares in our initial public offering.
- A wholly-owned subsidiary of ours merged with and into Fortress CCRC. In the merger, Fortress Investment Trust II received an aggregate of 8,250,000 shares of our common stock, representing 14.2% of our outstanding common stock prior to our initial public offering, for all of the outstanding membership interests of Fortress CCRC. Fortress CCRC owns, through its wholly-owned subsidiaries, six senior living facilities. As a result of the merger, Fortress CCRC became our wholly-owned subsidiary.

On August 5, 2005 and September 14, 2005, BLC granted an aggregate of 988 shares of its stock and FEBC-ALT Investors granted 3.33% of its membership interests to certain members of our management, which shares and percentage interests are or were subject to substantial risk of forfeiture until the occurrence of certain events, as specified in the applicable restricted stock or restricted securities award agreements. In accordance with the terms of the plans, a portion of these securities is no longer subject to a risk of forfeiture following the consummation of our initial public offering. In addition, the remaining securities will vest over a five-year period following the issuance if the executive remains continuously employed by the Company. Securities that are subject to risk of forfeiture may not be sold or transferred. See ‘‘Management—Equity Incentive Plans—Employee Restricted Stock Plans.’’ In connection with the merger transactions described above, these shares were automatically converted into an aggregate of 2,575,405 shares of our common stock, representing 4.4% of our outstanding common stock prior to our initial public offering.

As a holding company we own 100% of the outstanding stock and membership interests of the operating companies of our business. The current stockholders of the operating companies contributed their ownership interests to us in exchange for shares of our common stock. For financial reporting purposes, the Fortress entities that own the stock or membership interests in the operating companies are considered the control group as defined under paragraph 3 of EITF 02-5, ‘‘Definition of ‘‘Common Control’’ in relation to FASB Statement No. 141’’. See Note 1 in our Notes to Consolidated and Combined Financial Statements for a detailed discussion of why the Fortress entities are considered a control

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group. Accordingly, prior to formation, the combined financial statements reflect the historical cost of the operating companies. Upon the completion of the formation transactions on September 30, 2005, the non-controlling interests were accounted for as a purchase in accordance with SFAS No. 141. See Note 1 to our Consolidated and Combined Financial Statements.

As a result of these formation transactions, prior to the consummation of our initial public offering, all of our outstanding common stock was held by FIT-ALT Investor, Fortress Investment Trust II, Fortress Brookdale Acquisition LLC, or FBA, each of which is a fund managed by affiliates of Fortress, Health Partners, which is an affiliate of Capital Z Partners, Emeritus, NW Select, and certain members of our management. Each of Emeritus and NW Select sold all of the shares of our common stock it owned in our initial public offering. Neither Health Partners nor the funds managed by affiliates of Fortress sold any of the shares of our common stock that they owned in our initial public offering.

On June 28, 2006, the following distributions and contributions of our common stock were made: (i) FBA distributed all of the shares of our common stock beneficially owned by it to its two members, FRIT, which received 9,102,708 shares, and Fortress Brookdale Investment Fund LLC, or FBIF, which received 826,292 shares; (ii) FRIT contributed 7,400,000 of the shares of our common stock received from FBA to FRIT Holdings LLC, or FRITH; and (iii) FIT II contributed the 20,000,000 shares of our common stock beneficially owned by it to FIT Holdings LLC, or FITH.

See ‘‘Certain Relationships and Related Party Transactions’’ for a more detailed description of our relationships with these stockholders.

ARC Merger

On May 12, 2006, we entered into an Agreement and Plan of Merger, or the ARC Merger Agreement, with Beta Merger Sub Corporation, a Delaware corporation and our wholly-owned subsidiary, or Merger Sub, and ARC, a Tennessee corporation. Pursuant to the ARC Merger Agreement, Merger Sub will be merged with and into ARC with ARC continuing as the surviving corporation and as our wholly-owned subsidiary. We refer to this transaction in this prospectus as the ‘‘ARC Merger’’.

Established in 1978, ARC is a leading national senior living and health care services provider offering a broad range of care and services to seniors, including independent living, assisted living, CCRC, skilled nursing, therapy services and Alzheimer's care. ARC, the seventh largest senior living company in the United States, currently operates 83 senior living communities in 19 states, with an aggregate unit capacity of approximately 16,100. ARC owns 33 communities (including 13 communities in joint ventures), leases 44 communities, and manages six communities pursuant to management agreements. Approximately 83% of ARC's revenues come from private pay sources. ARC generated net income (losses) of approximately \$4.8 million and \$2.6 million for the three months ended March 31, 2006 and 2005, respectively, and \$69.7 million and \$(11.3) million for the years ended December 31, 2005 and 2004, respectively.

We believe the ARC Merger creates a significant opportunity to grow incremental revenue and operating income through: (i) cost savings resulting from increased purchasing scale; (ii) operating efficiencies produced by the significant geographic synergies of Brookdale and ARC; and (iii) the expansion of ancillary services, such as rehabilitation, home health and institutional pharmacy services currently provided by ARC to residents of Brookdale facilities. For the three months ended March 31, 2006, ARC's revenue and operating income from ancillary services was $17.7 million and $5.3 million, respectively. In addition, 20 of the 83 communities operated by ARC, or approximately 42.2% of the total unit capacity of ARC as of the date of this prospectus, consist of CCRCs with an occupancy rate of 96%. We believe CCRCs are an attractive asset class because residents generally have a length of stay of 10-12 years compared to two to three years at assisted living or independent living facilities. This results in lower turnover, higher occupancy and more stable and consistent long-term cash flows.

Under the terms of the ARC Merger Agreement, upon consummation of the ARC Merger, each outstanding share of ARC common stock, together with the rights issued pursuant to the Rights Agreement, dated as of November 18, 1998, between ARC and American Stock Transfer and Trust Company, will be converted into the right to receive $33.00 per share in cash. In addition to the



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outstanding shares, all of the options to purchase ARC common stock, whether vested or unvested, will be cancelled and each holder of any such option will be entitled to receive a cash payment equal to the product of (i) the excess of $33.00 over the applicable option exercise price, and (ii) the number of shares of ARC common stock for which the options had not been previously exercised, for aggregate consideration of approximately $1.2 billion in cash. We intend to use a portion of the net proceeds received from the shares to be sold in this offering, together with the proceeds to be received through the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor (as defined below) pursuant to the Investment Agreement (as defined below), in connection with the consummation of the ARC Merger.

In connection with the consummation of the ARC Merger, we expect to refinance certain ARC facilities, pursuant to which we expect to receive net cash proceeds of approximately $141.8 million.

As a condition to the ARC Merger, we entered into employment agreements, to take effect at the closing of the ARC Merger, with W.E. Sheriff, ARC's Chief Executive Officer, and the following other executive officers of ARC: Gregory B. Richard, George T. Hicks, Bryan D. Richardson, H. Todd Kaestner, and James T. Money, regarding their continued service with us following the consummation of the ARC Merger. Mr. Sheriff will become our co-Chief Executive Officer and these other individuals will become Executive Vice Presidents. The material terms of these agreements are described in ‘‘Management— Employment Contracts, Termination of Employment and Change-in-Control Arrangements—Current Employment Agreements’’.

In connection with the ARC Merger, our board of directors has determined, and we have received stockholder approval to satisfy our obligations to sell shares of our common stock, and to make corresponding grants of restricted shares of our common stock, under the employment agreements discussed above and pursuant to offers of agreements we anticipate making to approximately 350 ARC employee-optionees. Accordingly, the Plan will be amended to add 2,500,000 shares of common stock to the shares reserved under the Plan. See ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment’’.

In connection with the ARC Merger, our board of directors unanimously approved an amendment to our charter, to become effective upon consummation of the ARC Merger, to increase the authorized number of directors from seven to eight directors.

Equity Commitment

Simultaneously with entering into the ARC Merger Agreement, in order to finance the ARC Merger, we entered into an Investment Agreement, or the Investment Agreement, with RIC Coinvestment Fund LP, or the Investor, a fund managed by an affiliate of Fortress. Under the terms of the Investment Agreement, the Investor has committed to purchase from us, at and simultaneously with the closing of the ARC Merger, up to $1.3 billion in aggregate of our common stock at a price of $36.93 per share. The issuance of these securities will be made pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

Prior to the closing of the ARC Merger, we intend to exercise our right to reduce the Investor's $1.3 billion commitment by $650.0 million in connection with this offering. If we do not complete this or another equity offering prior to the closing of the ARC Merger, the Investor will issue to us, at the closing, a one-time option to purchase from the Investor a number of shares of our common stock having a value equal to the difference between the total consideration paid by the Investor for the common stock at the closing and $650.0 million. Pursuant to this option, we would have the right and the option (but not the obligation) to purchase those shares at a price per share of $38.07. The option would be immediately vested upon issuance at the closing of the ARC Merger and would expire six months and one day after the closing. If we complete this or another equity offering, we will not be entitled to this option and no option will be issued by the Investor.

The Investment Agreement provides that in the event the Investor transfers some or all of its equity investment in the Company to an entity that intends to qualify as a ‘‘venture capital operating company’’ pursuant to applicable law, we will enter into a management rights letter with the Investor, which sets





forth certain rights of the Investor, including the right to (i) appoint a representative observer to our board of directors, (ii) examine our books and records and visit and inspect our facilities, and (iii) discuss our business operations with our executives. In addition, upon consummation of the ARC Merger, the Investor will be considered a ‘‘Fortress Stockholder’’ for purposes of the Stockholders Agreement and will be bound by all of the restrictions and obligations of the Stockholders Agreement. See ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders—Stockholders Agreement’’.

Acquisition History of Brookdale Senior Living Inc.

On June 30, 2006, we completed the acquisition of two facilities from AEW II Corporation for $37.8 million. We refer to these facilities in this prospectus as the ‘‘AEW-New Jersey Portfolio’’. The AEW-New Jersey Portfolio is located in New Jersey. Concurrent with the closing, we obtained $24.9 million of first mortgage financing bearing interest at LIBOR plus 1.65%, payable interest only through maturity in June 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The loan is combined with the financing of and is also secured by the Southland Portfolio.

On May 12, 2006, we entered into the ARC Merger Agreement. See ‘‘—ARC Merger’’ for a detailed description.

On May 1, 2006, we completed the acquisition of four owned senior living facilities with 262 units/beds located in Florida from Southland Suites for $24.0 million. We refer to these facilities in this prospectus as the ‘‘Southland Portfolio’’. On May 18, 2006, we obtained $16.1 million of first mortgage financing bearing interest at LIBOR plus 1.65%, payable interest only through maturity in June 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The loan is combined with the financing of and is also secured by the AEW-New Jersey Portfolio.

On April 28, 2006, we acquired five facilities with 813 units/beds for $179.5 million from AEW Capital Management. In connection with the acquisition, we obtained $124.5 million of first mortgage financing, bearing interest at LIBOR plus 1.50%, payable interest only through maturity in May 2009, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge. On June 30, 2006, we closed on an interim agreement with an affiliate of AEW Capital Management to (i) loan approximately $12.4 million to the affiliate pending lender approval of our acquiring one additional facility from AEW and our assuming the outstanding mortgage loan related to the facility, and (ii) take over the management of the facility. The loan is due the earlier, of (i) June 30, 2007 or (ii) the date on which the facility lender approves the assumption of the existing mortgage loan by us. The loan bears interest in an amount equal to the facility's net cash flow (as defined) or the maximum permissible by law. For financial reporting purposes, we evaluated our relationship with the entity that owns the facility pursuant to FIN 46R and determined that the entity is a VIE and we are the primary beneficiary and accordingly will consolidate the entity as of June 30, 2006. We are also under contract with AEW to purchase a skilled nursing component of one of the purchased facilities for an additional $9.5 million. The remainder of this transaction is expected to close during the third quarter of 2006 and is subject to customary closing conditions and possible multiple closings. We refer to these facilities as the ‘‘AEW Portfolio’’. The AEW Portfolio is located in California, Ohio and Washington and is comprised of six independent living, assisted living and CCRC facilities with a total of 1,017 units/beds.

On April 7, 2006, we completed the acquisition of 41 leased senior living facilities from Southern Assisted Living Inc., or SALI, with 2,887 units/beds for $82.9 million. Also included in the transaction was one property managed by SALI for a third party with 155 independent and assisted living units/beds. We refer to these facilities in this prospectus as the ‘‘SALI Portfolio’’. The SALI Portfolio is located in North Carolina, South Carolina and Virginia.

On March 31, 2006, we completed the acquisition of seven senior living facilities, all of which are owned, with 1,077 units/beds from American Senior Living L.P. for an aggregate purchase price of $92.2 million. We refer to these facilities in this prospectus as the ‘‘Liberty Owned Portfolio’’. The Liberty





Owned Portfolio is located in Florida, Georgia and Tennessee and consists of seven owned facilities. In connection with the acquisition, we obtained a $65.2 million first mortgage loan, bearing interest at a variable rate of LIBOR plus 1.75%, payable interest only through maturity in March 2011, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is recorded as a cash flow hedge. We are also under contract to acquire a skilled nursing component of one of the acquired facilities and an additional 11 leased senior living facilities from American Senior Living L.P. The transaction for the remaining facilities is expected to close in the third quarter of 2006 and is subject to customary closing conditions.

On March 28, 2006, we completed the acquisition of 17 assisted living facilities with 814 units/beds from The Wellington Group LLC for $79.5 million. We refer to these facilities in this prospectus as the ‘‘Wellington Portfolio’’. On January 11, 2006, we signed a definitive agreement to acquire 18 facilities; however, the agreement to acquire one facility was terminated. In connection with the acquisition we obtained $52.6 million of first mortgage financing bearing interest at a variable rate of LIBOR plus 1.70%, payable interest only through maturity in March 2009, with two-one year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge. The Wellington Portfolio is located in Alabama, Florida, Georgia, Mississippi, and Tennessee and consists of 13 owned and four leased facilities.

On February 28, 2006, we acquired two facilities with 114 units/beds in Orlando, Florida from Orlando Madison Ivy, LLC for an aggregate purchase price of $13.0 million. In connection with the acquisition, we obtained an $8.8 million first mortgage bearing interest at a variable rate of LIBOR plus 1.70% payable, interest only through maturity in December 2008, with two one-year extensions at our option, and we entered into an interest rate swap to convert the loan from floating to fixed. The swap is accounted for as a cash flow hedge.

On December 30, 2005, we acquired from Capstead Mortgage Corporation all of the outstanding stock of CMCP-Properties, Inc., or CMCP, which owns six senior living facilities with 1,394 units/beds that we operated since May 2002 under a long-term operating lease. We refer to these facilities in this prospectus as the ''Chambrel Portfolio''. We paid $57.5 million in cash to acquire all of the outstanding stock of CMCP, and assumed $119.8 million of debt and $5.2 million of working capital and cash and investments-restricted. In connection with the acquisition we obtained a $30.0 million first mortgage related to one facility that refinanced the existing $18.9 million first mortgage on that facility and we incurred a loss of $2.5 million in connection with the early extinguishment of debt. On April 14, 2006, we completed a $12.0 million financing secured by the Chambrel Portfolio, bearing interest at 6.56% and payable principal and interest until maturity in 2013.

On December 22, 2005, we acquired four facilities with 183 units/beds from Merrill Gardens for an aggregate purchase price of $16.5 million. We refer to these facilities in this prospectus as the ''Merrill Gardens Portfolio''. On November 30, 2005, we completed our acquisition of six facilities with 237 units/beds from Omega Healthcare Investors, Inc. pursuant to our exercise of a purchase option, for an aggregate purchase price of $20.5 million. We refer to these facilities in this prospectus as the ''Omega Portfolio''. The Merrill Gardens Portfolio and the Omega Portfolio acquisitions were financed in part by a $24.0 million of first mortgage financing bearing interest at a variable rate of LIBOR plus 1.70% and in part using a portion of the proceeds of our initial public offering.

Acquisition and History of Brookdale Living Communities, Inc.

In September 2005, a wholly-owned subsidiary of ours merged with and into BLC, resulting in the issuance of an aggregate of 20,000,000 shares of our common stock to the previous holders of all of the outstanding common stock of BLC and certain former members of FBA. As a result of this transaction, BLC became our wholly-owned subsidiary and (1) FBA, a fund managed by an affiliate of Fortress and the former holder of a majority of the outstanding common stock of BLC, and (2) Health Partners, a former member of FBA, became significant stockholders of ours. See ''Principal and Selling Stockholders'' and ''Certain Relationships and Related Party Transactions.''

In June and July of 2005, subsidiaries of BLC entered into management agreements/operating leases to operate eight senior living facilities and one senior living facility, respectively, consisting of



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1,261 units/beds. We refer to these facilities in this prospectus as the ''Prudential Portfolio''. See ''—Acquisition and History of Alterra Healthcare Corporation'' for a description of the acquisition history of the Prudential Portfolio. Fortress and BLC received regulatory authorization to operate these facilities in June and July 2005, respectively.

In April 2005, subsidiaries of BLC entered into management agreements to operate eight facilities, six of which we own, two of which we sold and no longer manage, consisting of 3,238 units/beds, in the Fortress CCRC Portfolio. See ''—Acquisition and History of Fortress CCRC Portfolio'' for a description of the acquisition history of the Fortress CCRC Portfolio. Fortress and BLC received regulatory licenses required to operate these facilities in April 2005.

In October 2004, Provident Senior Living Trust, or Provident, a real estate investment trust, acquired 21 senior living facilities from BLC through a stock acquisition, for a total purchase price of approximately $742.4 million (including the assumption of approximately $433.6 million of non-recourse and limited recourse property-level and other debt). BLC currently leases and operates all of the facilities that it sold to Provident pursuant to long-term operating leases and management agreements. See ''—Leases— BLC's Master Lease Arrangements with Provident.'' In October 2004, BLC paid a dividend of $254.6 million to all of its stockholders, which represented a return of capital. The dividend was funded with a portion of the proceeds from the Provident transaction.

In August 2004, BLC entered into management agreements to operate nine facilities consisting of more than 1,900 units/beds owned by Cypress Senior Living, which we refer to in this prospectus as the ''Town Village Portfolio''. The Town Village Portfolio consists of entirely independent living facilities, ranging in size from 176 to 276 units/beds each. The facilities are located in the metro areas of Detroit, Kansas City, Memphis, Dallas, Birmingham, Fort Worth, and Tulsa, all of which opened in the last three years, and Oklahoma City, which opened in December 2004. One facility located in Oklahoma City was sold in January 2006, and we no longer manage it. Four other facilities located in Texas and Kansas totaling 914 units/beds were sold in February 2006, and we no longer manage them.

During the first quarter of 2004, the limited partnerships that owned 14 facilities, in which subsidiaries of BLC held general and limited partnership interests, sold those facilities to Ventas Realty, Limited Partnership, or Ventas, for approximately $114.6 million. Ventas also acquired another facility from a third party in a separate transaction. Simultaneously with such sales, wholly-owned subsidiaries of BLC, or the Ventas Tenants, entered into and became the tenants under a master lease with Ventas pursuant to which the Ventas Tenants currently lease 13 facilities. Two additional facilities are leased to the Ventas Tenants pursuant to individual leases substantially similar to the master lease. BLC has guaranteed the leases for the full and prompt payment and performance of all of Ventas Tenants' obligations thereunder. The guaranty requires that BLC maintain a net worth of not less than $100.0 million (as defined). See ''—Leases—Ventas Lease Arrangement with BLC.''

In November 2002, BLC purchased the following three facilities consisting of 643 units/beds for approximately $134.7 million, which it had previously developed and managed for third party owners: The Heritage at Gaines Ranch, a 208-unit/beds facility located in Austin, Texas; The Heritage of Southfield, a 217-unit/beds facility located in Southfield, Michigan; and The Devonshire of Mt. Lebanon, a 218-unit/beds facility located in Mt. Lebanon (Pittsburgh), Pennsylvania. The total purchase price included cash of $41,000 plus the assumption of all liabilities, including approximately $76.1 million of first mortgage loans and approximately $13.4 million of mezzanine financing provided by a subordinate lender. At the date of purchase, the $76.1 million of first mortgage loans and $13.4 million of mezzanine financing, which were partially guaranteed by BLC, were in default. BLC reached an agreement with the lenders for BLC to repay the loans at an agreed-upon amount and for the lenders to forbear on all claims until December 31, 2003 and February 1, 2004, respectively. In September 2003, BLC formed Brookdale Senior Housing, LLC, or the NML Joint Venture, a joint venture with an affiliate of the Northwestern Mutual Life Insurance Company, or Northwestern, and effectively sold 75% of its interest in the Southfield and Mt. Lebanon facilities to the NML Joint Venture. The NML Joint Venture owns the Southfield and Mt. Lebanon facilities and was capitalized with $66.3 million of cash, of which $144,000 was contributed by BLC, and the balance of which was contributed by Northwestern in the form of $35.8 million of equity and $30.4 million of first mortgage financing. The loans are payable as interest only loans at the rate of 6.75%

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through September 30, 2008, and 7.25% through maturity on October 1, 2009. In addition, Northwestern made a $16.4 million first mortgage loan to the owner of The Heritage of Gaines Ranch, payable as an interest only loan at 6.75% through September 30, 2008, and 7.25% through maturity on October 1, 2009, and the NML Joint Venture made a $12.7 million mezzanine loan to the owner of The Heritage of Gaines Ranch, payable at the rate of all available cash flow and appreciation in the facility. In connection with the sale of its interests in the Southfield and Mt. Lebanon facilities, BLC received $51.6 million, which resulted in a loss on the sale of $24.5 million. BLC used the proceeds to repay the existing first mortgage and mezzanine loans and recognized a gain on extinguishment of debt of $12.5 million, net of costs. Subsidiaries of BLC manage each of these facilities for a fee equal to 5% of gross revenues. Under certain limited circumstances, BLC's management of these facilities can be terminated by Northwestern.

In December 2001, a wholly-owned subsidiary of BLC entered into agreements to purchase seven facilities from affiliates of AIMCO, consisting of 1,477 units/beds, or the Chambrel Portfolio, for which it made earnest money deposits in the aggregate amount of $4.0 million. The deposits were funded with the proceeds of advances made to BLC by Capstead Mortgage Corporation, or Capstead, a publicly traded company in which an affiliate of Fortress held an interest. See ''Certain Relationships and Related Party Transactions.'' In connection with the closing, BLC assigned its rights under the purchase and sale agreements to subsidiaries of Capstead and entered into seven operating leases with subsidiaries of Capstead. On October 31, 2002, Capstead sold the Chambrel at Windsong Care Center in Akron, Ohio, an 83 bed skilled nursing center, and terminated the related operating lease. The net cost of the remaining six facilities, consisting of 1,394 units/beds, was approximately $148.7 million (including the assumption of approximately $120.6 million of debt). BLC has subsequently purchased the equity interests of Capstead in each facility and terminated the leases.

In January 2001, BLC acquired a 45% interest in GFB-AS Investors, LLC, or GFB, for approximately $5.7 million. GFB, in turn, acquired the equity interests of the general partners in various limited partnerships, or GC LPs, each of which owned one or two senior living facilities, and each of which were previously owned by affiliates of Grand Court, together with management contract rights. A wholly-owned subsidiary of BLC entered into management consulting agreements with each of the GC LPs. The total initial investment in GFB was approximately $12.8 million, of which BLC's share was approximately $5.7 million and was funded from the proceeds of a loan made by an affiliate of Fortress. In September 2002, the members of GFB contributed approximately $2.6 million to fund additional purchases of limited partnership interests in certain GC LPs and to provide loans to various partnerships, of which BLC's share was approximately $1.2 million. BLC's share was funded by a loan from an affiliate of Fortress. In May 2003, BLC purchased the remaining 55% interest in GFB for net cash consideration of approximately $10.5 million, including closing costs, which was funded by a loan from the stockholders of FBA. See ''Certain Relationships and Related Party Transactions.'' During the first quarter of 2004, 14 of the limited partnerships sold the facilities that they owned to Ventas for approximately $114.6 million, based on their appraised value of approximately $110.0 million and, in connection with such sales, certain subsidiaries of BLC entered into and became the tenants under master leases with Ventas. For a more detailed description of the Ventas transaction, see ''Leases—Ventas Lease Arrangement with BLC.''

BLC completed an initial public offering of its common stock in May 1997. BLC remained a public company until September 2000, when it was acquired pursuant to a tender offer by FBA, a joint venture owned by an affiliate of Fortress and an affiliate of Capital Z Partners.

Acquisition and History of Alterra Healthcare Corporation

In September 2005, a wholly-owned subsidiary of ours merged with and into FEBC-ALT Investors, resulting in the issuance of an aggregate of 29,750,000 shares of our common stock for all of the outstanding membership interests of FEBC-ALT Investors. Alterra is an indirect wholly-owned subsidiary of FEBC-ALT Investors and, as a result of this transaction, Alterra became our indirect wholly-owned subsidiary. FIT-ALT Investor, Fortress Investment Trust II, Emeritus and NW Select (each a former member of FEBC-ALT Investors) each became significant stockholders of ours. Each of FIT-ALT Investor and Fortress Investment Trust II is a fund managed by an affiliate of Fortress. Each of Emeritus and NW



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Select sold all of its shares in our initial public offering. See ‘‘Principal and Selling Stockholders’’ and ‘‘Certain Relationships and Related Party Transactions.’’

In June and July 2005, FIT REN, a fund managed by an affiliate of Fortress, purchased eight senior living facilities and one senior living facility, respectively, consisting of 1,261 units, or the Prudential Portfolio, from affiliates of Prudential Financial, Inc. for an aggregate purchase price of approximately $282.4 million, before closing costs. Prior to our acquisition of FEBC-ALT Investors, FEBC-ALT Investors purchased from Fortress Investment Trust II, a fund managed by an affiliate of Fortress, all of the outstanding membership interests in FIT REN for an aggregate purchase price of approximately $282.4 million before closing costs (including the assumption of approximately $171.0 million of debt). Immediately after the purchase, the membership interests of FIT REN were contributed to Alterra. As a result, FIT REN became a wholly-owned subsidiary of Alterra and Fortress Investment Trust II became a member of FEBC-ALT Investors. In connection with the FEBC-ALT Investors merger described above, Fortress Investment Trust II received 11,750,000 shares of our common stock, and became a significant stockholder of ours. See ‘‘Principal and Selling Stockholders’’ and ‘‘Certain Relationships and Related Party Transactions.’’ Subsidiaries of BLC operate each of the facilities in the Prudential Portfolio pursuant to management agreements with the property owners. See ‘‘—Acquisition and History of Brookdale Living Communities, Inc.’’

In June 2005, FIT-ALT Investor, a fund managed by an affiliate of Fortress, purchased membership interests representing an approximately 25% membership interest in FEBC-ALT Investors from Emeritus and NW Select, for an aggregate purchase price of $50.0 million. In connection with this transaction, FEBC-ALT Investors paid a dividend of $20.0 million to FIT-ALT Investor, its sole Class A member. FIT-ALT Investor used the proceeds of the dividend to pay a portion of the purchase price. See ‘‘Certain Relationships and Related Party Transactions’’ for a more detailed description of this transaction.

During the fourth quarter of 2004, Provident acquired 47 assisted living facilities from Alterra through the acquisition of 100% of the outstanding capital stock of certain Alterra subsidiaries for a total purchase price of approximately $240.4 million (including the assumption of approximately $49.5 million of non-recourse and limited recourse property-level debt). Alterra currently leases and operates all of the facilities that it sold to Provident pursuant to long-term operating leases. See ‘‘—Leases—Provident’s Master Lease Arrangements with Alterra.’’ In November 2004, in connection with a $50.0 million dividend paid by Alterra, FEBC-ALT Investors paid $50.0 million to FIT-ALT Investor, its sole Class A member, which included a dividend of approximately $32.8 million and repayment of approximately $17.2 million of debt owed to FIT-ALT Investor, including accrued interest. The dividend was funded with a portion of the proceeds received from the Provident transaction.

In December 2004, AHC Purchaser Inc., a wholly-owned subsidiary of Alterra, and Merrill Lynch Capital entered into a series of agreements through which Alterra borrowed $72.5 million to refinance two other debt arrangements. The financing is secured by 21 facilities with a capacity for 860 residents. See ‘‘Description of Indebtedness—Merrill Lynch Mortgage Loan.’’

In February 2003, ALS-Venture II, Inc., a now inactive subsidiary of Alterra, and Wynwood of Chapel Hill, LLC, sold 25 assisted living properties pursuant to a Purchase and Sale Agreement to SNH ALT Leased Properties Trust, or SNH, for approximately $61.0 million. Subsequently, AHC Trailside, Inc., a subsidiary of Alterra, entered into and became the tenant at these 25 assisted living facilities pursuant to a lease with SNH.

Alterra completed an initial public offering of its common stock in August 1996 and remained a public company until 2003. In January 2003, in order to facilitate and complete its ongoing restructuring initiatives, Alterra filed a voluntary petition for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code. Alterra emerged from bankruptcy in December 2003 when it was acquired and recapitalized by FEBC-ALT Investors, a joint venture that included an affiliate of Fortress. Since 2001, in connection with its bankruptcy and reorganization efforts, Alterra has sold more than 200 facilities and parcels of land to third parties for in excess of $150.0 million.

In December 2002, individual leases on 35 facilities that were previously leased by Alterra from LTC Properties, Inc., or LTC, and its affiliates were either terminated or amended and restated, and Alterra entered into four separate master leases with LTC and its affiliates with respect to the facilities.



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In April 2002, 43 facilities with a capacity for 1,526 residents that were previously leased by affiliates of Alterra from affiliates of Meditrust (La Quinta Properties, Inc.), or Meditrust, were conveyed by Meditrust to JER/NHP Senior Living Texas, L.P., JER/NHP Senior Living Wisconsin, LLC, JER/NHP Senior Living Kansas, Inc., and JER/NHP Senior Living Acquisition, LLC, collectively, JER I. The Meditrust-Alterra leases were terminated and the Alterra affiliates entered into a single master lease with JER I with respect to those facilities. In October 2002, three additional facilities that were previously mortgaged to Key Bank and six facilities that were previously mortgaged to Washington Mutual were conveyed by affiliates of Alterra to JER/NHP Senior Living Acquisition, LLC, or JER II. Simultaneous with the conveyances, affiliates of JER II leased these residences to ALS Leasing, Inc., a wholly-owned subsidiary of Alterra, under a single master lease.

In April 2002, Alterra entered into a single master lease with Nationwide Health Properties, Inc., or NHP, and its affiliates with respect to 57 facilities, which included six facilities that were previously leased by Alterra from Meditrust. Of the original NHP-Alterra portfolio, seven additional facilities were not included in the master lease due to underlying ground leases or bond-related indebtedness, and Alterra is obligated to amend the master lease to add six of these facilities when consents are obtained. One of the seven facilities will be added to the master lease in the near future. Since the time of entry into the master lease, six facilities have been sold. As a result, 52 facilities will remain under the master lease.

In July 2001, individual leases on 38 residences that were previously leased by Alterra from Health Care REIT, Inc., or HCR, and its affiliates were amended and restated into a single master lease with HCR and its affiliates with respect to 36 of the residences. In subsequent amendments, ten additional properties with a capacity for 424 residents were refinanced out of unaffiliated lender/lessor portfolios and added to the master lease, and one property originally included in the master lease was sold and removed from the master lease. As a result, Alterra currently leases 45 facilities from HCR and its affiliates under the master lease. In connection with our acquisition of the SALI Portfolio, this lease has been amended and restated.

During 2001, Alterra negotiated a series of agreements that resulted in the discontinuation of joint venture arrangements with respect to 42 residences. In October 2001, Alterra negotiated the buyout of a joint venture partner's interest in 15 residences in connection with a modification and settlement agreement with one investor group. In December 2001, Alterra terminated its joint venture with Pioneer Development Company, or Pioneer, by exchanging ownership interests in 12 joint venture entities jointly owned with this group, resulting in Alterra and Pioneer each acquiring sole ownership in six of these residences. Also in December 2001, Alterra terminated its development joint venture with Manor Care, Inc. relating to 13 residences in connection with consummating a global settlement of various pending claims between Alterra and Manor Care and its affiliates.

Acquisition and History of Fortress CCRC Portfolio

In September 2005, a wholly-owned subsidiary of ours merged with and into Fortress CCRC resulting in the issuance of an aggregate of 8,250,000 shares of our common stock for all of the outstanding membership interests of Fortress CCRC. As a result of this transaction, Fortress CCRC became our wholly-owned subsidiary and Fortress Investment Trust II, the former sole member of Fortress CCRC, received shares of our common stock and became a significant stockholder of ours. See ''Principal and Selling Stockholders'' and ''Certain Relationships and Related Party Transactions.''

The NBA is a 501(c)(3) not-for-profit organization founded in 1887. As a result of deteriorating operating performance and unsuccessful negotiations to restructure the NBA's debt and management, bonds issued by the NBA were trading at a discount to their par value. Between January and February 2004, FIT CCRC LLC, a fund managed by an affiliate of Fortress, acquired the NBA debt and was on the unsecured creditors' committee to lead a restructuring of the NBA. In February 2004, the NBA elected to file for bankruptcy protection. In September 2004, Fortress CCRC signed an asset purchase agreement to acquire 11 CCRC facilities consisting of 4,053 units/beds (including 817 resident-owned cottages on our CCRC campuses managed by us) across ten states from the NBA as debtor in possession under Chapter 11 of the U.S. bankruptcy code. Fortress CCRC was subsequently selected as the winning bidder through a bankruptcy auction in December 2004. In April and May 2005, Fortress





CCRC purchased 11 of the facilities consisting of 4,053 units/beds (including 817 resident-owned cottages on our CCRC campuses managed by us) from the NBA for an aggregate purchase price of approximately $210.5 million, including closing costs and the assumption of $24.4 million of refundable entrance fees. Three of these facilities were sold by Fortress CCRC to other purchasers for $30.3 million simultaneously with or shortly after their purchase. Of the eight facilities that remained, Fortress CCRC sold one on July 1, 2005 for $2.5 million and one on September 14, 2005 for $9.0 million. It is our intention to retain ownership of the six remaining facilities. We refer to these six facilities in this prospectus as the ''Fortress CCRC Portfolio.'' We plan to improve the operation of the Fortress CCRC Portfolio, which we believe has been severely under-managed as a result of significant turmoil at the NBA prior to and during the bankruptcy process.

Operations

Segments

We have seven reportable segments which we determined based on the way that management organizes the segments within the enterprise for making operating decisions and assessing performance. In addition, the management approach focuses on financial information that an enterprise's decision makers use to make decisions about the enterprise's operating matters. We continue to evaluate the type of financial information necessary for the decision makers as we implement our growth strategies. Prior to formation on September 30, 2005 and presently, each of Brookdale Living, which includes BLC, the Fortress CCRC Portfolio and the Prudential Portfolio, and Alterra, had and has distinct chief operating decision makers, or CODMS. Each of our facilities are considered separate operating segments because they each engage in business activities from which they earn revenues and incur expenses, their operating results are regularly reviewed by the CODMS to make decisions about resources to be allocated to the segment and assess its performance, and discrete financial information is available.

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, permits aggregation of operating segments that share all common operating characteristics (similar products and services, similar methods used to deliver or provide their products and services, and similar type and class of customer for their products and services) and similar economic characteristics (revenue recognition and gross margin). We believe that each of our facilities provides similar services, delivers these services in a similar manner, and has common type and class of customer. In addition, all of our facilities recognize and report revenue in a similar manner. However, our individual facility gross margins vary significantly. Therefore, we have aggregated our segments based upon the lowest common economic characteristic of each of our facilities: gross margin. The CODMS allocate resources in large part based on margin and analyze each of the facilities as having either (1) less than 20% operating margins, (2) more than 20% operating margins but less than 40% operating margins, or (3) greater than 40% operating margins. The CODMS believe that the margin is the primary, most significant and most useful indicator of the necessary allocation of resources to each individual facility because it is the best indicator of a facility's operating performance and resource requirements. Accordingly, our operating segments are aggregated into six reportable segments based on comparable operating margins within each of Brookdale Living and Alterra. We defined our operating margin for each group of facilities as that group's operating income divided by its revenue. Operating income represents revenue less operating expenses (excluding depreciation and amortization). See Note 14 to our Consolidated and Combined Financial Statements included with this prospectus.

We also present a seventh reportable segment for management services because the economic and operating characteristics of these services are different from our facilities aggregated above.

Our Product Offerings

We offer a variety of senior living housing and service alternatives in facilities located across the United States. Our primary product offerings consist mainly of (i) Independent Living Facilities, (ii) Assisted Living Facilities, (iii) Memory Care Facilities, and (iv) CCRCs. Following is a description of each:



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- Independent Living Facilities

Our Independent Living Facilities are primarily designed for middle to upper income senior citizens age 70 and older who desire an upscale residential environment providing the highest quality of service.

The majority of our Independent Living Facilities consist of both independent living and assisted living units in a single facility, which allows residents to ''age-in-place'' by providing them with a continuum of senior independent and assisted living services. While the number varies depending upon the particular facility, 84% of all of the units at our Independent Living Facilities are independent living units (of our facilities with both independent and assisted living units, approximately 75% of the total units are designated as independent living units), with a smaller number of units licensed for assisted living.

Our Independent Living Facilities are large multi-story buildings containing from 74 to 341 units. Residents may choose from studio, one-bedroom and two-bedroom units, depending upon the specific facility.

Each Independent Living Facility provides residents with basic services such as meal service, 24-hour emergency response, housekeeping, concierge services, transportation and recreational activities. Most of these facilities also offer custom tailored supplemental care services at an additional charge under the ‘‘Personally Yours’’ program, which may include medication reminders, check-in services and escort and companion services. Additional fees that we collect in connection with our ‘‘Personally Yours’’ program vary by facility and range from $5 to $50 per service.

In addition to the basic services, our Independent Living Facilities that include assisted living also provide residents with supplemental care services options to provide assistance with ADLs. The levels of care provided to residents vary from facility to facility depending, among other things, upon the licensing requirements of the state in which the facility is located.

Residents in these facilities are able to maintain their residency for an extended period of time due to the range of service options available to residents (not including skilled nursing) as their needs change. Residents with cognitive or physical frailties and higher level service needs are accommodated with supplemental services in their own units or, in certain facilities, are cared for in a more structured and supervised environment on a separate wing or floor. These facilities also have a dedicated assisted living staff, including nurses at the majority of facilities, and separate assisted living dining rooms and activity areas.

As of the date of this prospectus, our Independent Living Facilities represent approximately 40.0% of our total senior living capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, our Independent Living Facilities represent approximately 37.4% of our total senior living capacity.

- Assisted Living Facilities

Our Assisted Living Facilities offer housing and 24-hour assistance with ADLs to mid-acuity frail and elderly residents.

Our Assisted Living Facilities include both freestanding, multi-story facilities with more than 30 beds and smaller, freestanding single story facilities with less than 30 beds. Depending upon the specific location, the facility may include (i) private studio, one-bedroom and one-bedroom deluxe apartments, or (ii) individual rooms for one or two residents in wings or ‘‘neighborhoods’’ scaled to a single-family home, which includes a living room, dining room, patio or enclosed porch, laundry room and personal care area, as well as a caregiver work station.

All residents at these facilities receive the basic care level, which includes ongoing health assessments, three meals per day and snacks, coordination of special diets planned by a registered dietitian, assistance with coordination of physician care, social and recreational activities, housekeeping and personal laundry services. In some locations we offer our residents exercise programs and programs designed to address issues associated with early stages of Alzheimer’s and other forms of dementia. In addition, we offer higher levels of personal care services to residents at these facilities that are very physically frail or experiencing early stages of Alzheimer’s disease or other dementia and who



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require more frequent or intensive physical assistance or increased personal care and supervision due to cognitive impairments. For example, physically frail residents may require medication management, two-person transfer from a wheelchair or incontinence care. These additional services, which we offer for an additional cost, are part of our ‘‘YourCare’’ program. Additional fees that we collect in connection with our ‘‘YourCare’’ program vary by facility and range from $0 to $3,600 per month per resident.

As of the date of this prospectus, our Assisted Living Facilities represent approximately 41.7% of our senior living capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, our Assisted Living Facilities represent approximately 36.0% of our senior living capacity.

- Memory Care Facilities

Our Memory Care Facilities are specially designed freestanding facilities for residents with Alzheimer’s disease and other dementias requiring the attention, personal care and services needed to help cognitively impaired residents maintain a higher quality of life.

Our Memory Care Facilities have from 20 to 60 beds and some are part of a campus setting, which includes a free-standing assisted living facility.

As a result of their progressive decline in cognitive abilities, including impaired memory, thinking and behavior, residents at these facilities typically require higher levels of personal care and services. In addition, residents require increased supervision because they are typically highly confused, wander prone and incontinent. Specialized services include assistance with ADLs, behavior management and an activities program, the goal of which is to provide a normalized environment that supports residents’ remaining functional abilities. Whenever possible, residents participate in all facets of daily life at the residence, such as assisting with meals, laundry and housekeeping.

As of the date of this prospectus, our Memory Care Facilities represent approximately 9.1% of our senior living capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, our Memory Care Facilities represent approximately 6.2% of our senior living capacity.

- CCRCs

Our CCRCs offer a variety of living arrangements and services to accommodate all levels of physical ability and health. Most of our CCRCs have independent living, assisted living and skilled nursing available on one campus, and some also include memory care and Alzheimer’s units. In addition, four of our CCRC facilities also contain single-family homes that are owned by the resident, who pays a monthly maintenance charge to the community for various maintenance services.

Some of our CCRCs require the residents in the independent living apartment units to pay a one-time upfront entrance fee, which fee is partially refundable upon the subsequent sale of the unit or, in certain cases, upon the sale of a comparable unit.

In addition, we have one skilled nursing facility—Westbury Care Center—that is not part of a CCRC.

As of the date of this prospectus, our CCRCs represent approximately 9.0% of our total senior living capacity and our single skilled nursing facility represents approximately 0.2% of our total senior living capacity. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, our CCRCs represent approximately 19.6% of our total senior living capacity and our skilled nursing facilities represent approximately 0.8% of our total senior living capacity.

Operations Overview

We continually review opportunities to expand the amount of services we provide to our residents. To date, we have been able to increase our monthly resident fees each year and we have generally experienced increasing facility operating margins through a combination of the implementation of efficient operating procedures and the economies of scale associated with the size and number of our facilities. Our operating procedures include securing national vendor contracts to obtain the lowest possible pricing for certain services such as food, energy and insurance, implementing strict budgeting and financial controls at each facility, and establishing standardized training and operations procedures.



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We also purchase annual insurance policies in the ordinary course of business for property, auto, workers' compensation and excess auto/employer liability and most recently purchased a three-year general/professional liability policy, with a one-year excess general liability policy. See ''Risk Factors— Significant legal actions and liability claims against us in excess of insurance limits could subject us to increased operating costs and substantial uninsured liabilities, which may adversely affect our financial condition and operating results'' for additional information on specific insurance coverage limits.

We believe that successful senior living operators must effectively combine the business disciplines of housing, hospitality, health care, marketing, finance and real estate expertise.

We have implemented intensive standards, policies and procedures and systems, including detailed staff manuals, which we believe have contributed to our facility operating margins. We have centralized accounting controls, finance and other operating functions so that, consistent with our operating philosophy, facility-based personnel can focus on resident care and efficient operations. Staff in both our headquarters in Chicago, Illinois and at our executive office in Milwaukee, Wisconsin are responsible for the establishment of company-wide policies and procedures relating to, among other things, resident care; facility design and facility operations; billings and collections; accounts payable; finance and accounting; risk management; development of employee training materials and programs; marketing activities; the hiring and training of management and other facility-based personnel; compliance with applicable local and state regulatory requirements; and implementation of our acquisition, development and leasing plans.

Consolidated Corporate Operations Support

We have developed a centralized infrastructure and services platform, which provides us with a significant operational advantage over local and regional operators of senior living facilities. The size of our business also allows us to achieve increased efficiencies with respect to various corporate functions such as human resources, finance, accounting, legal, information technology and marketing. We are also able to realize cost efficiencies in the purchasing of food, supplies, insurance, benefits, and other goods and services. In addition, we have established an operations group to support all of our product lines and facilities in areas such as training, regulatory affairs, asset management, dining and procurement.

Facility Staffing and Training

Each facility has an Executive Director or Residence Director, each a Director, responsible for the overall day-to-day operations of the facility, including quality of care, social services and financial performance. Each Director receives specialized training from us. In addition, a portion of each Director's compensation is directly tied to the operating performance of the facility and to the maintenance of high occupancy levels. We believe that the quality of our facilities, coupled with our competitive compensation philosophy, have enabled us to attract high-quality, professional Directors.

Depending upon the size of the facility, each Director is supported by a facility staff member who is directly responsible for day-to-day care of the residents and either facility staff or regional support to oversee the facility's marketing and community outreach programs. Other key positions supporting each facility may include individuals responsible for food service, activities, housekeeping, and engineering.

We believe that quality of care and operating efficiency can be maximized by direct resident and staff contact. Employees involved in resident care, including the administrative staff, are trained in the support and care needs of the residents and emergency response techniques. We have adopted formal training and evaluation procedures to help ensure quality care for our residents. We have extensive policy and procedure manuals and hold frequent training sessions for management and staff at each site.

Quality Assurance

We maintain quality assurance programs at each of our facilities through our corporate staff. Our quality assurance program is designed to achieve a high degree of resident and family member satisfaction with the care and services that we provide. Our quality control measures include, among



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other things, facility inspections conducted by corporate staff on a regular basis. These inspections cover the appearance of the exterior and grounds; the appearance and cleanliness of the interior; the professionalism and friendliness of staff; resident care; the quality of activities and the dining program; observance of residents in their daily living activities; and compliance with government regulations. Our quality control measures also include the survey of residents and family members on a regular basis to monitor their perception of the quality of services provided to residents.

In order to foster a sense of community as well as to respond to residents' desires, at our facilities, we have established a resident council or other resident advisory committee that meets monthly with the Director of the facility. Separate resident committees also exist at many of these facilities for food service, activities, marketing and hospitality. These committees promote resident involvement and satisfaction and enable facility management to be more responsive to the residents' needs and desires.

Marketing and Sales

Our marketing strategy is intended to create awareness of us, our facilities, our products and our services among potential residents and their family members and among referral sources, including hospital discharge planners, physicians, clergy, area agencies for the elderly, skilled nursing facilities, home health agencies and social workers. Our marketing staff develops overall strategies for promoting our facilities and monitors the success of our marketing efforts, including outreach programs. In addition to direct contacts with prospective referral sources, we also rely on print advertising, yellow pages advertising, direct mail, signage and special events, health fairs and community receptions. Certain resident referral programs have been established and promoted within the limitations of federal and state laws at many facilities.

Facilities

As of March 31, 2006, we operated 403 facilities across 32 states, with the capacity to serve approximately 30,800 residents. Of the facilities we currently operate, we own 94, we lease 299 pursuant to operating and capital leases and 10 are owned by third parties. On a pro forma basis for the ARC Merger and Recent Acquisitions, as of March 31, 2006, we operate over 530 facilities across 33 states with the capacity to serve over 50,000 residents.

The following table sets forth certain information regarding our facilities, as of March 31, 2006:

| | Occupancy at March 31, 2006 | | Ownership Status at March 31, 2006 | | | |
|---|---|---|---|---|---|---|
| State | Units/Beds | Occupancy | Leased | Owned | Managed | Total |
| Alabama | 322 | 79.5% | 1 | 1 | 1 | 3 |
| Arizona | 661 | 91.5% | 8 | — | 1 | 9 |
| California | 2,031 | 90.5% | 3 | 9 | — | 12 |
| Colorado | 1,572 | 89.4% | 15 | 3 | — | 18 |
| Connecticut | 292 | 96.6% | 2 | — | — | 2 |
| Florida | 4,746 | 91.9% | 35 | 17 | 2 | 54 |
| Georgia | 466 | 97.9% | — | 4 | — | 4 |
| Idaho | 228 | 87.3% | 3 | — | — | 3 |
| Illinois | 2,306 | 91.9% | 9 | 2 | — | 11 |
| Indiana | 1,150 | 88.3% | 10 | 4 | — | 14 |
| Iowa | 139 | 87.1% | — | 1 | — | 1 |
| Kansas | 829 | 87.0% | 10 | 8 | — | 18 |
| Massachusetts | 282 | 97.2% | 1 | — | — | 1 |
| Michigan | 1,851 | 88.4% | 25 | 3 | 3 | 31 |
| Minnesota | 643 | 88.5% | 16 | — | — | 16 |
| Mississippi | 52 | 61.5% | 1 | — | — | 1 |
| Missouri | 948 | 89.7% | 1 | 2 | — | 3 |
| Nevada | 306 | 100.0% | 3 | — | — | 3 |





| | Occupancy at March 31, 2006 | | Ownership Status at March 31, 2006 | | | |
|---|---|---|---|---|---|---|
| State | Units/Beds | Occupancy | Leased | Owned | Managed | Total |
| New Jersey | 343 | 93.3% | 6 | — | — | 6 |
| New Mexico | 344 | 97.1% | 2 | — | — | 2 |
| New York | 1,196 | 92.4% | 10 | 6 | — | 16 |
| North Carolina | 743 | 91.4% | 12 | 1 | — | 13 |
| Ohio | 1,657 | 89.3% | 24 | 4 | — | 28 |
| Oklahoma | 1,141 | 86.8% | 26 | 1 | 1 | 28 |
| Oregon | 823 | 88.1% | 12 | — | — | 12 |
| Pennsylvania | 541 | 79.5% | 3 | 3 | 1 | 7 |
| South Carolina | 336 | 89.9% | 8 | — | — | 8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tennessee | 1,218 | 92.3% | 5 | 13 | 1 | 19 |
| Texas | 1,927 | 85.9% | 26 | 6 | — | 32 |
| Virginia | 353 | 98.6% | 1 | 1 | — | 2 |
| Washington | 902 | 91.0% | 8 | 3 | — | 11 |
| Wisconsin | 422 | 92.9% | 13 | 2 | — | 15 |
| Total | 30,770 | 90.2% | 299 | 94 | 10 | 403 |

The table below sets forth certain information regarding the top 15 facilities, by number of units, for each of BLC, Alterra, and ARC, as well as all of the properties in the Prudential Portfolio and the Fortress CCRC Portfolio.

| | | Number of Units/Beds | | | | | |
|---|---|---|---|---|---|---|---|
| Facility Name | Location | Independent Living | Assisted Living | Memory Care | Skilled Nursing | Equity Homes | Total |
| Brookdale Living Communities(1) | | | | | | | |
| The Hallmark-Chicago | Chicago, IL | 341 | — | — | — | — | 341 |
| The Hallmark-Battery Park | New York, NY | 197 | 20 | — | — | — | 217 |
| The Devonshire of Lisle | Lisle, IL | 296 | 25 | — | — | — | 321 |
| Classic at West Palm Beach | West Palm Beach, FL | 237 | 64 | — | — | — | 301 |
| The Atrium of San Jose | San Jose, CA | 291 | — | — | — | — | 291 |
| River Bay Club | Quincy, MA | 282 | — | — | — | — | 282 |
| The Chambrel at Roswell | Roswell, GA | 224 | 24 | — | — | 32 | 280 |
| Grand Court Overland Park | Overland Park, KS | 276 | — | — | — | — | 276 |
| Woodside Terrace | Redwood City, CA | 177 | 93 | — | — | — | 270 |
| Chambrel at Island Lake | Longwood, FL | 213 | 40 | — | — | 16 | 269 |
| Kenwood of Lakeview | Chicago, IL | 220 | 44 | — | — | — | 264 |
| Devonshire of Hoffman Estates | Hoffman Estates, IL | 228 | 34 | — | — | — | 262 |
| Chambrel at Club Hill | Garland, TX | 176 | 68 | — | — | 16 | 260 |
| The Chambrel at Williamsburg | Williamsburg, VA | 201 | 54 | — | — | — | 255 |
| The Heritage of Des Plaines | Des Plaines, IL | 226 | 29 | — | — | — | 255 |
| Meadows of Glen Ellyn | Glen Ellyn, IL | 190 | 44 | — | — | — | 234 |
| Alterra(2) | | | | | | | |
| Wynwood & Villas at Canterbury Gardens | Aurora, CO | 153 | 65 | — | — | — | 218 |
| Wynwood of Columbia Edgewater | Richland, WA | — | 128 | — | — | — | 128 |
| Villas at Union Park | Tacoma, WA | 119 | — | — | — | — | 119 |
| Wynwood of Kenmore | Kenmore, NY | — | 113 | — | — | — | 113 |
| Wynwood of Northampton Manor | Richboro, PA | — | 113 | — | — | — | 113 |
| Wynwood of Niskayuna | Niskayuna, NY | — | 100 | — | — | — | 100 |
| Wynwood of Rogue Valley | Medford, OR | — | 95 | — | — | — | 95 |
| Villas of Sparks | Sparks, NV | 90 | — | — | — | — | 90 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wynwood of Forest Grove | Forest Grove, OR | — | 88 | — | — | — | 88 |
| Villas of McMinnville | McMinnville, OR | 87 | — | — | — | — | 87 |
| Villas of Sherman Brook | Clinton, NY | 84 | — | — | — | — | 84 |



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| | | Number of Units/Beds | | | | | |
|---|---|---|---|---|---|---|---|
| Facility Name | Location | Independent Living | Assisted Living | Memory Care | Skilled Nursing | Equity Homes | Total |
| Brookdale Living Communities(1) | | | | | | | |
| Villas of Summerfield Village | Syracuse, NY | 84 | — | — | — | — | 84 |
| Villas at the Atrium | Boulder, CO | 82 | — | — | — | — | 82 |
| Wynwood of River Place | Boise, ID | — | 80 | — | — | — | 80 |
| Wynwood of Manilus | Manilus, NY | — | 80 | — | — | — | 80 |
| American Retirement Communities(3) | | | | | | | |
| Freedom Village Brandywine | West Brandywine, PA | 292 | 16 | 18 | 47 | — | 373 |
| Lake Seminole Square | Seminole, FL | 305 | 33 | — | — | — | 338 |
| Broadway Plaza | Ft. Worth, TX | 214 | 40 | — | 122 | — | 376 |
| Carriage Club of Charlotte | Charlotte, NC | 276 | 56 | 34 | 42 | — | 408 |
| Carriage Club of Jacksonville | Jacksonville, FL | 238 | 60 | — | — | — | 298 |
| Freedom Plaza Arizona | Peoria, AZ | 346 | — | — | 128 | — | 474 |
| Freedom Plaza Sun City Center | Sun City Center, FL | 428 | 26 | — | 108 | — | 562 |
| Freedom Village Holland | Holland, MI | 327 | 21 | 28 | 67 | — | 443 |
| Imperial Plaza | Richmond, VA | 758 | 148 | — | — | — | 906 |
| Santa Catalina Villas | Tucson, AZ | 158 | 70 | 15 | 42 | — | 285 |
| Somerby at University Park | Birmingham, AL | 238 | 90 | 28 | — | — | 356 |
| Trinity Towers | Corpus Christi, TX | 197 | 62 | 20 | 75 | — | 354 |
| Freedom Square | Seminole, FL | 362 | 107 | 76 | 194 | — | 739 |
| Burcham Hills | East Lansing, MI | 84 | 67 | 34 | 133 | — | 318 |
| The Towers | San Antonio, TX | 353 | — | — | — | — | 353 |
| Prudential Portfolio(1) | | | | | | | |
| Lodge at Paulin Creek | Santa Rosa, CA | 250 | — | — | — | — | 250 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Oak Tree Villa | Scotts Valley, CA | 126 | 70 | — | — | — | 196 |
| Pacific Inn | Torrance, CA | 134 | — | — | — | — | 134 |
| Inn at the Park | Irvine, CA | 70 | 64 | — | — | — | 134 |
| Nohl Ranch Inn | Anaheim Hills, CA | 85 | 42 | — | — | — | 127 |
| Mirage Inn | Rancho Mirage, CA | 94 | 31 | — | — | — | 125 |
| Ocean House | Santa Monica, CA | 50 | 67 | — | — | — | 117 |
| The Lexington | Ventura, CA | 56 | 58 | — | — | — | 114 |
| The Gables | Monrovia, CA | 41 | 23 | — | — | — | 64 |
| Fortress CCRC Portfolio(1) | | | | | | | |
| Cypress Village | Jacksonville, FL | 364 | 39 | 60 | 60 | 292 | 815 |
| Foxwood Springs | Raymore, MO | 141 | 62 | 50 | 58 | 246 | 557 |
| Village at Skyline | Colorado Springs, CO | 347 | 86 | 13 | 57 | 59 | 562 |
| Robin Run Village | Indianapolis, IN | 199 | — | 24 | 60 | 228 | 511 |
| Patriot Heights | San Antonio, TX | 162 | 10 | — | 60 | — | 232 |
| Ramsey Home/Ramsey Village | Des Moines, IA | 10 | 51 | 24 | 54 | — | 139 |

(1)Operate within our Brookdale Living group of facilities.
(2)Operate within our Alterra group of facilities.
(3)Upon consummation of the ARC Merger, all of the American Retirement communities set forth in this table will operate within our Brookdale Living group of facilities, except for Freedom Square, which will operate within our Management Services group of facilities, and Burcham Hills and The Towers, which will operate within our Alterra group of facilities.

In addition, on July 1, 2005 and September 14, 2005, Fortress CCRC sold Heatherwood Village and Heritage Crossing, 189- and 233-unit facilities located in Newton, Kansas and Edmond, Oklahoma, respectively. A subsidiary of BLC continued to manage Heatherwood Village through January 2006 pursuant to a management agreement with the new owner.



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Corporate Offices

Our main corporate offices are all leased, including our 30,314 square foot corporate headquarters facility in Chicago, Illinois, and our 59,825 square foot executive office in Milwaukee, Wisconsin, and, following the consummation of the ARC Merger, a 46,424 square foot executive office in Nashville, Tennessee.

Competition

The senior living industry is highly competitive. We compete with numerous other companies that provide similar senior living alternatives, such as home health care agencies, community-based service programs, retirement communities, convalescent centers and other senior living providers. In general, regulatory and other barriers to competitive entry in the independent living and assisted living segments of the senior living industry are not substantial. Although new construction of senior living communities has declined, we have experienced and expect to continue to experience competition in our efforts to acquire and operate senior living facilities. Some of our present and potential senior living competitors have, or may obtain, greater financial resources than us and may have a lower cost of capital. Consequently, we may encounter competition that could limit our ability to attract residents or expand our business, which could have a material adverse effect on our revenues and earnings. Our major competitors are Sunrise Senior Living, Inc., Colson & Colson/Holiday Retirement Corp., Professional Community Management Life Care Services, LLC and Atria Senior Living Group.

Customers

Our target independent living residents are senior citizens age 70 and older who desire or need a more supportive living environment. The average independent living resident resides in an independent living facility for 34 months. A number of our independent living residents relocate to one of our facilities in order to be in a metropolitan area that is closer to their adult children.

Our target assisted living residents are predominantly female senior citizens age 85 and older who require daily assistance with two or three ADLs. The average assisted living resident resides in an assisted living facility for 23 months. Residents typically enter an assisted living facility due to a relatively immediate need for services that might have been triggered by a medical event or need.

We believe our combination of independent and assisted living operating expertise and the broad base of customers that this enables us to target creates a unique opportunity for us to invest in a broad spectrum of assets in the senior living industry, including independent living, assisted living, CCRC and skilled nursing assets.

Our Employees

As of March 31, 2006 we had approximately 9,300 full-time and approximately 6,700 part-time employees, of which 155 work in our Chicago headquarters office and 190 work in our Milwaukee executive office. Five of our employees are unionized. We currently consider our relationship with our employees to be good. On a pro forma basis for the ARC Merger and the Recent Acquisitions, as of March 31, 2006, we have approximately 17,200 full-time and approximately 10,400 part-time employees, of which 139 work in our Chicago headquarters office, 222 work in our Milwaukee office, and 236 work in our Nashville office.

Government Regulation

The regulatory environment surrounding the senior living industry continues to intensify in the amount and type of laws and regulations affecting it. In addition, federal, state and local officials are increasingly focusing their efforts on enforcement of these laws. This is particularly true for large for-profit, multi-facility providers like us. Some of the laws and regulations that impact our industry include: state and local laws impacting licensure, protecting consumers against deceptive practices, and generally affecting the facilities' management of property and equipment and how we otherwise conduct

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our operations, such as fire, health and safety laws and regulations and privacy laws, federal and state laws designed to protect Medicare and Medicaid, which mandate what are allowable costs, pricing, quality of services, quality of care, food service, resident rights (including abuse and neglect) and fraud; federal and state residents' rights statutes and regulations; Anti-Kickback and physicians referral (''Stark'') laws; and safety and health standards set by the Occupational Safety and Health Administration. We are unable to predict the future course of federal, state and local legislation or regulation. Changes in the regulatory framework could have a material adverse effect on our business.

Many senior living facilities are also subject to regulation and licensing by state and local health and social service agencies and other regulatory authorities. Although requirements vary from state to state, these requirements may address, among others, the following: personnel education, training and records; facility services, including administration of medication, assistance with self-administration of medication and the provision of nursing services; staffing levels; monitoring of resident wellness; physical plant specifications; furnishing of resident units; food and housekeeping services; emergency evacuation plans; professional licensing and certification of staff prior to beginning employment; and resident rights and responsibilities, including in some states the right to receive health care services from providers of a resident's choice that are not our employees. In several of the states in which we operate or may operate, we are prohibited from providing certain higher levels of senior care services without first obtaining the appropriate licenses. In addition, in several of the states in which we operate or intend to operate, assisted living facilities and/or skilled nursing facilities require a certificate of need before the facility can be opened or the services at an existing facility can be expanded. Senior living facilities may also be subject to state and/or local building, zoning, fire and food service codes and must be in compliance with these local codes before licensing or certification may be granted. These laws and regulatory requirements could affect our ability to expand into new markets and to expand our services and facilities in existing markets. In addition, if any of our presently licensed facilities operates outside of its licensing authority, it may be subject to penalties, including closure of the facility.

The intensified regulatory and enforcement environment impacts providers like us because of the increase in the number of inspections or surveys by governmental authorities and consequent citations for failure to comply with regulatory requirements. Unannounced surveys or inspections may occur annually or bi-annually, or following a state's receipt of a complaint about the facility. From time to time in the ordinary course of business, we receive deficiency reports from state regulatory bodies resulting from such inspections or surveys. Most inspection deficiencies are resolved through an agreed-to plan of corrective action relating to the facility's operations, but the reviewing agency typically has the authority to take further action against a licensed or certified facility, which could result in the imposition of fines, imposition of a provisional or conditional license, suspension or revocation of a license, suspension or denial of admissions, partial and/or full denial of payments, loss of certification as a provider under federal health care programs or imposition of other sanctions, including criminal penalties. Loss, suspension or modification of a license may also cause us to default under our leases and/or trigger cross-defaults. Sanctions may be taken against providers or facilities without regard to the providers' or facilities' history of compliance. We may also expend considerable resources to respond to federal and state investigations or other enforcement action under applicable laws or regulations. To date, none of the deficiency reports received by us has resulted in a suspension, fine or other disposition that has had a material adverse effect on our revenues. However, any future substantial failure to comply with any applicable legal and regulatory requirements could result in a material adverse effect to our business as a whole. In addition, state Attorney Generals vigorously enforce consumer protection laws as those laws relate to the senior living industry. State Medicaid Fraud and Abuse Units may investigate assisted living facilities even if the facility or any of its residents do not receive federal or state funds.

Regulation of the senior living industry is evolving at least partly because of the growing interests of a variety of advocacy organizations and political movements attempting to standardize regulations for certain segments of the industry, particularly assisted living. Our operations could suffer if future regulatory developments, such as federal assisted living laws and regulations, as well as mandatory increases in the scope and severity of deficiencies determined by survey or inspection officials, increase the number of citations that can result in civil or criminal penalties. Certain current state laws and regulations allow enforcement officials to make determinations on whether the care provided by one or



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more of our facilities exceeds the level of care for which the facility is licensed. A finding that a facility is delivering care beyond its license might result in the immediate transfer and discharge of residents, which may create market instability and other adverse consequences. Furthermore, certain states may allow citations in one facility to impact other facilities in the state or, in certain circumstances, in another state. Revocation of a license at a given facility could therefore impact our ability to obtain new licenses or to renew existing licenses at other facilities, which may also cause us to be in default under our leases and trigger cross-defaults or may also trigger defaults under certain of our credit agreements, or adversely affect our ability to operate and/or obtain financing in the future. If a state were to find that one facility's citation will impact another of our facilities, this will also increase costs and result in increased surveillance by the state survey agency. If regulatory requirements increase, whether through enactment of new laws or regulations or changes in the enforcement of existing rules, including increased enforcement brought about by advocacy groups, in addition to federal and state regulators, our operations could be adversely affected. In addition, any adverse finding by survey and inspection officials may serve as the basis for false claims lawsuits by private plaintiffs and may lead to investigations under federal and state laws, which may result in civil and/or criminal penalties against the facility or individual.

There are various extremely complex federal and state laws governing a wide array of referrals, relationships and arrangements and prohibiting fraud by health care providers, including those in the senior living industry, and governmental agencies are devoting increasing attention and resources to such anti-fraud initiatives. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, and the Balanced Budget Act of 1997 expanded the penalties for health care fraud. In addition, with respect to our participation in federal health care reimbursement programs, the government or private individuals acting on behalf of the government may bring an action under the False Claims Act alleging that a health care provider has defrauded the government and seek treble damages for false claims and the payment of additional civil monetary penalties. Recently, other health care providers have faced enforcement action under the False Claims Act. The False Claims Act allows a private individual with knowledge of fraud to bring a claim on behalf of the federal government and earn a percentage of the federal government's recovery. Because of these incentives, so-called ''whistleblower'' suits have become more frequent. Also, if any of our facilities exceeds its level of care, we may be subject to private lawsuits alleging ''transfer trauma'' by residents. Such allegations could also lead to investigations by enforcement officials, which could result in penalties, including the closure of facilities. The violation of any of these regulations may result in the imposition of fines or other penalties that could jeopardize our business.

Additionally, in several states, we operate facilities that participate in federal and/or state health care reimbursement programs, including state Medicaid waiver programs for assisted living facilities and the Medicare skilled nursing facility benefit program, or other federal and/or state health care programs. Consequently, we are subject to federal and state laws that prohibit anyone from presenting, or causing to be presented, claims for reimbursement which are false, fraudulent or are for items or services that were not provided as claimed. Similar state laws vary from state to state and we cannot be sure that these laws will interpreted consistently or in keeping with past practices. Violation of any of these laws can result in loss of licensure, civil or criminal penalties and exclusion of health care providers or suppliers from furnishing covered items or services to beneficiaries of the applicable federal and/or state health care reimbursement program. Loss of licensure may also cause us to default under our leases and/or trigger cross-defaults.

We are also subject to certain federal and state laws that regulate financial arrangements by health care providers, such as the Federal Anti-Kickback Law, the Stark laws and certain state referral laws. The Federal Anti-Kickback Law makes it unlawful for any person to offer or pay (or to solicit or receive) ‘‘any remuneration ... directly or indirectly, overtly or covertly, in cash or in kind’’ for referring or recommending for purchase any item or service which is eligible for payment under the Medicare and/or Medicaid programs. Authorities have interpreted this statute very broadly to apply to many practices and relationships between health care providers and sources of patient referral. If a health care provider were to violate the Federal Anti-Kickback Law, it may face criminal penalties and civil sanctions, including fines and possible exclusion from government programs such as Medicare and Medicaid, which may also cause us to default under our leases and/or trigger cross-defaults. Adverse consequences may also





result if we violate federal Stark laws related to certain Medicare and Medicaid physician referrals. While we endeavor to comply with all laws that regulate the licensure and operation of our senior living communities, it is difficult to predict how our revenues could be affected if we were subject to an action alleging such violations.

We are also subject to federal and state laws designed to protect the confidentiality of patient health information. The U.S. Department of Health and Human Services, or HHS, has issued rules pursuant to HIPAA relating to the privacy of such information. Rules that became effective April 14, 2003 govern our use and disclosure of health information at certain HIPAA covered facilities. We established procedures to comply with HIPAA privacy requirements at these facilities. We were required to be in compliance with the HIPAA rule establishing administrative, physical and technical security standards for health information by April 2005. To the best of our knowledge, we are in compliance with this rule. Although both current and pending HIPAA requirements affect the manner in which we handle health data and communicate with payors at covered facilities, we believe that the cost of compliance will not have a material adverse effect on our business, financial condition or results of operations.

Environmental Matters

Under various federal, state and local environmental laws, a current or previous owner or operator of real property, such as us, may be held liable in certain circumstances for the costs of investigation, removal or remediation of certain hazardous or toxic substances, including, among others, petroleum and materials containing asbestos, that could be located on, in, at or under a property, regardless of how such materials came to be located there. Additionally, such an owner or operator of real property may incur costs relating to the release of hazardous or toxic substances, including government fines and payments for personal injuries or damage to adjacent property. The cost of any required investigation remediation, removal, mitigation, compliance, fines or personal or property damages and our liability therefore could exceed the property’s value and/or our assets’ value. In addition, the presence of such substances, or the failure to properly dispose of or remediate the damage caused by such substances, may adversely affect our ability to sell such property, to attract additional residents and retain existing residents, to borrow using such property as collateral or to develop or redevelop such property. In addition, such laws impose liability for investigation, remediation, removal and mitigation costs on persons who disposed of or arranged for the disposal of hazardous substances at third-party sites. Such laws and regulations often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence, release or disposal of such substances as well as without regard to whether such release or disposal was in compliance with law at the time it occurred. Moreover, the imposition of such liability upon us could be joint and several, which means we could be required to pay for the cost of cleaning up contamination caused by others who have become insolvent or otherwise judgment proof.

We do not believe that we have incurred such liabilities as would have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to regulation under various federal, state and local environmental laws, including those relating to: the handling, storage, transportation, treatment and disposal of medical waste products generated at our facilities; identification and warning of the presence of asbestos-containing materials in buildings, as well as removal of such materials; the presence of other substances in the indoor environment, and protection of the environment and natural resources in connection with development or construction of our properties.

Some of our facilities generate infectious or other hazardous medical waste due to the illness or physical condition of the residents, including, for example, blood-soaked bandages, swabs and other medical waste products and incontinence products of those residents diagnosed with an infectious disease. The management of infectious medical waste, including its handling, storage, transportation, treatment and disposal, is subject to regulation under various federal, state and local environmental laws. These environmental laws set forth the management requirements for such waste, as well as related permit, record-keeping, notice and reporting obligations. Each of our facilities has an agreement with a waste management company for the proper disposal of all infectious medical waste. The use of such





waste management companies does not immunize us from alleged violations of such medical waste laws for operations for which we are responsible even if carried out by such waste management companies, nor does it immunize us from third-party claims for the cost to cleanup disposal sites at which such wastes have been disposed. Any finding that we are not in compliance with environmental laws could adversely affect our business operations and financial condition.

Federal regulations require building owners and those exercising control over a building’s management to identify and warn, via signs and labels, their employees and certain other employers operating in the building of potential hazards posed by workplace exposure to installed asbestos-containing materials and potential asbestos-containing materials in their buildings. The regulations also set forth employee training, record-keeping requirements and sampling protocols pertaining to asbestos-containing materials and potential asbestos-containing materials. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building’s management may be subject to an increased risk of personal injury lawsuits by workers and others exposed to asbestos-containing materials and potential asbestos-containing materials. The regulations may affect the value of a building containing asbestos-containing materials and potential asbestos-containing materials in which we have invested. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and/or disposal of asbestos-containing materials and potential asbestos-containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for improper handling or a release to the environment of asbestos-containing materials and potential asbestos-containing materials and may provide for fines to, and for third parties to seek recovery from, owners or operators of real properties for personal injury or improper work exposure associated with asbestos-containing materials and potential asbestos-containing materials.

The presence of mold, lead-based paint, contaminants in drinking water, radon and/or other substances at any of the facilities we own or may acquire may lead to the incurrence of costs for remediation, mitigation or the implementation of an operations and maintenance plan. Furthermore, the presence of mold, lead-based paint, contaminants in drinking water, radon and/or other substances at any of the facilities we own or may acquire may present a risk that third parties will seek recovery from the owners, operators or tenants of such properties for personal injury or property damage. In some circumstances, areas affected by mold may be unusable for periods of time for repairs, and even after successful remediation, the known prior presence of extensive mold could adversely affect the ability of a facility to retain or attract residents and could adversely affect a facility's market value.

We believe that we are in material compliance with applicable environmental laws.

We are unable to predict the future course of federal, state and local environmental regulation and legislation. Changes in the environmental regulatory framework could have a material adverse effect on our business. In addition, because environmental laws vary from state to state, expansion of our operations to states where we do not currently operate may subject us to additional restrictions on the manner in which we operate our facilities.

Intellectual Property

Brookdale®, Hallmark®, Devonshire®, Alterra®, Crossings®, Wynwood®, Sterling House®, Clare Bridge® and Clare Bridge Cottage® are registered service marks of ours. We also own various domain names in connection with our facilities.

Legal Proceedings

In connection with the sale of certain facilities to Ventas Realty Limited Partnership (''Ventas'') in 2004, two legal actions have been filed. The first action was filed on September 15, 2005 by current and former limited partners in 36 investing partnerships in the United States District Court for the Eastern District of New York captioned David T. Atkins et. al. v. Apollo Real Estate Advisors, L.P., et al (the ''Action''). On March 17, 2006, a third amended complaint was filed in the Action. The third amended complaint is brought on behalf of current and former limited partners in 14 investing partnerships. It



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names as defendants, among others, the Company, BLC, GFB-AS Investors, LLC (''GFB-AS''), a subsidiary of BLC, the general partners of the 14 investing partnerships, which are alleged to be subsidiaries of GFB-AS, Fortress Investment Group LLC, an affiliate of our largest stockholder, and our Chief Financial Officer. The nine count third amended complaint alleges, among other things, (i) that the defendants converted for their own use the property of the limited partners of 11 partnerships, including through the failure to obtain consents the plaintiffs contend were required for the sale of facilities indirectly owned by those partnerships to Ventas; (ii) that the defendants fraudulently persuaded the limited partners of three partnerships to give up a valuable property right based upon incomplete, false and misleading statements in connection with certain consent solicitations; (iii) that certain defendants, not including the Company, committed mail fraud in connection with the sale of facilities indirectly owned by the 14 partnerships at issue in the Action to Ventas; (iv) that certain defendants, not including the Company, committed wire fraud in connection with certain communications with plaintiffs in the Action and another investor in a limited partnership; (v) that the defendants committed substantive violations of the Racketeer Influenced and Corrupt Organizations Act (''RICO''); (vi) that the defendants conspired to violate RICO; (vii) that GFB-AS and the general partners violated the partnership agreements of the 14 investing partnerships; (viii) that GFB-AS, the general partners, and our Chief Financial Officer breached fiduciary duties to the plaintiffs; and (vii) that the defendants were unjustly enriched. The plaintiffs have asked for damages in excess of $100.0 million on each of the counts described above, including treble damages for the RICO claims. We have filed a motion to dismiss the claims and intend to continue to vigorously defend this Action. A putative class action lawsuit was also filed on March 22, 2006 by certain limited partners in four of the same partnerships involved in the Action in the Court of Chancery for the State of Delaware captioned Edith Zimmerman et al. v. GFB-AS Investors, LLC and Brookdale Living Communities, Inc. (the ‘‘Second Action’’). The putative class in the Second Action consists only of those limited partners in the four investing partnerships who are not plaintiffs in the Action. The Second Action names as defendants BLC and GFB-AS. The complaint alleges a claim for breach of fiduciary duty arising out of the sale of facilities indirectly owned by the investing partnerships to Ventas and the subsequent lease of those facilities by Ventas to subsidiaries of BLC. The plaintiffs seek, among other relief, an accounting, damages in an unspecified amount, and disgorgement of unspecified amounts by which the defendants were allegedly unjustly enriched. We also intend to vigorously defend this Second Action. Because these actions are in an early stage we cannot estimate the possible range of loss, if any.

In addition, from time to time, we and ARC are party to other legal and administrative proceedings, claims, and litigation arising in the ordinary course of business. While the outcome of these matters is currently not determinable, we do not expect that the ultimate costs to resolve these matters either singularly or in aggregate will have a material adverse effect on the our consolidated financial position, results of operations or cash flows.

Leases

Provident Sale-Leasebacks

In each of the following sale-leaseback transactions, Provident entered into the relevant purchase agreement and master lease agreement with certain of our affiliated entities in 2004. On June 7, 2005, Ventas announced that it had completed the acquisition of Provident pursuant to the terms of the Agreement and Plan of Merger dated as of April 12, 2005, pursuant to which Provident was merged with and into a wholly-owned subsidiary of Ventas.

Alterra’s Sale of the Alterra/Provident Properties

In the fourth quarter of 2004, pursuant to a stock purchase agreement, or the Alterra/Provident Purchase Agreement, entered into in June 2004, as amended in October 2004, between Alterra and Provident, Alterra sold to Provident 100% of the outstanding capital stock of certain Alterra subsidiaries for an aggregate purchase price of approximately $240.4 million (including $3.5 million of transaction expenses), or the Alterra/Provident Sale. Pursuant to the terms of the Alterra/Provident Purchase Agreement, Alterra consummated the Alterra/Provident Acquisition in two separate closings. The Alterra subsidiaries owned a total of 47 assisted living facilities, or the Alterra/Provident Properties, together in





each case with certain related personal property. Certain other real and personal property owned by the Alterra subsidiaries and all of the liabilities and obligations of the Alterra subsidiaries other than certain liabilities relating to the Alterra/Provident Properties that were not required to be reflected or reserved on a balance sheet in accordance with GAAP were transferred to or assumed by Alterra or a subsidiary of Alterra prior to the completion of the Alterra/Provident Sale.

Alterra agreed to indemnify Provident for any losses it may incur as a result of (a) any inaccuracy or breach of any representation or warranty made by Alterra in the Alterra/Provident Purchase Agreement, (b) any breach or failure by Alterra to perform its obligations under the Alterra/Provident Purchase Agreement, (c) any Alterra/Provident Excluded Assets and Alterra/Provident Excluded Liabilities, (d) certain environmental claims relating to the Alterra/Provident Properties, (e) any third party claims arising out of actions, omissions, events or facts occurring on or prior to the closing of the Alterra/Provident Sale relating to the assets, properties and business of Alterra, and (f) certain fees and expenses of Alterra's advisors. Alterra is not required to indemnify Provident for any loss arising from matters set forth in clauses (a) and (e) above, which does not exceed $25,000 and has no obligation to indemnify Provident with respect to any losses until such losses exceed $650,000 and in no event will Alterra be required to indemnify Provident for losses in excess of $25.0 million that arise from those matters set forth in clauses (a), (d) and (e) above; provided, however, that such cap shall not apply to any third-party claim relating to or arising out of the operation of the senior living business conducted by Alterra and its affiliates, including prior to the closing date of the Alterra/Provident sale of certain Alterra subsidiaries. In addition, Alterra is not required to indemnify Provident for breaches of representations and warranties of which Provident's officers obtained actual knowledge prior to the execution of the Alterra/Provident Purchase Agreement. Alterra is also not required to indemnify Provident for matters of which Provident's officers obtained actual knowledge prior to the closing of the Alterra/Provident Acquisition, unless on or before such date Provident notified them of such matters and Alterra agreed prior to such date that Provident was not obligated to close the transactions contemplated by the Alterra/Provident Purchase Agreement. Moreover, Alterra has generally agreed to indemnify Provident against any tax liability with respect to periods ending on or before, and transactions occurring before, the Alterra/Provident Sale. Provident has agreed to release the stockholders of Alterra and their affiliates (other than Alterra and its subsidiaries) from any claims or losses arising out of the transactions contemplated by the Alterra/Provident Purchase Agreement.

Provident agreed to indemnify Alterra for any losses it may incur as a result of (a) any inaccuracy or breach of any representation or warranty made by it, (b) any breach or failure by Provident to perform its obligations under the Alterra/Provident Purchase Agreement and (c) any third party claims as a result of any inspections of the Alterra/Provident Properties performed by Provident. Provident is not required to indemnify Alterra for any loss arising from matters set forth in clauses (a) and (e) above, which does not exceed $25,000 and Provident has no obligation to indemnify Alterra with respect to any losses until such losses exceed $650,000 and in no event will Provident be required to indemnify for losses in excess of $25.0 million that arise from those matters set forth in clauses (a) and (c) above. Moreover, Provident has generally agreed to indemnify Alterra against any tax liability (other than tax liability required to be borne or paid by the Alterra/Provident Tenants (as defined below) pursuant to the Alterra/Provident Property Leases (as defined below)) with respect to periods beginning after, and transactions occurring after, the closing of the Alterra/Provident Sale.

Alterra paid all of the expenses incurred in connection with the consummation of the Alterra/Provident Sale, including certain of Provident's expenses. However, upon Alterra's request and pursuant to the terms of the Alterra/Provident Purchase Agreement, Provident funded these transaction expenses in the aggregate amount of $3.5 million, which were contemplated as part of the purchase price and lease basis upon which base rent is calculated.

Provident's Master Lease Arrangements with Alterra

Each of the Alterra/Provident Properties is owned by a subsidiary of Provident, each an Alterra/Provident Landlord, and leased to a subsidiary of Alterra, each an Alterra/Provident Tenant. Each Alterra/Provident Tenant entered into a master sublease agreement with Alterra relating to the possession, management and operation of each of the Alterra/Provident Properties, or the Alterra/Provident Sublease Agreements.

Concurrently with the consummation of the Alterra/Provident Sale, subsidiaries and/or affiliates of Alterra entered into master lease arrangements with Provident, which include (a) two master lease agreements covering the Alterra/Provident Properties, each an Alterra/Provident Property Lease, (b) an agreement regarding leases, or the Alterra/Provident Agreement Regarding Leases, entered into between the parent company of the Alterra/Provident Tenants or ALS Holdings and the parent company of each of the owners of the Alterra/Provident Properties, or PSLT-ALS Holdings, (c) a lease guaranty by ALS Holdings with respect to each Alterra/Provident Property Lease, and (d) a guaranty of the Alterra/Provident Agreement Regarding Leases by Alterra.

Each Alterra/Provident Property Lease is for an initial term of 15 years, with two five-year renewal options at Alterra's election, provided that, among other things, (i) no event of default exists under any Alterra/Provident Property Lease or under the Alterra/Provident Agreement Regarding Leases and (ii) no management termination event (as defined in the Alterra/Provident Agreement Regarding Leases) has occurred and is continuing beyond any applicable cure period. Pursuant to the Alterra/Provident Agreement Regarding Leases, the renewal option may only be exercised with respect to all of the Alterra/Provident Properties.

Under the terms of the Alterra/Provident Property Leases, the Alterra/Provident Tenants are obligated to pay base rent in an amount equal to the Alterra/Provident Lease Rate (as defined below) multiplied by the sum of the purchase price (including certain transaction costs incurred in connection with the Alterra/Provident Sale which, at Alterra's election, Provident actually paid (including financing costs and debt assumption fees) in the amount of $3.5 million) plus any subsequent amounts Provident funds in connection with capital improvements as described in each Alterra/Provident Property Lease and the Alterra/Provident Agreement Regarding Leases, such sum, the Alterra/Provident Lease Basis.

The initial lease rate for the first year of each of the Alterra/Provident Property Leases is 9.625%, as the same may be escalated, the Alterra/Provident Lease Rate. The Alterra/Provident Lease Rate for each of the Alterra/Provident Leases will be increased on an annual basis by an amount equal to the lesser of (i) four times the percentage increase in the Consumer Price Index during the immediately preceding year or (ii) 2.5%, or the Alterra/Provident Annual Increase. During the first year of each renewal term of the Alterra/Provident Property Leases, the Alterra/Provident Lease Basis will be adjusted to equal the greater of (i) the then current fair market value of the Alterra/Provident Properties as increased by amounts delivered by the Alterra/Provident Landlord to the Alterra/Provident Tenant for capital expenditures (as determined by mutual agreement, or if no such agreement is reached, by an acceptable appraisal method) or (ii) the Alterra/Provident Lease Basis for the immediately preceding calendar month. Rent under the Alterra/Provident Property Leases will continue to be escalated in accordance with the Alterra/Provident Annual Increase during each renewal term. Rent under the Alterra/Provident Property Leases is paid in arrears on a monthly basis.

The Alterra/Provident Property Leases include representations, warranties and covenants customary for sale-leaseback transactions. Lease payments are absolute triple-net, with the Alterra/Provident Tenants responsible for the payment of all taxes, assessments, utility expenses, insurance premiums and other expenses relating to the operation of the Alterra/Provident Properties. In addition, the Alterra/Provident Tenants are required to comply with the terms of the mortgage financing documents encumbering the Alterra/Provident Properties, if and to the extent that, among other things, the terms of such mortgage financings are commercially reasonable and consistent with other mortgage financings of comparable properties in the then current market.

Provident may, in Provident's sole discretion, upon the request of any Alterra/Provident Tenant, fund additional necessary capital improvements to the properties. If Provident funds any such amounts, the Alterra/Provident Lease Basis shall be increased on a dollar-for-dollar basis for the amounts Provident funds. In addition, if PSLT-ALS Holdings, ALS Holdings and Alterra mutually determine that there is an extraordinary capital expenditure requirement at one or more of the Alterra/Provident Properties, or if PSLT-ALS Holdings and ALS Holdings mutually agree that a capital improvement at one or more of the Alterra/Provident Properties is necessary for the applicable Alterra/Provident Property to be in compliance with legal requirements, PSLT-ALS Holdings agreed to fund up to $5 million in the aggregate over the term of the Alterra/Provident Property Leases with respect to all of the Alterra/Provident Properties



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and the amount that Provident funds will be added to the Alterra/Provident Lease Basis. The Alterra/Provident Tenants have covenanted to keep the Alterra/Provident Properties in good condition and repair.

The Alterra/Provident Property Leases also require the Alterra/Provident Tenants to spend on capital expenditures and improvements, in the aggregate among the Alterra/Provident Properties, at least $400 per unit per year, or the Alterra/Provident Capital Improvement Amount, which amount will be increased annually by the percentage increase in the Consumer Price Index. If in any year the Alterra/Provident Tenants do not expend the entire Alterra/Provident Capital Improvement Amount, the unspent portion of such funds will be deposited into an escrow account with Provident or with Provident's mortgage lender, which funds will be available for property capital expenditures and capital improvements; provided that such funds will not be made available to the Alterra/Provident Tenants until such time as the Alterra/Provident Tenants have expended the Alterra/Provident Capital Improvement Amount, in the aggregate, in such year. In addition, Provident has the right to require reserve funding of the Alterra/Provident Capital Improvement Amount upon its request or as required by a mortgage lender. Provident and the Alterra/Provident Tenants have also agreed to review periodically the Alterra/Provident Capital Improvement Amount to adjust as necessary to properly maintain the properties in accordance with the requirements of the Alterra/Provident Property Leases.

The Alterra/Provident Agreement Regarding Leases provides that, commencing on the first month of the first calendar quarter, which occurs after the commencement date of the Alterra/Provident Agreement Regarding Leases, and on the first month of each calendar quarter thereafter, ALS Holdings shall deposit with PSLT-ALS Holdings as security for the performance of the terms, conditions and provisions of the Alterra/Provident Agreement Regarding Leases and the Alterra/Provident Property Leases, 50% of excess cash flow for the prior calendar quarter, until such time as the amount held as the security deposit is equal to $10 million. At ALS Holdings' option, ALS Holdings may post letters of credit in such amounts in lieu of depositing a cash security deposit. For the foregoing purposes, excess cash flow will be computed by taking the net operating income for all of the Alterra/Provident Properties and subtracting the Alterra/Provident Base Rent payable in the aggregate under all of the Alterra/Provident Property Leases. If the Alterra/Provident Properties achieve and maintain a lease coverage ratio of at least 1.15 to 1.00 for two consecutive six month periods, then the security deposit will be returned to ALS Holdings. For the foregoing purposes, the lease coverage ratio will be computed by taking the net operating income for all of the Alterra/Provident Properties (subject to certain adjustments), and dividing it by the applicable Alterra/Provident Base Rent payable in the aggregate under all of the Alterra/Provident Property Leases.

The Alterra/Provident Agreement Regarding Leases also provides that PSLT-ALS Holdings may cause to be terminated the Alterra/Provident Sublease Agreements upon the occurrence of certain events, including if any Alterra/Provident Tenant fails to make a rental payment under the Provident/Alterra Master Lease and ALS Holdings fails to make rental payments under the Agreement Regarding Leases and the failure goes uncured for more than 30 days, if an event of default has occurred and remains uncured under any of the Alterra/Provident Property Leases or under the Alterra/Provident Agreement Regarding Leases, or if the Alterra operator becomes bankrupt or insolvent, has bankruptcy proceedings filed against it or voluntarily files for bankruptcy. In addition, PSLT-ALS Holdings may cause to be terminated the Alterra/Provident Sublease Agreements if the Alterra/Provident Properties fail to maintain on a quarterly basis a lease coverage ratio (measured quarterly on a rolling four-quarter basis) of at least 1.05 to 1.00 during any of the first through third lease years, and at least 1.10 to 1.00 during any of the fourth through fifteenth lease years and during each renewal term. ALS Holdings or the Alterra operator has the right to cure a failure to maintain the required lease coverage ratio by posting cash or a letter of credit in an amount sufficient to decrease, on a dollar-for-dollar basis, the aggregate applicable Alterra/Provident Base Rent reflected in the denominator of the lease coverage ratio calculation to the extent necessary to be within compliance. This cure option may only be exercised two times during the first through tenth years of the initial term. If PSLT-ALS Holdings terminates any Alterra/Provident Sublease Agreement and replaces the Alterra operator with a manager or operator other than an affiliate of Alterra, the Alterra/Provident Tenant has the right to terminate the Alterra/Provident Property Lease with respect to the facility to which such Alterra/Provident Sublease Agreement has been terminated. If



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PSLT-ALS Holdings terminates one or more of the Alterra/Provident Management Agreements but the Alterra/Provident Tenants for such applicable Alterra/Provident Properties do not terminate the applicable Alterra/Provident Property Leases with respect to the applicable facilities, the Alterra/Provident Tenant will enter into a new management agreement with a replacement manager designated by PSLT-ALS Holdings and is required to pay such replacement manager the management fee pursuant to the replacement management agreements, provided that the Alterra/Provident Tenants will be entitled to a credit against base rent for any payments (excluding out-of-pocket reimbursements) payable to such replacement manager in excess of an amount equal to five percent of gross revenues.

Each Alterra/Provident Property Lease is unconditionally guaranteed by ALS Holdings, and ALS Holdings' obligations under the Alterra/Provident Agreement Regarding Leases are unconditionally guaranteed by Alterra. Under the Alterra/Provident Property Leases, the Alterra/Provident Tenants agreed to indemnify Provident from liabilities related to the occupancy and operation of the Alterra/Provident Properties prior to and during the term of the Alterra/Provident Property Leases, with such indemnification continuing for 24 months following the termination of any such Alterra/Provident Property Lease.

In connection with Provident's existing mortgage financing for the Alterra/Provident Properties, the applicable Alterra/Provident Tenant has subordinated its rights to those of the applicable mortgage lender, and such mortgage lender has entered into a subordination, non-disturbance and attornment agreement agreeing not to disturb such Alterra/Provident Tenant's right to possession. Additionally, Alterra has agreed to guaranty certain payments under the existing mortgage financing including, without limitation, payments required in connection with failure to meet certain debt service coverage ratios. Alterra has also agreed to comply with requirements under the mortgage financing that the daily average annual occupancy for nine specified properties, on a combined basis, will not drop below 80%, unless certain debt service coverage ratios are met.

Each Alterra/Provident Property Lease prohibits the assignment of any Alterra/Provident Property Lease by the applicable Alterra/Provident Tenant. The Alterra/Provident Agreement Regarding Leases also prohibits certain other ''changes of control'' of certain Alterra entities, which includes with certain exceptions (i) the acquisition or attainment by any means by any person, or two or more persons acting in concert, of direct or indirect beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) or control of 50% or more, or rights, options or warrants to acquire 50% or more, of the voting stock or membership interests in Alterra, ALS Holdings or in any of the Alterra/Provident Tenants, or (ii) the merger or consolidation of Alterra, ALS Holdings, any Alterra/Provident Tenant or any Person that directly or indirectly owns more than 50% of the membership interests in ALS Holdings or any Alterra/Provident Tenant with or into any other person, or (iii) any one or more sales or conveyances to any person of all or substantially all of the assets of Alterra, ALS Holdings or any Alterra/Provident Tenant. However, the sale of 50% or more of Alterra's outstanding stock by its stockholders, or the sale of 50% or more of the voting stock or membership interests in any direct or indirect parent of Alterra, does not require Provident's or PSLT-ALS Holdings' consent if, among other things, ALS Holdings provides evidence reasonably satisfactory to PSLT-ALS Holdings that Alterra or any successor guarantor under the terms of such transaction (i) has industry experience in owning, operating and managing senior living properties that is at least comparable to or better than that of Alterra and (ii) has a net worth at least equal to the net worth of Alterra immediately prior to such transaction (which net worth determination shall not take into account any extraordinary and non-recurring transactions during the 12 months prior to such transaction, which reduces the net worth of Alterra), both of which conditions were met in connection with the formation transactions described in ''Business—History.'' In addition, Provident's consent is not required in connection with any initial public offering or other equity-raising transaction of Alterra or any direct or indirect parent of Alterra or any direct or indirect transfer of less than 50% of the ownership interest in Alterra, provided that the stockholders who control management of Alterra as of the date of the Lease continue to do so.

Each Alterra/Provident Lease provides that a default pertaining to a single facility covered by one of the Alterra/Provident Leases is an event of default with respect to all of the facilities covered by such lease. In addition, a default by any Alterra/Provident Tenant under its respective lease also causes a default under the Alterra/Provident Agreement Regarding Leases in certain circumstances.



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BLC's Sale of the BLC/Provident Properties

In October 2004, pursuant to a stock purchase agreement, or the BLC/Provident Purchase Agreement, entered into in June 2004 between Fortress Brookdale Acquisition LLC, or FBA, and Provident, FBA sold 100% of the outstanding capital stock of the predecessor to BLC, Brookdale Living Communities, Inc., or Old Brookdale, to Provident for an aggregate purchase price of approximately $742.4 million (including $7.4 million of transaction expenses), or the BLC/Provident Sale. Old Brookdale indirectly owned 21 senior living facilities, or the BLC/Provident Properties, together with certain related personal property. Prior to the closing of the BLC/Provident Sale in October 2004, all of the other real and personal property owned by Old Brookdale, all of the liabilities and obligations of Old Brookdale other than the mortgage debt Provident assumed, and certain liabilities relating to the BLC/Provident Properties that are not required to be reflected or reserved on a balance sheet in accordance with GAAP, the BLC/Provident Excluded Assets and BLC/Provident Excluded Liabilities were transferred to or assumed by BLC Senior Holdings Inc., which was subsequently renamed Brookdale Living Communities, Inc. (which we refer to as ''New Brookdale'' or ''BLC''), or one of its wholly-owned subsidiaries.

New Brookdale agreed to indemnify Provident for any losses Provident may incur as a result of or in connection with (a) any inaccuracy or breach of any representation or warranty made by Fortress Brookdale Acquisition LLC or New Brookdale in the BLC/Provident Purchase Agreement, (b) any breach or failure by FBA or New Brookdale to perform its obligations under the BLC/Provident Purchase Agreement, (c) any BLC/Provident Excluded Assets and BLC/Provident Excluded Liabilities, (d) certain environmental claims relating to the BLC/Provident Properties, (e) any third party claims arising out of actions, omissions, events or facts occurring on or prior to the closing of Provident's purchase of the BLC/Provident Properties relating to the assets, properties and business of Old Brookdale, and (f) certain fees and expenses of FBA's, New Brookdale's and Old Brookdale's advisers. New Brookdale is not required to indemnify Provident for any loss that does not exceed $100,000 and has no obligation to indemnify

Provident with respect to certain losses until such losses exceed $2.0 million, and in no event will New Brookdale be required to indemnify Provident for losses in excess of $75.0 million that arise from those matters set forth in clauses (a), (d) and (e) above; provided that such cap shall not apply to any third-party claim relating to or arising out of the senior living business conducted by FBA, the Indemnitor and their respective affiliates (prior to the closing date), by Old Brookdale and its subsidiaries. In addition, New Brookdale is not required to indemnify Provident for breaches of representations and warranties of which Provident’s officers obtained actual knowledge prior to the execution of the BLC/Provident Purchase Agreement. New Brookdale is also not required to indemnify Provident for breaches of representations and warranties of which Provident’s officers obtained actual knowledge prior to the closing of the BLC/Provident Sale, unless on or before such date Provident notified them of such matters and New Brookdale and FBA agreed prior to such date that Provident was not obligated to close the transactions contemplated by the BLC/Provident Purchase Agreement. Moreover, New Brookdale has generally agreed to indemnify Provident against any tax liability with respect to periods ending on or before, and transactions occurring before, the BLC/Provident Sale. Provident has agreed to release FBA and its affiliates (other than New Brookdale and its subsidiaries) from any claims or losses arising out of the transactions contemplated by the BLC/Provident Purchase Agreement.

Provident agreed to indemnify FBA and New Brookdale against any losses that either may incur as a result of (a) any inaccuracy or breach of any representation or warranty made by Provident, (b) any breach by Provident to perform its obligations under the BLC/Provident Purchase Agreement and (c) certain third party claims as a result of any inspections of the BLC/Provident Properties performed by Provident. Provident is not required to indemnify FBA and New Brookdale for any loss that does not exceed $75,000 and Provident has no obligation to indemnify with respect to certain losses until such losses exceed $2.0 million, and in no event will Provident be required to indemnify for losses in excess of $75.0 million that arise from those matters set forth in clauses (a) and (c) above. Moreover, Provident has generally agreed to indemnify New Brookdale against any tax liability (other than tax liability required to be borne or paid by the BLC/Provident Tenants (as defined below) pursuant to the BLC/Provident Property Leases) with respect to periods beginning, and transactions occurring, after the closing of the BLC/Provident Sale.



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All of the expenses incurred in connection with the consummation of the BLC/Provident Sale, including certain of Provident’s expenses, were payable by FBA. However, upon New Brookdale’s request and pursuant to the terms of the BLC/Provident Purchase Agreement, Provident funded these transaction expenses in the aggregate amount of $7.4 million, which were contemplated as part of the purchase price and lease basis upon which base rent is calculated.

BLC’s Master Lease Arrangements With Provident

Each BLC/Provident Property is owned by a separate subsidiary of Provident and leased to a subsidiary of BLC, each a BLC/Provident Tenant. Each BLC/Provident Tenant entered into a management agreement with another subsidiary of BLC relating to the management and operation of each of the BLC/Provident Properties, or the BLC/Provident Management Agreements.

Concurrently with the consummation of the BLC/Provident Sale, subsidiaries and/or affiliates of BLC entered into master lease arrangements with Provident, which include (a) property lease agreements for each of the BLC/Provident Properties, each a BLC/Provident Property Lease, (b) an agreement regarding leases, or the BLC/Provident Agreement Regarding Leases, entered into between the parent company of the BLC/Provident Tenants, or BLC Holdings, and the parent company of each of the owners of the BLC/Provident Properties, or PSLT-BLC Holdings, (c) a lease guaranty by BLC Holdings with respect to each BLC/Provident Property Lease, and (d) a guaranty of the

BLC/Provident Agreement Regarding Leases by BLC.

Each BLC/Provident Property Lease is for an initial term of 15 years ending December 31, 2019, with two ten-year renewal options at BLC's election, provided that, among other things, (i) no event of default exists under any BLC/Provident Property Lease or under the BLC/Provident Agreement Regarding Leases and (ii) no management termination event (as defined in the BLC/ Provident Agreement Regarding Leases) has occurred on the date that BLC Holdings exercises the renewal option or on the commencement date of the renewal period. Pursuant to the BLC/Provident Agreement Regarding Leases, the renewal option may be exercised only with respect to all of the BLC/Provident Properties.

Under the terms of the BLC/Provident Property Leases, the BLC/Provident Tenants are obligated to pay base rent in an amount equal to the BLC/Provident Lease Rate (as defined below) multiplied by the sum of the purchase price (including certain transaction costs incurred in connection with the BLC/Provident Sale which, at BLC's election, Provident actually paid (including financing costs and debt assumption fees) in the amount of $7.4 million) plus any subsequent amounts Provident funds in connection with capital improvements as described in each BLC/Provident Property Lease and the BLC/Provident Agreement Regarding Leases, such sum, the BLC/Provident Lease Basis.

The initial lease rate for the first year of each BLC/Provident Property Lease is 8.1%, or the BLC/Provident Lease Rate. The BLC/Provident Lease Rate will be increased, as the same may be escalated, the BLC/Provident Annual Increase, on an annual basis by an amount equal to the lesser of (i) four times the percentage increase in the Consumer Price Index during the immediately preceding year or (ii) 3%. During the first year of each renewal term of the BLC/Provident Property Leases, (a) the BLC/Provident Lease Rate will be adjusted to equal the greater of (i) the then current fair market BLC/Provident Lease Rate (as determined by mutual agreement, or if no such agreement is reached, by an acceptable appraisal method) or (ii) the prior year's BLC/Provident Lease Rate times the BLC/Provident Annual Increase, and (b) the BLC/Provident Lease Basis will be adjusted to equal the greater of (i) the then current fair market value of the BLC/Provident Properties (as determined by mutual agreement, or if no such agreement is reached, by an acceptable appraisal method) or (ii) the BLC/Provident Lease Basis for the immediately preceding calendar month (as such amounts in (i) and (ii) above are increased by amounts Provident funds in connection with capital improvements, as described in each BLC/ Provident Property Lease and the BLC/Provident Agreement Regarding Leases).

In addition, base rent will be increased or decreased by a ''floating adjustment'' tied to fluctuations in Provident's floating rate-based mortgage indebtedness. The floating adjustment is an amount computed monthly equal to the increase or decrease in the applicable index (LIBOR, Prime or BMA) from





a base value multiplied by the aggregate outstanding principal amount of all floating rate mortgages encumbering the BLC/Provident Properties (i.e., the dollar amount of the BLC/Provident Floating Rate Debt (as defined below) assumed by Provident at the inception of the BLC/Provident Property Leases, plus any additional amounts related to any refinancing advanced by Provident to the BLC/Provident Tenants pursuant to the terms of the BLC/Provident Property Leases and the BLC/Provident Agreement Regarding Leases) other than from refinancings under which BLC Holdings has not elected to receive any proceeds, or the BLC/Provident Floating Rate Debt. Rent under the BLC/Provident Property Leases will continue to be escalated in accordance with the BLC/Provident Annual Increase and the floating adjustment during each renewal term; provided, however, that with respect to any floating rate mortgages, the floating adjustment will apply only through the maturity date of any underlying BLC/Provident

Floating Rate Debt encumbering the BLC/Provident Property at the commencement date of the respective BLC/Provident Property Lease and with respect to any refinancings that BLC either requests or under which BLC requests net proceeds (as described below). Rent under the BLC/Provident Property Leases is to be paid in arrears on a monthly basis.

The BLC/Provident Property Leases include representations, warranties and covenants customary for sale-leaseback transactions. Lease payments are absolute triple-net, with the BLC/Provident Tenants responsible for the payment of all taxes, assessments, utility expenses, insurance premiums and other expenses relating to the operation of the BLC/Provident Properties. In addition, the BLC/Provident Tenants are required to comply with the terms of the mortgage financing documents encumbering the BLC/Provident Properties, if and to the extent that, among other things, the terms of such mortgage financings are commercially reasonable and consistent with other mortgage financings of comparable properties in the then-current market.

Provident may, in its sole discretion, upon the request of the BLC/Provident Tenant, fund additional necessary capital improvements to the properties. If Provident funds any such amounts, the BLC/Provident Lease Basis shall be increased on a dollar for dollar basis for the amounts Provident funds. In addition, if Provident, the BLC/Provident Tenant and the manager mutually determine that there is an extraordinary capital expenditure requirement at one or more of the BLC/Provident Properties, or if Provident and any BLC/Provident Tenant mutually agree that a capital improvement at one or more of the BLC/Provident Properties is necessary for the applicable BLC/Provident Property to be in compliance with legal requirements, Provident has agreed to fund up to $5.0 million in the aggregate over the term of the BLC/Provident Property Leases with respect to all of the BLC/Provident Properties and the amount that Provident funds will be added to the BLC/Provident Lease Basis. The BLC/Provident Tenants have covenanted to keep the BLC/Provident Properties in good condition and repair.

The BLC/Provident Property Leases also require the BLC/Provident Tenants to spend, in the aggregate among the BLC/Provident Properties, at least $450 per unit per year, or the BLC/Provident Capital Improvement Amount, which amount will be increased annually by the percentage increase in the Consumer Price Index. Provident has the right to require reserved funding of the BLC/Provident Capital Improvement Amount upon its request or as required by a mortgage lender. Provident and the BLC/Provident Tenants have also agreed to review periodically BLC/Provident Capital Improvement Amount to adjust as necessary to properly maintain the properties in accordance with the requirements of the BLC/Provident Property Leases.

If PSLT-BLC Holdings or any of the lessors under the BLC/Provident Property Leases desire to enter into a new mortgage financing or a refinancing of an existing mortgage or otherwise obtain additional mortgage debt encumbering any of the BLC/Provident Properties through December 31, 2010, provided there is no event of default, Provident will deliver notice thereof to BLC Holdings together with a copy of a bona fide term sheet setting forth the proposed terms of such mortgage financing. BLC Holdings may elect to have the applicable BLC/Provident Tenant obtain the net proceeds of any such financing or may request that Provident obtain a financing that will provide additional net proceeds for the applicable BLC/Provident Tenant. In addition, BLC Holdings has the right, through December 31, 2010, to request two times per calendar year that Provident attempt to obtain a new mortgage or a refinancing of an existing mortgage with respect to the BLC/Provident Properties. Provident has agreed that it will use





commercially reasonable efforts to obtain any such financing but will be obligated only to seek such new financing from the holder of the mortgage financing then in place with respect to the applicable BLC/Provident Property.

Net financing or refinancing proceeds advanced by Provident to the BLC/Provident Tenants as described in the immediately preceding paragraph, each a BLC/Provident Tenant Refinance Advance, will be added to the BLC/Provident Lease Basis under the applicable BLC/Provident Property Lease. All fees, penalties, premiums or other costs related to any BLC/Provident Tenant Refinance Advance will also be included in the BLC/Provident Lease Basis, except that if the applicable BLC/Provident Tenant obtains net proceeds of any financing Provident initiates, then only such portion of the fees, penalties, premiums or other costs related to any such BLC/Provident Tenant Refinance Advance, as it relates to the proceeds disbursed to the applicable BLC/Provident Tenant, will be included in the BLC/Provident Lease Basis. In addition, if the monthly debt service relating to a BLC/Provident Tenant Refinance Advance exceeds the amount of rent that will be payable relating to the increase in the BLC/Provident Lease Basis as a result of such BLC/Provident Tenant Refinance Advance, then the applicable BLC/Provident Tenant is required to pay the excess, and under certain circumstances the applicable BLC/Provident Tenant will also be required to pay additional amounts relating to increases in debt service and other costs with respect to the remaining portion of the balance of the refinancing, or the Additional Debt Service Costs.

Under the BLC/Provident Agreement Regarding Leases, Provident agreed that, through December 31, 2010, PSLT-BLC Holdings will not (i) pledge or otherwise encumber its interest in any of the lessors under the BLC/Provident Property Leases, or (ii) permit the lessors under the BLC/Provident Property Leases to pledge or otherwise encumber the BLC/Provident Properties or their interests in the BLC/Provident Property Leases, other than any existing mortgages, new mortgages, refinancings of existing mortgages or other additional mortgage debt encumbering the BLC/Provident Properties. In addition, Provident agreed that it will not, and that PSLT-BLC Holdings and the lessors under the BLC/Provident Property Leases will not, enter into any agreement that contains covenants or other agreements expressly restricting the ability of any lessor under the BLC/Provident Property Leases to enter into a financing that has been requested by BLC Holdings, as described above, or expressly limiting the amount that may be borrowed thereunder, except for any existing mortgages, new mortgages, refinancings of existing mortgages or other additional mortgage debt that may encumber the BLC/Provident Properties from time to time.

Pursuant to the BLC/Provident Agreement Regarding Leases, FBA deposited $20.0 million at closing with PSLT-BLC Holdings as security for the performance of the terms, conditions and provisions of the BLC/Provident Agreement Regarding Leases and the BLC/Provident Property Leases. Provided there is no event of default under the BLC/Provident Agreement Regarding Leases, BLC Holdings has the right to request that portions of the security deposit be paid to the BLC/Provident Tenants' to reimburse them for the expenditure requirement under each of the BLC/Provident Property Leases with respect to capital improvements of $450 per unit per year (in the aggregate) among the BLC/Provident Properties, up to a maximum amount of $600 per unit per year. If the BLC/Provident Properties achieve and maintain a lease coverage ratio of at least 1.10 to 1.00 for a consecutive twelve month period, then $10.0 million of the security deposit will be returned to BLC Holdings. If the BLC/Provident Properties achieve and maintain a lease coverage ratio of at least 1.15 to 1.00 for a consecutive twelve month period, then $15.0 million of the security deposit will be returned to BLC Holdings. Any balance of the security deposit will be returned to BLC Holdings if the BLC/Provident Properties achieve and maintain a lease coverage ratio of at least 1.20 to 1.00 for twelve consecutive months. For the foregoing purposes, the lease coverage ratio will be computed by taking the net operating income for all of the BLC/Provident Properties (subject to certain adjustments, including reductions for management fees and capital expenditure requirements), and dividing it by base rent payable and Additional Debt Service Costs in the aggregate under all of the BLC/Provident Property Leases.

The BLC/Provident Agreement Regarding Leases also provides that PSLT-BLC Holdings may terminate the BLC/Provident Management Agreements upon the occurrence of certain events, including if any BLC/Provident Tenant fails to make a rental payment and the failure goes uncured for more than 30 days, if an event of default has occurred and remains uncured under any of the BLC/Provident

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Property Leases or under the BLC/Provident Agreement Regarding Leases, or if the Brookdale manager becomes bankrupt or insolvent, has bankruptcy proceedings filed against it or voluntarily files for bankruptcy. In addition, PSLT-BLC Holdings may terminate the BLC/Provident Management Agreements if the BLC/Provident Properties fail to maintain on a quarterly basis a lease coverage ratio (subject to certain adjustments) of at least 1.05 to 1.00 from January 1, 2009 through December 31, 2011; 1.10 to 1.00 from January 1, 2012 through December 31, 2016; and 1.15 to 1.00 from January 1, 2017 through December 31, 2019 and during each renewal term. BLC Holdings or the Brookdale manager has the right to cure a failure to maintain the required lease coverage ratio by posting cash or a letter of credit in an amount sufficient to increase on a dollar-for- dollar basis the net operating income reflected in the numerator of the lease coverage ratio calculation to the extent necessary to be within compliance. This cure option is available through December 31, 2014 and may only be exercised two times thereafter through December 31, 2019. If PSLT-BLC Holdings terminates the BLC/Provident Management Agreement and replaces the Brookdale manager with a manager other than an affiliate of Brookdale, the BLC/Provident Tenant has the right to terminate the BLC/Provident Property Leases as to which the BLC/Provident Management Agreements have been terminated. If PSLT-BLC Holdings terminates one or more of the BLC/Provident Management Agreements but the BLC/Provident Tenants for such applicable BLC/Provident Properties do not terminate the applicable BLC/Provident Property Leases, the BLC/Provident Tenants will enter into new management agreements with a replacement manager designated by PSLT-BLC Holdings and will be required to pay any replacement manager the management fee pursuant to the replacement management agreements, provided that the BLC/Provident Tenants will be entitled to a credit against base rent for any payments (excluding out-of-pocket reimbursements) payable to such replacement manager in excess of an amount equal to five percent of gross revenues.

Each BLC/Provident Property Lease is unconditionally guaranteed by BLC Holdings and BLC Holdings' obligations under the BLC/Provident Agreement Regarding Leases are unconditionally guaranteed by BLC. Under the BLC/Provident Agreement Regarding Leases, it is a default if the net worth of BLC declines to less than $75.0 million; provided that Brookdale may cure any such default by depositing cash collateral in the amount of (i) one month's rent under all of the BLC/Provident Property Leases, if BLC's net worth is between $50.0 million and $75.0 million; (ii) three months' rent, if BLC's net worth is between $25.0 million and $50.0 million; and (iii) six months' rent, if BLC's net worth is $25.0 million or less. For purposes of the foregoing net worth test, BLC's ''net worth'' means the sum of BLC's net worth, determined in accordance with GAAP, plus the ''deferred gain'' that results from the transactions contemplated by the BLC/Provident Stock Purchase Agreement, which, for the purposes of the BLC/Provident Agreement Regarding Leases is deemed not to exceed $110.0 million. Under the BLC/Provident Property Leases, the BLC/Provident Tenants agreed to indemnify Provident from all liabilities related to the occupancy and operation of the BLC/Provident Properties prior to and during the term of the BLC/Provident Property Leases, with such indemnification continuing following any termination of the BLC/Provident Property Leases for any claims made with respect to incidents occurring prior to the end of the lease term.

In connection with any new mortgage financing, the applicable BLC/Provident Tenant will subordinate its rights to those of such new mortgage lender, provided such mortgage lender enters into a subordination, non-disturbance and attornment agreement and agrees not to disturb such BLC/Provident Tenant's right to possession.

BLC has a right of first refusal if certain conditions set forth in that certain letter agreement dated March 28, 2005 are met. If, during the initial term, Provident receives a bona fide offer to purchase any of the properties leased to BLC that Provident seeks to accept, Provident will notify BLC of the offer and BLC has five days from receipt of the notice of proposed sale to notify Provident of its election to purchase all but not less than all of the property or properties that are the subject of said notice (or ownership interests in the applicable BLC/Provident Landlords) at the price reflected in the bona fide offer, or the BLC/Provident Purchase Notice. BLC is also required to pay Provident a non-refundable deposit of 2% of the purchase price within three business days of the BLC/Provident Purchase Notice and to close on the purchase of the properties within 60 days following the BLC/Provident Purchase Notice. In the event BLC does not give notice that it wishes to acquire the properties in question, or pay



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the deposit or close on the properties within these time frames, the right of first refusal is deemed waived with regard to the proposed sale. Further, if BLC gives the BLC/Provident Purchase Notice and pays the deposit, but then fails to close (except under limited circumstances out of BLC's control), the entire right of first refusal automatically becomes null and void as to all of the properties leased to BLC. Notwithstanding the receipt of a BLC/Provident Purchase Notice, at any time prior to the closing of the sale of the properties to BLC under the right of first refusal, Provident may nevertheless proceed to sell the properties that were the subject of the bona fide offer to any third party so long as Provident pays BLC an amount equal to two times the amount of the deposit upon the closing of such sale (which amount includes a refunding of the deposit).

Each of the BLC/Provident Property Leases prohibits the assignment of any BLC/Provident Property Lease by the applicable BLC/Provident Tenant. The BLC/Provident Agreement Regarding Leases also prohibits certain other ‘‘changes of control’’ of BLC entities, which includes (i) the acquisition or attainment by any means by any person, or two or more persons acting in concert, of direct or indirect beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) or control of 50% or more, or rights, options or warrants to acquire 50% or more, of the voting stock or membership interests in BLC, BLC Holdings or in any of the BLC/Provident Tenants, or (ii) the merger or consolidation of BLC, BLC Holdings, any of the BLC/Provident Tenants or any Person that directly or indirectly owns more than 50% of the membership interests in BLC, BLC Holdings or any of the BLC/Provident Tenants with or into any other Person, or (iii) any one or more sales or conveyances to any Person of all or substantially all of the assets of BLC, BLC Holdings or any of the BLC/Provident Tenants. However, any sale by BLC of all or substantially all of its assets or any sale of more than 50% of BLC's outstanding stock by its stockholders, or the sale of more than 50% of the membership interests in FBA, does not require Provident's consent if (i) BLC Holdings provides evidence reasonably satisfactory to PSLT-BLC Holdings that the industry experience of the guarantor under the terms of such transaction in owning, operating and managing senior living properties similar to BLC's properties is at least comparable to or better than that of BLC and (ii) the guarantor under the terms of such transaction has a net worth at least equal to $75.0 million both of which conditions were met in connection with the formation transactions described in ‘‘Business—History.’’ In addition, Provident's consent is not required in connection with (a) any initial public offering or other equity-raising transaction of BLC or (b) any direct or indirect transfer of less than 50% of the ownership interest in BLC or FBA, if, in the case of a transfer contemplated by clause (b), the current stockholders or members of BLC or FBA, as the case may be, continue to control BLC or FBA, as the case may be, following such transfer.

A default by any BLC/Provident Tenant under its BLC/Provident Property Lease causes a default under the BLC/Provident Agreement Regarding Leases in certain circumstances. In addition, in certain circumstances termination of some of the BLC/Provident Property Leases may cause an event of default under facility mortgages.

Ventas Lease Arrangement with BLC

During the first quarter of 2004, the limited partnerships that owned 14 facilities, in which subsidiaries of BLC held general and limited partnership interests, sold those facilities to Ventas for approximately $114.6 million. Ventas also acquired another facility from a third party in a separate transaction. Simultaneously with such sales, six wholly-owned subsidiaries of BLC, or the Ventas Tenants, entered into and became the tenants under a master lease, or the Ventas Master Lease, with Ventas. The Ventas Master Lease currently covers 13 facilities, or the Ventas Properties, and there are two additional facilities that, because of restrictions contained in their current financings, are leased to Ventas Tenants pursuant to individual leases, or the Other Ventas Leases (together with the Ventas Master Lease, the Ventas Lease), substantially similar to the Ventas Master Lease and which will be added to the Ventas Master Lease when their current financing expires. BLC has guaranteed the Ventas Master Lease for the full and prompt payment and performance of all of Ventas Tenants' obligations under the Ventas Master Lease. The guaranty requires that BLC maintain a net worth (as defined) of not less than $100.0 million. For purposes of the foregoing net worth test, BLC's ''net worth'' means the sum of BLC's net worth, determined in accordance with generally accepted accounting principles, or GAAP, plus the ''deferred gain'' that results from the BLC/Provident Stock Purchase Agreement.



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The Ventas Master Lease's initial term is for 15 years and expires on January 31, 2019. The Ventas Tenants have two ten-year renewal options under the Ventas Master Lease.

The Ventas Tenants and BLC have posted a security deposit with Ventas in the amount of six months' of lease payments, or $7.4 million (all in the form of letters of credit).

Under the terms of the Ventas Master Lease, the Ventas Tenants currently are obligated to pay per annum rent of $14.6 million, which amount is net of a $0.2 million rent credit for one property, or the Ventas Base Rent, in equal monthly installments during the first year of the lease. The Ventas Base Rent increases annually by the greater of (i) 2.0% and (ii) 75% of the increase in the consumer price index.

Under the Ventas Master Lease, Ventas Tenants are required to maintain, as of the end of each fiscal quarter, a portfolio coverage ratio of not less than 1.10:1.00. Failure to do so shall not be an event of default if (i) the portfolio coverage ratio is greater than or equal to 1.00:1.00 subject to certain adjustments, including reductions for management fees, insurance costs and capital expenditure requirements, and (ii) within 15 days following the date on which Ventas Tenants were required to deliver its computation of the portfolio coverage ratio for such fiscal quarter, Ventas Tenants deposit with Ventas an additional security deposit equal to an amount that, had such amount been added to the cash flow for such 12 month period, the portfolio coverage ratio for such period would have been equal to 1.10:1.00. Notwithstanding the forgoing, Ventas Tenants shall have the ability to cure a breach of the portfolio coverage ratio in such a manner no more than five times during the term of the lease.

No Ventas Tenant shall amend or otherwise change, by consent, acquiescence or otherwise, the number of units at any facility (in excess of 2% of the number of such units at any such facility as of the lease commencement date) or the type and/or licensed capacity at such facility (by more than 2% of the type and/or licensed capacity at any such facility as of the lease commencement date).

The Ventas Tenants were required to expend $350 per unit in the first year of the Ventas Master Lease for capital expenditures. Each year thereafter, the required amount of capital expenditures is increased by the greater of (x) 1.5% and (y) 75% of the actual increase in the consumer price index. If the Ventas Tenants fail to make such required capital expenditures, then Ventas has the right to require the Ventas Tenants to fund a reserve to satisfy Ventas Tenants' annual capital expenditure requirements equal to 1/12 of the difference between the annual capital expenditure spending requirement and the actual amount budgeted and/or spent by the Ventas Tenants in the applicable year. Ventas Tenants are also required to deposit into escrow one year's worth of real estate taxes and insurance premiums in monthly installments as a real estate tax reserve and insurance premium reserve, respectively, all of which has been funded.

Ventas Tenants, BLC, and each of their respective affiliates (excluding, however, Fortress and Capital Z Partners, and affiliates of each (other than BLC and its direct or indirect subsidiaries)) shall not participate in the development or construction of any assisted living facility or senior independent living facility that (i) competes in any way with, directly or indirectly, or is comparable in any way to, any Ventas Properties, and (ii) is located within a 5 mile radius of any Ventas Property.

The Ventas Tenants have a one time purchase option for all facilities except the Seasons of Glenview facility located in Glenview, Illinois, during the 15th year of the Ventas Master Lease, pursuant to which they may purchase the Ventas Properties at their fair market value adjusted to reflect above or below market financing on the existing financings on the Ventas Properties at the commencement date of the Ventas Master Lease, provided that there is a minimum purchase price equal to Ventas' purchase price for the Ventas Properties as increased annually by the greater of (i) 1.5% and (ii) 75% of the increase in consumer price index.

The Ventas Master Lease does not permit (i) a conveyance, sale, assignment, transfer, pledge, hypothecation, encumbrance or other disposition of the direct or indirect interests in the Ventas Tenants or BLC such that after such disposition any person, together with its affiliates, owns or controls, directly or indirectly, in the aggregate more than fifty percent of the beneficial ownership interests of the Ventas Tenants or BLC or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the Ventas Tenants or BLC, whether through the ability to exercise voting power, by contract or otherwise, or a Ventas Change of Control; or (ii) BLC from merging or consolidating

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with any other person or selling all or substantially all or its assets to any other person on or subsequent to the date of the entering into of the Ventas Master Lease, unless (a) immediately following such Ventas Change of Control, BLC has a net worth, as defined above, equal to or greater than $100.0 million; (b) there is no then existing monetary event of default; and (c) such change of control would not otherwise result in a default or ‘‘event of default’’ under, and as defined in, the Ventas Master Lease, the guaranty or the property management contract.

It shall be an event of default if there is (i) a default under the BLC/Provident Lease and related documents that in the aggregate results in obligations of $2.0 million or more becoming due and payable, (ii) a default or breach by BLC of any other contract or agreement that in the aggregate results in more than $10.0 million becoming due and payable; (iii) with certain exceptions, any material default under any material agreement between the tenants under the Ventas Lease and the Ventas Landlord (and its affiliates); (iv) a default under any credit, guaranty or similar agreement where BLC is a party and maintains recourse obligations or provides credit enhancement support if such default results in acceleration aggregating $25.0 million or more of indebtedness; or (v) with certain exceptions, any material default under the Other Ventas Leases. In addition, with certain exceptions any default pertaining to a single facility constitutes an event of default with respect to all facilities covered by the Ventas Master Lease.

Health Care Property Investors, Inc. Financing and Lease Arrangement with ARC

Upon the consummation of the ARC Merger, we will become party to the following financing and lease arrangements.

On March 29, 2002, various ARC subsidiaries (collectively, the ‘‘Phase I Tenant’’), entered into a master lease (the ‘‘Phase I Master Lease’’) with Health Care Property Investors, Inc. and certain of its affiliates (collectively, ‘‘HCPI’’) covering 6 properties in Florida, Texas and Ohio. In February 2003, an additional property located in Boynton Beach, Florida was added to the Phase I Master Lease.

The initial term of the Phase I Master Lease expires on March 31, 2017. Phase I Tenant has two (2) ten-year renewal options, provided that the Phase I Master Lease may only be renewed if the renewal option is exercised collectively with respect to all of the facilities subject to such lease.

Phase I Tenant is obligated to pay fixed minimum rent of approximately $9,197,375 per annum under the Phase I Master Lease, subject to increases for certain earn-out provisions included under the Phase I Master Lease and increases specific to the expansion of the Homewood Residence at Victoria facility (the ‘‘Victoria Facility’’) under the Phase I Master Lease. In addition, percentage rent equal to 25% of the incremental gross revenues (the positive amount, if any, by which the gross revenues for the Victoria Facility during the current lease year exceeds a fixed threshold) at the Victoria Facility is paid as additional rent until the sooner of a date tied to the Victoria Facility expansion or January 1, 2007 (the ‘‘Victoria Trigger Date’’). Annual fixed rent under the Phase I Master Lease increases annually with respect to all facilities, other that the Victoria Facility prior to the Victoria Trigger Date, by the greater of 2% or the annual increase in the consumer price index, but shall not exceed 4%. With respect to the Victoria Facility prior to Victoria Trigger Date annual fixed rent plus percentage rent shall not be less than 101% or more than 104% of the sum of the allocated fixed rent and percentage rent for the immediately prior lease year.

In September 2003, various ARC subsidiaries (collectively, the ‘‘Phase III Tenant’’, and together with the Phase I Tenant, the Master Lessees’’) entered into a separate master lease (the ‘‘Phase III Master Lease’’, and together with the Phase I Master Lease, the ‘‘Master Leases’’) with HCPI for three (3) properties (the ‘‘Initial Phase III Facilities’’). On July 15, 2004, in connection with a multi-property sale-leaseback transaction with HCPI, four (4) additional facilities (the ‘‘Additional Phase III Facilities’’) were added to the Phase III Master Lease. In addition, an ARC subsidiary purchased 100% of the membership interests in the current lessee of a facility located in Denver, Colorado (the ‘‘Denver Facility’’) and such facility was added to the Phase III Master Lease on April 1, 2006.

The Phase III Master Lease has an initial term ending on September 30, 2013 for the Initial Phase III Facilities and the Denver Facility and July 31, 2014 for the Additional Phase III Facilities. Phase III Tenant has three (3) ten-year renewal options provided that the Phase III Master Lease may only be renewed if exercise of a renewal option is for all of the Initial Phase III Facilities and the Denver Facility as a group or all of the Additional Phase III Facilities as a group.





Phase III Tenant is currently obligated to pay fixed minimum rent of approximately $29,717,280 per annum under the Phase III Master Lease, subject to increases for certain earn-out provisions included under the Phase III Master Lease. Annual fixed minimum rent under the Phase III Master Lease increases annually during the initial term by 2.75% for the Initial Phase III Facilities and the Denver Facility subject to the lease. In addition to the fixed minimum rent, the Phase III Master Lease requires Phase III Tenant to pay supplemental rent (‘‘Supplemental Rent’’) with respect to two of the facilities, which are located in Holland, Michigan (the ‘‘Holland Facility’’) and Lexington, Kentucky (the ‘‘Kentucky Facility’’), and percentage rent (‘‘Percentage Rent’’) with respect to the Holland Facility, the Kentucky Facility and two additional facilities located in Sun City, Florida (the ‘‘Homewood Facility’’ and the ‘‘Sun City Facility’’). Supplemental Rent with respect to the Holland Facility is currently $137,012 and the Supplemental Rent with respect to the

Kentucky Facility is the sum of the actual monthly interest payable on the facility mortgage taken out by HCPI on the Kentucky Facility plus 1/12 of (i) 0.75% of the aggregate of the outstanding principal balance on the facility mortgage from the previous month and (ii) certain fees payable in connection with the facility mortgage. Percentage Rent is calculated as 16% of the incremental gross revenues (the positive amount, if any, by which the gross revenues for each individual facility during the current lease year exceeds a fixed threshold) of the applicable facilities, provided that, starting in the third lease year with regard to the Additional Phase III Facilities in no event will Percentage Rent for any facility in any year be less than the highest percentage rent payable in any prior lease year.

In addition, the Phase III Tenant is obligated to make certain annual capital expenditures with respect to the Additional Phase III Facilities based on a fixed dollar amount ($1,000 for the Sun City Facility and Holland Facility, $750 for the Lexington Facility, and $500 for the Homewood Facility) multiplied by the number of units of the respective Additional Phase III Facility.

Under the Master Leases, the Master Lessees are required to provide a security deposit if certain cash flow coverage ratios are not maintained. Specifically, with respect to the Phase I Master Lease, Phase I Tenant is obligated to deposit $5,000,000 with HCPI (i) if the average cash flow coverage ratio (with respect to each facility, the ratio of cash flow to the sum of total allocated minimum rent, percentage rent, and supplemental rent, as applicable , for a given period) for the facilities under the Phase I Master Lease falls below 1.1 for two consecutive quarters or (ii) upon the occurrence of a monetary event of default. Similarly, under the Phase III Master Lease, Phase III Tenant is required to deposit with HCPI a cash security deposit of 25% of the then current annual minimum rent plus supplemental and percentage rent, in each case for the Additional Phase III Facilities under the lease if the cash flow coverage ratio for all of the Phase III Master Lease Facilities falls below 1.2 for two consecutive quarters or 1.1 for one quarter.

During the respective terms of the Master Leases, plus one year thereafter, the Master Lessees, and their affiliates may not, with limited exception, whether directly or indirectly, operate, own, manage, or have any interest in or otherwise participate in or receive revenues from any other facility or institution providing services or goods similar to those provided in connection with any facility subject to the Master Leases within a 10-mile radius outward from the outside boundary of any such facilities.

Among other prohibited transfers, the terms of the Master Leases prohibit a transfer of any stock or partnership, membership, or other interests in the Master Lessees or in any Controlling Person of the Master Lessees or a dissolution, merger, or consolidation of the Master Lessees or a Controlling Person if any such transfer results in a change of control (directly or indirectly) in the Master Lessees or any Controlling Person without the consent of HCPI. ‘‘Controlling Person’’ is defined as any direct or indirect (including through one or more intermediaries) Person that controls any of the Master Lessees or any other Controlling Person and would be deemed an affiliate (controller of, controlled by, or under common control with lessee) of such lessee. Failure to obtain consent constitutes an event of default under the applicable Master Lease. In the event a transfer is approved by HCPI, HCPI is entitled to receive transfer consideration equal to 50% of the fair market value of the Master Lessees' leasehold interest in each facility upon any transfer.

The Master Leases are cross–defaulted with each other and contain cross-default provisions such that an uncured default under any other lease between HCPI or its affiliates and Master Lessees or their affiliates is deemed a default under the Master Leases. Additionally, HCPI has the option to require the Master Lessees to purchase a facility and remove the facility from the applicable Master Lease in the



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event that such facility fails to maintain the required licenses or authorizations to operate the facility for its intended use or if the Master Lessees fail to continuously operate such facility pursuant to the terms of the respective Master Lease. In addition, both Master Leases contain provisions that make it an event of default if certain occupancy and licensing requirements are not maintained.

Pursuant to the terms of the Phase III Master Lease, ARC and ARCPI Holdings, Inc. (collectively, ‘‘Guarantor’’) has the option to purchase the Sun City Facility, the Homewood Facility and/or the Holland Facility at the end of the initial term or the extended term for a price calculated for each facility as the sum of the facility's allocated value plus any capital addition costs funded by HCPI with respect to such facility multiplied by 3% per lease year, cumulative and compounded, commencing with the expiration of the first lease year for such facility and upon the expiration of each lease year thereafter, provided that there is no event of default at the time of exercise of the option with respect to any of the facilities. Guarantor is required to exercise its purchase option with respect to the Sun City Facility and the Homewood Facility collectively and may not exercise such option with respect to one of the facilities but not the other.

ARCPI Holdings, Inc. and ARC have each executed separate guarantees of the Master Leases whereby each is obligated to perform all of the obligations of the various lessees under the Master Leases. Any default under any guarantee is an event of default under the Master Leases.



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## MANAGEMENT

### Directors and Executive Officers

The following table sets forth certain information about our directors and executive officers as of the consummation of this offering and includes certain executive officers of ARC that we expect will become executive officers of ours upon consummation of the ARC Merger, together with their positions and ages. Each of our executive officers holds office until his or her successor is duly elected or appointed and qualified or until his or her death, retirement, resignation or removal, if earlier. The persons listed below will serve as officers of Brookdale as of the consummation of this offering. Each of our directors holds office until his or her successor is duly elected or appointed and qualified or until his or her death, retirement, disqualification, resignation or removal, if earlier.

| Name | Age | Position |
|---|---|---|
| Wesley R. Edens | 44 | Chairman of the Board of Directors |
| Mark J. Schulte | 52 | Co-Chief Executive Officer |
| W. E. Sheriff | 63 | Co-Chief Executive Officer |
| Mark W. Ohlendorf | 46 | Co-President |
| John P. Rijos | 53 | Co-President |
| R. Stanley Young | 53 | Executive Vice President and Chief Financial Officer |
| Kristin A. Ferge | 32 | Executive Vice President and Treasurer |
| Deborah C. Paskin | 54 | Executive Vice President, Secretary and General Counsel |
| Gregory B. Richard | 52 | Executive Vice President |
| George T. Hicks | 48 | Executive Vice President |

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| Bryan D. Richardson | 47 | Executive Vice President |
| H. Todd Kaestner | 50 | Executive Vice President |
| James T. Money | 58 | Executive Vice President |
| William B. Doniger | 39 | Vice Chairman |
| Jackie M. Clegg | 44 | Director |
| Bradley E. Cooper(1) | 39 | Director |
| Jeffrey G. Edwards | 47 | Director |
| Jeffrey R. Leeds | 60 | Director |
| Samuel Waxman | 69 | Director |

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(1)In accordance with the Stockholders Agreement, so long as the HP Stockholders beneficially own more than 5% of the voting power of the Company, Health Partners is entitled to designate one director to our board. Based on the current share ownership of Health Partners, the HP Stockholders have the right to designate one director. Mr. Cooper is the designee of the HP Stockholders that currently serves on our board of directors. If the underwriters exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder then, following the consummation of this offering, the HP Stockholders will no longer beneficially own more than 5% of the voting power of the Company. In such case, within 10 days of the consummation of this offering, as required by the Stockholders Agreement, the HP Stockholders would be required to cause Mr. Cooper to resign. See ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders— Stockholders Agreement’’ for a more detailed description of the Stockholders Agreement and the HP Stockholders.

Wesley R. Edens is the Chairman of our board of directors and has served in this capacity since August 2005. Mr. Edens has been a Principal and the Chairman of the Management Committee of Fortress Investment Group LLC since co-founding the firm in May 1998 through which he manages investments in various asset-related investment vehicles and serves on the board of two registered investment companies, Fortress Registered Investment Trust and Fortress Investment Trust II. He is the Chairman of the board of directors and Chief Executive Officer of Newcastle Investment Corp., an affiliate of Fortress listed on the New York Stock Exchange. He is also Chairman of the board of directors of Global Signal Inc., an NYSE listed company, since its reorganization in October 2002 and was Chief



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Executive Officer of Global Signal, Inc. from February 2004 to April 2006, and has been Chairman of the board of directors of Aircastle Limited since its formation in October 2004. Since its inception in 2003, he has also served as a director and the Chief Executive Officer of Eurocastle Investment Limited, an affiliate of Fortress which is currently listed on the Amsterdam Euronext Exchange and Chairman of the board of directors of Mapeley Limited, which is listed on the London Stock Exchange since June 2005. Mr. Edens was the head of Global Principal Finance at Union Bank of Switzerland from May 1997 to May 1998. Prior to joining Union Bank of Switzerland, Mr. Edens was a Partner and a Managing Director of BlackRock Financial Management Inc. from October 1993 to May 1997. In addition, Mr. Edens was a Partner and Managing Director of Lehman Brothers from April 1987 to October 1993. Mr. Edens received a Bachelor of Science in Finance from Oregon State University.

Mark J. Schulte became our Chief Executive Officer in August 2005. Previously, Mr. Schulte served as Chief Executive Officer and director of BLC since 1997, and was also Chairman of the board from September 2001 to June 2005. From January 1991 to May 1997, he was employed by BLC’s predecessor company, The Prime Group, Inc., in its Senior Housing Division, most recently serving as its Executive Vice President, with primary responsibility for overseeing all aspects of Prime's Senior Housing Division. Mr. Schulte has 25 years of experience in the development and operation of multi-family housing, senior housing, senior independent and assisted living and health care facilities. He is a former Chairman of ASHA and remains on ASHA's board of directors. Mr. Schulte received a B.A. in English and a J.D. from St. Louis University, and is licensed to practice law in the State of New York.

W.E. Sheriff will become our Co-Chief Executive Officer with Mr. Schulte upon the consummation of the ARC Merger. Previously, Mr. Sheriff served as Chairman and Chief Executive Officer of American Retirement Corporation and its predecessors since April 1984 and as its President since 2003. From 1973 to 1984, Mr. Sheriff served in various capacities for Ryder System, Inc., including as President and Chief Executive Officer of its Truckstops of America division. Mr. Sheriff also serves on the boards of various educational and charitable organizations and in varying capacities with several trade organizations.

Mark W. Ohlendorf became our Co-President in August 2005. Mr. Ohlendorf has also served as Chief Executive Officer and President of Alterra since December 2003. From January 2003 through December 2003, Mr. Ohlendorf served as Chief Financial Officer and President of Alterra, and from 1999 through 2002 he served as Senior Vice President and Chief Financial Officer. Mr. Ohlendorf has over 20 years of experience in the health care and long-term care industries, having held leadership positions with such companies as Sterling House Corporation, Vitas Healthcare Corporation and Horizon/CMS Healthcare Corporation. He is a member of the board of directors of the Assisted Living Federation of America (ALFA) and ASHA. He received a B.A. in Political Science from Illinois Wesleyan University, and is a certified public accountant.

John P. Rijos became our Co-President in August 2005. Previously, Mr. Rijos served as President, Chief Operating Officer and director of BLC since August 2000. Prior to joining BLC in August 2000, Mr. Rijos spent 16 years with Lane Hospitality Group, owners and operators of over 40 hotels and resorts, as its President and Chief Operating Officer. From 1981 to 1985 he served as President of High Country Corporation, a Denver-based hotel development and management company. Prior to that time, Mr. Rijos was Vice President of Operations and Development of several large real estate trusts specializing in hotels. Mr. Rijos has over 25 years of experience in the acquisition, development and operation of hotels and resorts. He received a B.S. in Hotel Administration from Cornell University and serves on many tourist-related operating boards and committees, as well as advisory committees for Holiday Inns, Sheraton Hotels and the City of Chicago and the Board of Trustees for Columbia College. Mr. Rijos is a certified hospitality administrator.

R. Stanley Young became our Executive Vice President and Chief Financial Officer in August 2005. Previously, Mr. Young served as Executive Vice President, Chief Financial Officer and Treasurer of BLC since December 1999. From August 1998 to December 1999, Mr. Young was Senior Vice President— Finance and Treasurer of BLC. From 1977 to 1998, Mr. Young practiced public accounting with KPMG LLP, where he was admitted to the partnership in 1987. Mr. Young received a B.A. in Business Administration from Illinois Wesleyan University, an MBA from the University of Illinois, and is a certified public accountant.



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Kristin A. Ferge became our Executive Vice President and Treasurer in August 2005. Ms. Ferge has also served as Vice President, Chief Financial Officer and Treasurer of Alterra since December 2003. From April 2000 through December 2003, Ms. Ferge served as Alterra's Vice President of Finance and Treasurer. Prior to joining Alterra, she worked in the audit division of KPMG LLP. Ms. Ferge received a B.A. in Accounting from Marquette University, an MBA from the University of Wisconsin, and is a certified public accountant.

Deborah C. Paskin became our Executive Vice President, Secretary and General Counsel in August 2005. Previously, Ms. Paskin served as Senior Vice President, Secretary and General Counsel of BLC since November 2002. Prior to joining BLC, from 1999 to 2002, she served as Chief Administrative Officer, Executive Vice President, Secretary and General Counsel for Clark Retail Enterprises, Inc. Prior to that time, she served as General Counsel for two other Chicago-based companies, Dominick's Finer Foods, Inc. and Helene Curtis, Inc. Prior to that, Ms. Paskin practiced law in the Chicago office of Latham & Watkins. Ms. Paskin graduated from Northwestern University School of Law. She also received a Masters Degree in Library Science from Dominican University and a B.A. in English from Indiana University in Bloomington, Indiana.

Gregory B. Richard will become our Executive Vice President upon consummation of the ARC Merger. Previously, Mr. Richard served as Executive Vice President and Chief Operating Officer of ARC since January 2003 and previously served as its Executive Vice President—Community Operations since January 2000. Mr. Richard was formerly with a pediatric practice management company from May 1997 to May 1999, serving as President and Chief Executive Officer from October 1997 to May 1999. Prior to this, Mr. Richard was with Rehability Corporation, a publicly traded outpatient physical rehabilitation service provider, from July 1986 to October 1996, serving as Senior Vice President of Operations and Chief Operating Officer from September 1992 to October 1996.

George T. Hicks will become our Executive Vice President upon consummation of the ARC Merger. Previously, Mr. Hicks served as Executive Vice President—Finance and Internal Audit, Secretary and Treasurer of ARC since September 1993. Mr. Hicks has served in various capacities for ARC's predecessors since 1985, including Chief Financial Officer from September 1993 to April 2003 and Vice President—Finance and Treasurer from November 1989 to September 1993.

Bryan D. Richardson will become our Executive Vice President upon consummation of the ARC Merger. Previously, Mr. Richardson served as Executive Vice President—Finance and Chief Financial Officer of ARC since April 2003 and previously served as its Senior Vice President—Finance since April 2000. Mr. Richardson was formerly with a national graphic arts company from 1984 to 1999 serving in various capacities, including Senior Vice President of Finance of a digital prepress division from May 1994 to October 1999, and Senior Vice President of Finance and Chief Financial Officer from 1989 to 1994. Mr. Richardson was previously with the national public accounting firm PriceWaterhouseCoopers.

H. Todd Kaestner will become our Executive Vice President upon consummation of the ARC Merger. Previously, Mr. Kaestner served as Executive Vice President—Corporate Development of ARC since September 1993. Mr. Kaestner served in various capacities for ARC's predecessors since 1985, including Vice President—Development from 1988 to 1993 and Chief Financial Officer from 1985 to 1988.

James T. Money will become our Executive Vice President upon consummation of the ARC Merger. Previously, Mr. Money served as Executive Vice President—Sales and Marketing of ARC since September 1993. Mr. Money served in various capacities for ARC's predecessors since 1978, including Vice President—Development from 1985 to 1993.

William B. Doniger became our Vice Chairman in August 2005. Mr. Doniger is a managing director of Fortress and oversees United States acquisitions. He joined Fortress in May 1998, prior to which he worked at UBS and, from January 1996 through December 1997, at BlackRock. Prior to that, Mr. Doniger was in the structured finance group of Thacher Proffitt & Wood. Mr. Doniger received an A.B. in History from Princeton University and a J.D. from American University.

Jackie M. Clegg became a member of our board of directors in November 2005. Ms. Clegg has served as the Managing Partner of the strategic consulting firm Clegg International Consultants, LLC

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since August 2001. Prior to that, from June 1997 through July 2001, Ms. Clegg was Vice Chair of the board of directors, First Vice President and Chief Operating Officer of the Export-Import Bank of the United States, the official export credit institution of the United States government. Ms. Clegg serves on the board of directors and audit committee of Blockbuster Inc., where she also chaired the Special Committee for divestiture from Viacom. Ms. Clegg also serves on the boards of directors and chairs the audit committees of Javelin Pharmaceuticals, Inc. and Cardiome Pharma and is a director and audit committee member of the Chicago Board of Trade. Ms. Clegg received a B.A. in Communications and Political Science from Southern Utah University and a M.A. in National Security Studies from Georgetown University.

Bradley E. Cooper became a member of our board of directors in September 2005. Mr. Cooper is a Partner, Senior Vice President, Director and Co-Founder of Capital Z Partners, an alternative asset management firm with over $4 billion under management. Mr. Cooper’s primary role is the management of Capital Z Financial Services Fund II, L.P., a private equity investment fund that focuses on the financial services industry. Prior to joining Capital Z, Mr. Cooper served in similar roles at Insurance Partners, L.P. and International Insurance Investors, L.P., investment funds that invested in the insurance and healthcare industries. Previously, Mr. Cooper was an investment banker in the Financial Institution Group at Salomon Brothers, Inc. Mr. Cooper currently serves on the boards of directors of Universal American Financial Corp., Ceres Group Inc., PXRE Group Ltd. and certain other privately held investments. In addition, Mr. Cooper sits on the board of directors of the Make-A-Wish Foundation of Metro New York, one of the top children’s charities in New York. Mr. Cooper received a B.A. in Business Administration from the University of Michigan.

Jeffrey G. Edwards became a member of our board of directors in November 2005. Mr. Edwards is the Founder and Managing General Partner of JGE Capital Management, LLC. JGE Capital was formed in April 1996 as a private money management firm. The company invests in public and private enterprises through its primary investment vehicle, East Peak Partners, L.P. The firm currently manages assets of approximately $700 million. Prior to founding JGE Capital, Mr. Edwards was a Principal at Morgan Stanley & Co., Inc., having spent 10 years with the firm. He holds a B.S. in Finance from the University of Illinois.

Jeffrey R. Leeds became a member of our board of directors in November 2005. Mr. Leeds is currently a self-employed consultant, having retired as Executive Vice President and Chief Financial Officer of GreenPoint Financial Corporation and GreenPoint Bank in October 2004, in which capacities he served since January 1999. Prior to that, he was Executive Vice President, Finance and Senior Vice President and Treasurer of GreenPoint. He joined GreenPoint after fourteen years with Chemical Bank, having held positions as Head of Asset and Liability Management, Proprietary Trading and Chief Money Market Economist. Mr. Leeds earned a B.A. in economics from the University of Michigan and Masters of Business Administration and Philosophy from the Columbia University Graduate School of Business.

Dr. Samuel Waxman became a member of our board of directors in November 2005. Since 1983, Dr. Waxman has served as a professor at Mount Sinai School of Medicine where he directs a multidisciplinary cancer research laboratory and is the Albert A. and Vera G. List Professor. In addition, since July 1980, Dr. Waxman has served as the Founder and Scientific Director of the Samuel Waxman Cancer Research Foundation, which supports an international program of collaborative scientists. He is also the president of Samuel Waxman M.D. P.C. Dr. Waxman earned his M.D. Summa Cum Laude from Downstate Medical Center of the State University of New York and completed all clinical and research training at Mount Sinai Hospital in New York.

Pursuant to our amended and restated certificate of incorporation and amended and restated by-laws, our board of directors is divided into three classes of directors. The current terms of the Class I, Class II and Class III directors will expire in 2008, 2007 and 2009, respectively. Messrs. Cooper and Edens serve as Class I directors, Messrs. Doniger and Edwards and Ms. Clegg serve as Class II directors and Mr. Leeds and Dr. Waxman serve as Class III directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms and each year one class of directors will be elected by the stockholders. As more fully discussed in ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders—Stockholders Agreement’’, if the underwriters exercise



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their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder then, within 10 days of the consummation of this offering, the Stockholders Agreement would require the HP Stockholders to cause Mr. Cooper to resign. Our amended and restated by-laws provide that our board of directors may determine by resolution the number of directors that constitute our board of directors. Our board of directors is currently set at seven members, five of whom have been determined to be ‘‘independent,’’ as defined under NYSE rules. Upon the consummation of the ARC Merger, our board of directors may increase the number of directors which constitutes our board from seven to eight. We may decide to offer a current member of the board of directors of ARC or some other qualified individual the opportunity to serve on our board following the consummation of the ARC Merger. As of the date of this prospectus, we have no arrangement with any individual to join our board of directors. All officers serve at the discretion of our board of directors.

Committees of the Board of Directors

We have established the following committees of our board of directors:

Audit Committee

The audit committee:

- reviews the audit plans and findings of our independent registered public accounting firm and our internal audit and risk review staff, as well as the results of regulatory examinations, and tracks management’s corrective action plans where necessary;
- reviews our financial statements, including any significant financial items and/or changes in accounting policies, with our senior management and independent registered public accounting firm;
- reviews our risk and control issues, compliance programs and significant tax and legal matters;
- has the sole discretion to appoint annually our independent registered public accounting firm, evaluate its independence and performance and set clear hiring policies for employees or former employees of the independent registered public accounting firm; and
- reviews our risk management processes.

The audit committee is currently chaired by Jeffrey R. Leeds, and also consists of Jeffrey G. Edwards and Jackie M. Clegg as our audit committee members. All three members are ‘‘independent’’ as defined under NYSE rules and Rule 10A-3 of the Exchange Act. Jeffrey R. Leeds has been designated as the audit committee financial expert.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee:

- reviews the performance of our board of directors and makes recommendations to the board regarding the selection of candidates, qualification and competency requirements for service on the board and the suitability of proposed nominees as directors;
- advises the board with respect to the corporate governance principles applicable to Brookdale; and
- oversees the evaluation of the board and Brookdale’s management.

The nominating and corporate governance committee is currently chaired by Jackie M. Clegg, and also consists of Dr. Samuel Waxman and Jeffrey R. Leeds as our nominating and corporate governance committee members. All three members are ‘‘independent’’ as defined under the NYSE rules.



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Compensation Committee

The compensation committee:

- reviews and recommends to the board the salaries, benefits and stock option and other equity-related grants for all employees, consultants, officers, directors and other individuals we compensate;
- reviews and approves corporate goals and objectives relevant to the Chief Executive Officer's and other executive officers’ compensation, evaluates the Chief Executive Officer’s and other executive officers' performance in light of those goals and objectives, and determines the Chief Executive Officer’s and other executive officers’ compensation based on that evaluation; and
- oversees our compensation and employee benefit and incentive compensation plans.

The compensation committee is currently chaired by Jeffrey G. Edwards, and also consists of Dr. Samuel Waxman and Jeffrey R. Leeds as our compensation committee members. All three members are ‘‘independent’’ as defined under the NYSE rules.

Compensation Committee Interlocks and Insider Participation

Compensation decisions pertaining to executive officer compensation made prior to our initial public offering in November 2005 were made: with respect to BLC, by Fortress and Health Partners, following recommendation by Mark J. Schulte, our chief executive officer; and with respect to Alterra, by Fortress, following recommendation by Mark W. Ohlendorf, our co-president. We have entered into certain transactions with Fortress as described in ‘‘Certain Relationships and Related Party Transactions.’’

Since our initial public offering in November 2005, our Compensation Committee has been composed of Messrs. Edwards and Leeds and Dr. Waxman.

Compensation of Directors

We pay an annual director’s fee to each of Messrs. Leeds and Edwards, Dr. Waxman and Ms. Clegg equal to $30,000, payable semi-annually. In addition, an annual fee of $5,000 is paid to the chairs of each of the audit and compensation committees of our board of directors, which fee is also paid semi-annually. Affiliated directors, however, are not separately compensated by us. Fees to independent directors may be made by issuance of common stock, based on the value of such common stock at the date of issuance, rather than in cash, provided that any such issuance does not prevent such director from being determined to be independent and such stock is granted pursuant to a stockholder-approved plan or the issuance is otherwise exempt from any applicable stock exchange listing requirement. All members of our board of directors are reimbursed for reasonable expenses and expenses incurred in attending meetings of our board of directors.

Messrs. Leeds and Edwards, Dr. Waxman and Ms. Clegg were each granted 15,790 of shares of restricted common stock on the date immediately following the consummation of our initial public offering. These restricted shares will become vested in three equal portions on the last day of each of our fiscal years 2006, 2007 and 2008, provided the director is still serving as of the applicable vesting date. The independent directors holding these shares of restricted stock will be entitled to any dividends that become payable on such shares during the restricted period so long as such directors continue to serve us as directors as of the applicable record dates.

Except as otherwise provided by the plan administrator of the Omnibus Stock Incentive Plan, on the first business day after our annual meeting of stockholders and each such annual meeting thereafter during the term of the Omnibus Stock Incentive Plan, each of our independent directors who is serving following such annual meeting will automatically be granted under our Omnibus Stock Incentive Plan a number of unrestricted shares of our common stock having a fair market value of $15,000 as of the date of grant; however, those of our independent directors who are granted the restricted common stock described above upon the consummation of our initial public offering will not be eligible to receive these automatic annual grants.



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Executive Officer Compensation

The following summary compensation table sets forth information concerning the cash and non-cash compensation earned by, awarded to or paid to our Chief Executive Officer and our four other most highly compensated executive officers (with their current positions with us) for the years ended December 31, 2005 and 2004. We refer to these executives as our ‘‘named executive officers’’ in other parts of this prospectus.

Summary Compensation Table

| | | Annual Compensation | | | Long Term Compensation | |
|---|---|---|---|---|---|---|
| | Year | Salary ($) | Bonus ($) | Other Annual Compensation ($) | Restricted Stock Awards ($)[1] | All Other Compensation ($)[2] |
| Mark J. Schulte, Chief Executive Officer | 2005 | $355,273 [3] | $2,670,010 [4] | — | $4,421,060 | $3,500 |
| | 2004 | $390,150 | $774,588 [5] | — | — | $3,250 |
| | 2005 | $325,605 [3] | $1,985,864 [4] | — | $3,000,000 | $27,100 [6] |

| | | | | | | |
|---|---|---|---|---|---|---|
| Mark W. Ohlendorf, Co-President | 2004 | $395,186 | $318,800 | — | — | $27,050 (6) |
| John P. Rijos, | 2005 | $334,665 (3) | $2,670,010 (4) | — | $4,421,060 | $3,500 |
| Co-President | 2004 | $364,140 | $774,588 (5) | — | — | $3,250 |
| R. Stanley Young, | 2005 | $246,464 (3) | 2,271,157 (4) | — | $3,789,400 | $3,500 |
| Executive Vice President and Chief Financial Officer | 2004 | $260,100 | $649,776 (5) | — | — | $3,250 |
| Kristin A. Ferge, | 2005 | $198,520 (3) | $759,090 (4) | — | 1,125,000 | $2,100 |
| Executive Vice President and Treasurer | 2004 | $215,922 | $115,900 | — | — | $2,050 |

(1)Based on $10.00 per share value at time of grant. The aggregate number of unvested shares of the Company's stock underlying the restricted stock awards held as of December 31, 2005 by each named executive officer is as follows:

| Named Executive Officer | Number of Unvested Shares | Fiscal Year End Value of Unvested Shares |
|---|---|---|
| Mark J. Schulte | 221,053 | $ 6,589,590 |
| Mark Ohlendorf | 225,000 | $ 6,707,250 |
| John P. Rijos | 221,053 | $ 6,589,590 |
| R. Stanley Young | 189,470 | $ 5,648,101 |
| Kristin A. Ferge | 84,375 | $ 2,515,219 |

Each named executive officer receives dividends on all shares underlying the restricted stock awards. Upon completion of the initial public offering, 50% of the shares subject to the restricted stock awards were no longer subject to a risk of forfeiture for Messrs. Schulte, Rijos and Young and 25% of the shares subject to restricted stock awards were no longer subject to a risk of forfeiture for Mr. Ohlendorf and Ms. Ferge. Of the remaining unvested shares under the awards, one-third of remaining unvested shares will vest at the end of the third, fourth and fifth years following the date of grant, provided the executive has remained continuously employed by the Company; provided further, that, upon the occurrence of a change in control of the Company, 100% of the award that is not vested at that time will immediately vest. In the event an executive officer is terminated without





cause by the Company (other than by reason of his death or disability) or he or she terminates for good reason, the next portion of unvested shares will vest.

(2)Unless otherwise indicated, represents the employer matching contribution to one of the 401(k) plans.

(3)For 2005, salary amounts reflect the terms of the employment agreements entered into in connection with the Company's initial public offering for periods from and following the offering.

(4) Includes a special bonus paid for certain tax withholding payments in connection with the grant of restricted stock or restricted securities pursuant to either the BLC or Alterra Employee Restricted Stock Plans.

(5) Includes a special bonus paid in connection with consummation of a transaction completed in 2004.

(6) Represents a contribution of $25,000 in the form of premiums for a split dollar life insurance policy and employer matching contribution to the 401(k) plan of $2,100 for 2005 and $2,050 for 2004.

Equity Incentive Plans

Employee Restricted Stock Plans

BLC and FEBC-ALT Investors adopted substantially similar employee restricted stock plans, or the Restricted Stock Plans, effective as of August 5, 2005, to attract, motivate and retain key employees. The Restricted Stock Plans provide for the grant to those participants selected by Alterra's and BLC's respective boards of directors, of shares of common stock, in the case of the BLC plan, and LLC membership interests, in the case of the FEBC-ALT Investors plan, that are in either case subject to substantial risk of forfeiture until the occurrence of certain events, as specified in the applicable restricted stock award agreements. As a condition for receiving an award under the Restricted Stock Plans, each participant has entered into an employment agreement and/or securities agreement to the extent required by the applicable employer.

As a general matter, our board of directors believes that providing equity to certain employees is an important aspect of attracting, motivating and retaining those individuals. With respect to the Restricted Stock Plans, the board of directors of each of BLC and FEBC-ALT Investors evaluated a number of parameters in determining both the participants in the plan and the size of the participants' respective grants. These parameters included position within the company, tenure and the employee's overall performance.

BLC reserved for issuance under its plan 1,000 shares of its common stock and FEBC-ALT Investors has authorized for issuance up to 3.33% of its membership interests (such shares of BLC common stock and such FEBC-ALT Investors membership interests, collectively, the ''Securities''), in each case, subject to equitable adjustment upon the occurrence of certain corporate transactions or events. Upon the completion of the series of formation transactions described in ''Business—History,'' pursuant to the terms of the Restricted Stock Plans, all shares of BLC common stock and FEBC-ALT membership interests, including the securities subject to outstanding grants under the plans, were automatically converted into shares of our common stock. The vesting schedules of outstanding awards under the plans continued in effect, except that service with us or any surviving or continuing entity will be deemed to be continued service with Alterra or BLC for purposes of these awards.

Each participant's award was granted pursuant to the terms of a restricted stock award agreement, which set forth the amount of securities subject to the award, the applicable vesting schedules and the restrictive covenants by which the participant would be bound. Messrs. Schulte, Rijos and Young and Ms. Paskin received all of the rights of a BLC stockholder, including the right to receive dividends and to vote the shares. Mr. Ohlendorf and Ms. Ferge were considered members of FEBC-ALT Investors and had the rights of membership as set forth in the LLC Agreement, which included the right to receive distributions with respect to the interests but not the right to vote, until the completion of the formation transactions described in ''Business—History.'' Unless otherwise provided in an award agreement, if the participant's employment is terminated for any reason, Messrs. Schulte, Rijos and Young and Ms. Paskin portion of the award subject to a substantial risk of forfeiture as of the date of termination would be forfeited. In accordance with the terms of the plans, 50% of these securities, or 363.2 shares will no longer be subject to a risk of forfeiture upon the consummation of this offering. In addition, the remaining securities will vest over a five-year period following the issuance if the executive remains continuously employed by the Company. Securities that are subject to a risk of forfeiture may not be sold or transferred. With respect to awards granted to named executive officers, the securities issued subject to the Restricted Stock Plans will vest 100% upon a change of control of us.

We determined the fair value of the shares of BLC and membership interests of FEBC-ALT Investors issued to executives on August 5, 2005 and September 14, 2005 by evaluating the amount a seller would receive in connection with the sale of such shares or membership interests. This evaluation was based on the assumption that such a sale was made following arm’s length negotiations with the buyer having full access to information regarding such shares or membership interests. In addition we assumed that neither the buyer nor the seller was under a compulsion to execute the transaction. For purposes of this evaluation, we treated each of BLC and FEBC-ALT Investors as a going concern. We also calculated the value of the securities issued on a non-marketable, minority interest basis.

The Restricted Stock Plans are administered by our board of directors, which has full power to construe and interpret the plans and any outstanding awards, including, without limitation, to determine whether, to what extent, and under what circumstances an award may be settled, canceled, forfeited, exchanged, or surrendered, to remedy any ambiguities and inconsistencies in the plans, to prescribe, amend and rescind rules and regulations relating to the plans, and to make all other determinations deemed necessary or advisable for the administration of the plans.

No securities granted under the Restricted Stock Plans may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of prior to the consummation of an ‘‘initial public offering,’’ as defined in the Restricted Stock Plans and which would include this offering. Unvested securities subject to awards may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of and shall be subject to a risk of forfeiture until such securities become vested. Moreover, to the extent required by us, the participant may not transfer any securities acquired pursuant to the Restricted Stock Plans for a period of 180 days following the closing of an initial public offering, or such longer or shorter period of time as may be reasonably requested by an underwriter in connection with such offering.

FEBC-ALT Investors and BLC may amend or terminate their respective Restricted Stock Plan at any time for any or no reason; provided, however, that no amendment that requires the approval of its equity holders under applicable Delaware law will be effective unless the same shall be approved by the requisite vote and, subject to adjustments in the event of certain changes in its capitalization, BLC and FEBC-ALT Investors may not adversely affect the rights of participants with respect to awards previously granted under the Restricted Stock Plans. Unless sooner terminated, the Restricted Stock Plans will automatically terminate on the tenth anniversary of their effective date.

Under the terms of the restricted stock agreements, employees of Alterra and BLC received bonuses in connection with their restricted stock awards, as described below.

Participants under FEBC-ALT Investors Restricted Stock Plan who made timely elections pursuant to section 83(b) of the Internal Revenue Code with respect to their awards received cash bonuses sufficient, on an after tax basis, to cover Alterra’s withholding obligations with respect to up to 100% of the membership interests subject to these awards, and the bonuses were used solely for purposes of paying these tax obligations.

Participants under BLC’s Restricted Stock Plan who made timely elections pursuant to section 83(b) of the Internal Revenue Code received cash bonuses sufficient, on an after tax basis, to cover BLC’s withholding obligations with respect to their awards for those shares (a) with respect to which the forfeiture restrictions will lapse upon consummation of an initial public offering (which includes this offering) and (b) for which the participants had made such timely elections, and such bonuses were used solely for the purposes of paying these tax obligations.

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On August 5, 2005, the following executives of Alterra received grants of the following amounts of restricted FEBC-ALT Investors membership interests:

| | |
|---|---|
| Mark W. Ohlendorf | 1.67% |
| Kristin A. Ferge | 0.63% |

On August 5, 2005, the following executives of BLC received grants of the following number of shares of restricted BLC common stock:

| | |
|---|---|
| Mark J. Schulte | 221.1 |
| John P. Rijos | 221.1 |
| R. Stanley Young | 189.5 |
| Deborah C. Paskin | 94.7 |

Effective as of the completion of the formation transactions described in ''Business—History,'' the Restricted Stock Plans were merged into the Omnibus Stock Incentive Plan, which is described immediately below.

### Omnibus Stock Incentive Plan

#### General

On October 14, 2005, we adopted a new equity incentive plan for our employees, the Brookdale Senior Living Inc. Omnibus Stock Incentive Plan, or the Plan, which was approved by our stockholders on October 14, 2005. The purposes of the Plan are to strengthen the commitment of our employees, directors and consultants, motivate them to faithfully and diligently perform their responsibilities and attract and retain competent and dedicated persons who are essential to the success of our business and whose efforts will result in our long-term growth and profitability. To accomplish such purposes, the Plan provides for the issuance of stock options, stock appreciation rights, restricted shares, deferred shares, performance shares, unrestricted shares and other stock-based awards. Our board of directors determines the specific criteria surrounding equity issuances.

A total of 2,400,000 shares of our common stock have been reserved for issuance under the Plan. Under the terms of the Plan, the number of shares available for future issuance will increase annually each January 1st by the lesser of (1) 400,000 shares and (2) 2% of the number of outstanding shares of our common stock on the last day of the immediately preceding fiscal year. In addition, in connection with the ARC Merger, the Plan will be amended to reserve an additional 2,500,000 shares of common stock. See ''—Plan Amendment''. As of the date of this prospectus, under the Plan, grants of 0.6 million, 0.02 million, 0.04 million and 0.05 million restricted shares have been granted with fair market values at their respective dates of grant of $19.00 per share, $28.52 per share, $32.88 per share and $43.92 per share for total values of $11.3 million, $0.6 million, $1.4 million, and $2.2 million, respectively.

The following summary of the Plan is qualified in its entirety by the specific language of the Plan, a copy of which is available to any stockholder upon request, and was previously filed with the SEC as an exhibit to our Registration Statement on Form S-1 (Amendment No. 3), filed with the SEC on November 7, 2005.

Maximum Grant

All such shares of our common stock that are available for the grant of awards under the Plan may be granted as incentive stock options. When section 162(m) of the Internal Revenue Code, or the Code, becomes applicable, the maximum aggregate number of shares that will be subject to stock options or stock appreciation rights that may be granted to any individual during any fiscal year will be 400,000 and the maximum aggregate number of shares that will be subject to awards of restricted stock, deferred shares, unrestricted shares or other stock-based awards that may be granted to any individual during any fiscal year will be 400,000.

Administration

The Plan was initially administered by our board of directors, and is now administered by a committee of our board of directors that complies with the applicable requirements of section 162(m) of



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the Code, Section 16 of the Exchange Act and any other applicable legal or stock exchange listing requirements (the board or committee being sometimes referred to as the ‘‘plan administrator’’). The plan administrator may interpret the Plan and may prescribe, amend and rescind rules and make all other determinations necessary or desirable for the administration of the Plan. The Plan permits the plan administrator to select the directors, key employees, and consultants who will receive awards, to determine the terms and conditions of those awards, including but not limited to the exercise price, the number of shares subject to awards, the term of the awards and the vesting schedule applicable to awards, and to amend the terms and conditions of outstanding awards, including but not limited to reducing the exercise price of such awards, extending the exercise period of such awards and accelerating the vesting schedule of such awards.

Incentive Stock Options

We may issue incentive stock options or non-qualified stock options under the Plan. The incentive stock options granted under the Plan are intended to qualify as ‘‘incentive stock options’’ within the meaning of Section 422 of the Code and may only be granted to our employees or any employee of any subsidiary of the Company. The option exercise price of all stock options granted under the Plan will be determined by the plan administrator, except that any incentive stock option or any stock option intended to qualify as performance-based compensation under section 162(m) of the Code will not be granted at a price that is less than 100% of the fair market value of the stock on the date of grant. Further, the exercise price of incentive stock options granted to stockholders who own greater than 10% of the voting stock will not be granted at a price less than 110% of the fair market value of the stock on the date of grant. The term of all stock options granted under the Plan will be determined by the plan administrator, but may not exceed ten years (five years for incentive stock options granted to stockholders who own greater than 10% of the voting stock). To the extent that the aggregate fair market value (as of the date the options were granted) of shares subject to incentive stock options granted to an optionee that first become exercisable in any calendar year exceeds $100,000, the excess options will be treated as nonqualified stock options. Each stock option will be exercisable at such time and pursuant to such terms and conditions as determined by the plan administrator in the applicable stock option agreement.

Termination

Unless the applicable stock option agreement provides otherwise, in the event of an optionee's termination of employment or service for any reason other than cause, retirement, disability or death, such optionee's stock options (to the extent exercisable at the time of such termination) generally will remain exercisable until 90 days after such termination and will expire thereafter. Unless the applicable stock option agreement provides otherwise, in the event of an optionee's termination of employment or service due to retirement, disability or death, such optionee's stock options (to the extent exercisable at the time of such termination) generally will remain exercisable until one year after such termination and will expire thereafter. Stock options that were not exercisable on the date of termination will expire at the close of business on the date of such termination. In the event of an optionee's termination of employment or service for cause, such optionee's outstanding stock options will expire at the commencement of business on the date of such termination.

Change in Control

In the event of a change in control (as defined below), unless each outstanding stock option is assumed, continued or substituted pursuant to the change in control transaction's governing document, such stock options will become fully vested and exercisable immediately prior to the effective date of such change in control and will expire upon the effective date of such change in control. Unless otherwise determined by the plan administrator and evidenced in an award agreement, if a change in control transaction occurs that includes a continuation, assumption or substitution of stock options, and an optionee's employment with the Company or any acquiring entity or affiliate thereof is terminated by the employer other than for cause on or after the effective date of the change in control but prior to the first anniversary of the effective date of the change in control, then 50% of the optionee's outstanding and unvested options will become fully vested and exercisable as of the date of such termination and the





restrictions will lapse (or performance goals will be deemed to be achieved) with respect to 50% of the shares covered by any other award. The term ‘‘change in control’’ generally means: (1) any person or entity (other than (a) an affiliate of Fortress or any managing director, general partner, director, limited partner, officer or employee of any such affiliate of Fortress or (b) any investment fund or other entity managed directly or indirectly by Fortress or any general partner, limited partner, managing member or person occupying a similar role of or with respect to any such fund or entity) becomes the beneficial owner of securities of the Company representing 50% of the Company's then outstanding voting power; (2) the consummation of a merger of the Company or any subsidiary of the Company with any other corporation, other than a merger immediately following which the board of directors of the Company immediately prior to the merger constitute at least a majority of the board of directors of the company surviving the merger or, if the surviving company is a subsidiary, the ultimate parent thereof; or (3) the Company's stockholders approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale of all or substantially all of the Company's assets, other than (a) a sale of such assets to an entity, at least 50% of the voting power of which is held by Company stockholders following the transaction in substantially the same proportions as their ownership of the Company immediately prior to the transaction or (b) a sale of such assets immediately following which the board of directors of the Company immediately prior to such sale constitute at least a majority of the board of directors of the entity to which the assets are sold or, if that entity is a subsidiary, the ultimate parent thereof.

Stock Appreciation Rights

Stock appreciation rights, or SARs, may be granted under the Plan either alone or in conjunction with all or part of any stock option granted under the Plan. A stand-alone SAR granted under the Plan entitles its holder to receive, at the time of exercise of the SAR and surrender of all or part of the related stock option, an amount per share equal to the excess of the fair market value (at the date of exercise) of a share of common stock over a specified price fixed by the plan administrator (which must be no less than the fair market value at the date of grant). An SAR granted in conjunction with all or part of a stock option under the Plan entitles its holder to receive, at the time of exercise, an amount per share equal to the excess of the fair market value (at the date of exercise) of a share of common stock over the exercise price of the related stock option. In the event of a participant's termination of employment or service, stand-alone SARs will be exercisable at such times and subject to such terms and conditions determined by the plan administrator on or after the date of grant, while SARs granted in conjunction with all or part of a stock option will be exercisable at such times and subject to terms and conditions as set forth for the related stock option. SARs will be designed to comply with Section 409A of the Internal Revenue Code.

Restricted Shares

Restricted shares, deferred shares and performance shares may be granted under the Plan. The plan administrator will determine the purchase price, performance period and performance goals, if any, with respect to the grant of restricted shares, deferred shares and performance shares. Participants with restricted shares and shares of preferred stock generally have all of the rights of a stockholder. With respect to deferred shares, during the restricted period, subject to the terms and conditions imposed by the plan administrator, the deferred shares may be credited with dividend equivalent rights. If the performance goals and other restrictions are not attained, the participant will forfeit his or her shares of restricted shares, deferred shares and/or performance shares. Subject to the provisions of the Plan and applicable award agreement, the plan administrator has sole discretion to provide for the lapse of restrictions in installments or the acceleration or waiver of restrictions (in whole or part) under certain circumstances, including, but not limited to, the attainment of certain performance goals, a participant's termination of employment or service or a participant's death or disability. Unless the award agreement provides otherwise, if a change in control occurs, and the participant's employment is terminated within the following twelve months, the restrictions on 50% of the participant's restricted shares will lapse upon such termination. Restricted shares cannot be sold, transferred, pledged or assigned during the restricted period.



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Grants to Independent Directors

Messrs. Leeds and Edwards, Dr. Waxman and Ms. Clegg were each granted 15,790 of shares of restricted common stock on the date immediately following the consummation of our initial public offering. These restricted shares will become vested in three equal portions on the last day of each of our fiscal years 2006, 2007 and 2008, provided the director is still serving as of the applicable vesting date. The independent directors holding these shares of restricted stock will be entitled to any dividends that become payable on such shares during the restricted period so long as such directors continue to serve us as directors as of the applicable record dates.

Except as otherwise provided by the plan administrator, on the first business day after our annual meeting of stockholders and each such annual meeting thereafter during the term of the Plan, each of our independent directors who is serving following such annual meeting will automatically be granted under the Plan a number of unrestricted shares of our common stock having a fair market value of $15,000 as of the date of grant; however, those of our independent directors who were granted the restricted common stock described above upon the consummation of our initial public offering will not be eligible to receive these automatic annual grants.

Merger, Consolidation, or Other Change in Corporate Structure

In the event of a merger, consolidation, reorganization, recapitalization, stock dividend or other change in corporate structure, the plan administrator may make an equitable substitution or proportionate adjustment in (1) the aggregate number of shares reserved for issuance under the Plan, (2) the maximum number of shares that may be subject to awards granted to any participant in any calendar or fiscal year, (3) the kind, number and exercise price of shares subject to outstanding stock options and SARs granted under the Plan, and (4) the kind, number and purchase price of shares subject to outstanding awards of restricted shares, deferred shares, performance shares or other stock-based awards granted under the Plan, provided that no such adjustment will cause any award under the Plan that is or becomes subject to section 409A of the Code to fail to comply with the requirements of that section. In addition, the plan administrator, in its discretion, may terminate all awards with the payment of cash or in-kind consideration.

Amendment, Alteration and Termination

The terms of the Plan provide that the board may amend, alter or terminate the Plan, but no such action may impair the rights of any participant with respect to outstanding awards without the participant's consent. The plan administrator, however, reserves the right to amend, modify or supplement an award to either bring it into compliance with Section 409A of the Internal Revenue Code, or to cause the award not to be subject to such Section. Unless the board determines otherwise, stockholder approval of any such action will be obtained if required to comply with applicable law. The Plan will terminate on October 13, 2015.

Effective as of the date of the completion of the formation transactions described in ‘‘Business— History’’, the Restricted Stock Plans described above were merged into the Plan.

Plan Amendment

In connection with the ARC Merger, our board of directors has determined to satisfy our obligations to sell shares of our common stock, and to make corresponding grants of restricted shares of our common stock, under the employment agreements with Mr. Sheriff and each of Gregory B. Richard, George T. Hicks, Bryan D. Richardson, H. Todd Kaestner, and James T. Money, and pursuant to offers of agreements we anticipate making to approximately 350 ARC employee-optionees (excluding the six executive officers of ARC who have entered into employment agreements with us, as described in ‘‘—Employment Contracts, Termination of Employment and Change-in-Control Arrangements—Current Employment Agreements’’), that will provide (i) that the optionee use 25% to 50% of the after-tax proceeds received as an ARC shareholder and/or optionholder pursuant to the ARC Merger to purchase shares of our common stock at a price equal to the fair market value of our shares as of such purchase,



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and (ii) that the optionee will be granted a number of restricted shares of our common stock equal to the number of shares purchased pursuant to clause (i), by issuing such shares pursuant to the Plan. Accordingly, upon consummation of the ARC Merger the Plan will be amended to add 2,500,000 shares of common stock to the shares reserved under the Plan. We refer to this amendment as the ‘‘Plan Amendment’’.

To the extent all of the additional shares of common stock reserved pursuant to the Plan Amendment are not used to provide for the described purchases of our common stock and to make corresponding grants of restricted shares of our common stock to ARC officers and employees in connection with the ARC Merger, the remaining shares may be used for other grants in accordance with the Plan.

New Plan Benefits

As discussed above, participants in the Plan, as it will be amended by the Plan Amendment in connection with the ARC Merger, are generally selected in the discretion of the plan administrator from among more than 1,000 key employees, directors and consultants. Even the grants that the Plan authorizes to be made to non-employee directors after each annual stockholders' meeting are subject to the plan administrator's discretion. Thus, the benefits or amounts that will be received by or allocated to any individual or group generally are not determinable.

However, in connection with the ARC Merger, and subject to its consummation, certain mutual commitments, which we will satisfy under the Plan, as amended, have been made with Mr. Sheriff, who will become our Co-Chief Executive Officer after the ARC Merger, and each of Gregory B. Richard, George T. Hicks, Bryan D. Richardson, H. Todd Kaestner, and James T. Money, who will become Executive Vice Presidents after the ARC Merger. Solely to this extent, the benefits that will be received under the Plan, as amended, are determinable, and are described in the next two sentences. Subject to these individuals fulfilling their commitments to invest in shares of our common stock (discussed above), the following approximate number of shares will be purchased at a cost of $38.07 per share by each of them in accordance with the Plan, as amended: Mr. Sheriff – 249,752 shares; Mr. Richard – 29,337 shares; Mr. Hicks – 52,074 shares; Mr. Richardson – 46,017 shares; Mr. Kaestner – 52,534 shares; and Mr. Money – 45,967 shares. These shares are subject to an 18-month holding period. The holding period ends earlier upon a termination by the Company without cause or by the executive with good reason. Following such purchases, each individual will be granted an equal number of restricted shares of our common stock subject to the vesting schedule described in ‘‘—Employment Contracts, Termination of Employment and Change-in-Control—Arrangements—Current Employment Agreements—ARC Executives.’’ In the case of the restricted shares to be granted to the ARC employee-optionees, a portion of such shares will vest upon the attainment of certain performance goals and a portion of such shares will vest upon the continuation of employment with the Company.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Prior Employment Agreement

Alterra entered into an employment agreement with Mark W. Ohlendorf, dated May 16, 2003, or the Prior Employment Agreement, which has been superseded by his current employment agreement, which is described in ‘‘—Current Employment Agreements’’ below. The Prior Employment Agreement extended until December 31, 2005, following which the agreement would automatically extend on an annual basis for one additional year, unless notice not to renew was given 90 days prior to the expiration of its term.

Under the Prior Employment Agreement, Mr. Ohlendorf served as President and Chief Financial Officer of Alterra, and received an initial annual base salary of $350,000, with annual increases commencing with the 2004 calendar year of at least $10,000. The Prior Employment Agreement provided for an initial incentive bonus of $220,000, with subsequent annual incentive bonuses up to 50% of Mr. Ohlendorf’s base salary, and Mr. Ohlendorf would not be entitled to any other bonuses other than the bonuses described above. The Prior Employment Agreement also provided that Mr. Ohlendorf would be eligible to participate in all employee benefit plans maintained by Alterra for senior executives during the term of the agreement, and Alterra would contribute for his benefit, $25,000 in the aggregate, to

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pension, profit sharing, retirement or other deferred compensation plans or programs in which he participates. Under the Prior Employment Agreement, Mr. Ohlendorf was also entitled to a monthly automobile allowance of $600.

The Prior Employment Agreement provided that Mr. Ohlendorf would receive severance payments and benefits in the event of termination of his employment by Alterra other than for ‘‘cause’’ (as defined in the agreement) or by the executive with ‘‘good reason’’ (as defined in the agreement), or by reason of disability. These severance payments include, for 12 months following the date of termination of employment, continuation of annual base salary and continuation, at Alterra’s expense, of group health plan benefits, life insurance, long-term disability benefits, and other employee benefit plans or programs, to the extent permissible under the terms of such plans or law. The severance payments and benefits otherwise due if Mr. Ohlendorf’s employment is terminated by Alterra other than for cause or by him for good reason, would not have been paid if Mr. Ohlendorf had breached certain covenants in the Prior Employment Agreement, including noncompetition and confidentiality restrictions and the requirement to return company property.

Current Employment Agreements

Each of Alterra and BLC (each, an employer) have, along with the Company, entered into employment agreements with several of their respective employees in August and September 2005, or the Employment Agreements. Other than the positions and salary and bonuses, these Employment Agreements are substantially the same, except as noted below. Alterra and the Company have entered into an employment agreement with Mark W. Ohlendorf and Kristin A. Ferge. Mr. Ohlendorf’s agreement supersedes the Prior Employment Agreement. BLC and the Company have entered into employment agreements with each of Mark J. Schulte, John P. Rijos, R. Stanley Young and Deborah C. Paskin. Upon the completion of the series of formation transactions described in ‘‘Business—History,’’ the Company became the employer of each of these executives.

The executives’ positions, annual base salaries and target bonuses for the first fiscal year following the effective date of the employment agreements are set forth below:

| Name/Title | Annual Base Salary | Target Bonus |
|---|---|---|
| Mark J. Schulte – Chief Executive Officer | $ 200,000 | $ 200,000 |
| Mark W. Ohlendorf – Co-President | $ 200,000 | $ 300,000 |
| John P. Rijos – Co-President | $ 200,000 | $ 200,000 |
| R. Stanley Young – Executive Vice President and Chief Financial Officer | $ 175,000 | $ 150,000 |
| Kristin A. Ferge – Executive Vice President and Treasurer | $ 175,000 | $ 150,000 |
| Deborah C. Paskin – Executive Vice President, Secretary and General Counsel | $ 150,000 | $ 100,000 |

Under the Employment Agreements, the executives’ bonuses for the first fiscal year commencing after the effective date of the Employment Agreements will be paid 50% in cash and 50% in restricted shares of Company common stock pursuant to the Company’s Omnibus Stock Incentive Plan described in ‘‘—Omnibus Stock Incentive Plan’’ above. After the first fiscal year of the Company following the effective date of the Employment Agreements, the executives’ respective bonuses will be based on achievement of certain performance standards as determined by the board of directors in its discretion, and may be payable in a combination of cash and vested shares of common stock in the board of directors’ discretion; however, bonus amounts that exceed the executives’ target bonuses for the first fiscal year may be paid in unvested restricted shares of Company common stock, as determined by the board of directors in its discretion.

The Employment Agreements have three year initial terms at the end of which the agreements automatically extend on an annual basis for up to two additional one year terms, unless notice not to renew an agreement is given 90 days prior to the expiration of its term. The Employment Agreements provide that the executives will be entitled to all the usual benefits offered to employees at the executives' levels including, vacation, sick time, participation in the employer's 401(k) retirement plan and medical, dental and insurance programs, all in accordance with the terms of such plans and programs in effect from time to time.



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The Employment Agreements provide that, in the event of termination of employment by the employer other than a termination for ''cause'' (as defined in the agreement), or by the executives with ''good reason'' (as defined in the agreement), and the termination is not within 12 months following a ''change of control'' (as defined in the Employment Agreements), the executives will receive severance payments and benefits, upon signing a release of claims in a form adopted by the employer, or the Release, provided the executives comply with any restrictive covenants by which the executives are bound. These severance payments and benefits are composed of continuation of annual base salary for six months following the date of termination of employment and continuation, at the employer's expense, of coverage under the employer's medical plan until the earlier of six months following the date of termination of employment or the period of time until the executive becomes eligible under the medical benefits program of a new employer.

In the event of a change of control, and the executives' employment is terminated within 12 months following the change in control either by the employer (or a successor) without cause, or by the executives for good reason, then, provided the executives sign the Release and comply with any restrictive covenants by which the executives are bound, the executives will be entitled to, for 12 months following the date of termination of employment, continuation of annual base salary (at the rate in effect at the time of termination, or if higher, immediately prior to the change of control) and continuation of coverage under the employer's medical plan. In the event of a change of control, and the executive's employment is terminated not within 12 months following the change in control either by the employer (or a successor) without cause, or by the executive for good reason, then the executive is entitled to his accrued and unpaid base salary and vacation pay, six months of base salary, and continuation of the executive's coverage under the employer's medical plan until the earlier of (i) the date the executive becomes eligible for the medical benefits program of a new employer or (ii) the six-month anniversary of the date of termination.

ARC Executives

In connection with the ARC Merger, we have entered into employment agreements with six ARC executives, which will become effective upon consummation of the ARC Merger.

The ARC executives' positions with us, annual base salaries and target bonuses for the first fiscal year following the effective date of the employment agreements are set forth below:

| Name/Title | Annual Base | Target Bonus |
|---|---|---|

| | Salary | |
|---|---|---|
| W.E. Sheriff – Co-Chief Executive Officer | $ 200,000 | $ 200,000 |
| Gregory B. Richard – Executive Vice President | $ 200,000 | $ 150,000 |
| George T. Hicks – Executive Vice President | $ 175,000 | $ 150,000 |
| Bryan D. Richardson – Executive Vice President | $ 175,000 | $ 150,000 |
| H. Todd Kaestner – Executive Vice President | $ 175,000 | $ 150,000 |
| James T. Money – Executive Vice President | $ 175,000 | $ 125,000 |

The employment agreement with each ARC executive provides that, as described in ‘‘—Omnibus Stock Incentive Plan—New Plan Benefits’’, he must use an amount specified in the respective employment agreement to purchase shares of our common stock at a price of $38.07 per share, which shares are subject to an 18-month holding period. After making these investments in our common stock, each ARC executive will be granted an equal number of restricted shares of our common stock. Depending on the executive, 70% or 80% of such shares will vest upon the attainment of performance goals and 30% or 20% will vest based on the executive's continued employment with the Company.

With respect to shares which vest based on the executive's continued employment with the Company, one-third of the shares of restricted stock will vest on each of December 31, 2007, December 31, 2008 and December 31, 2009; provided, that upon the occurrence of a change in control (as defined in the employment agreement) all such shares that are not vested will immediately vest. The executive will be entitled to receive all dividends declared and paid on Company common stock. If the executive's employment is terminated by the Company without cause (as defined in the employment agreement) or by the executive for good reason (as defined in the employment agreement) prior to December 31, 2007,



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one-third of the shares of restricted stock which normally vest upon continued employment will vest and the remainder will be forfeited. If the executive's employment is terminated by the Company without cause or by the executive for good reason after December 31, 2007 but before December 31, 2008, one-half of the remaining shares subject to the grant which normally vest upon continued employment will vest and the remainder will be forfeited. If the executive's employment is terminated by the Company without cause or by the executive for good reason after December 31, 2008 but before December 31, 2009, all the shares remaining subject to the grant which normally vest upon continued employment will vest. If the executive's employment terminates for any other reason, all such unvested shares will be forfeited at termination.

With respect to shares which vest upon attainment of performance goals, the first vesting date will be December 31, 2008. Up to 50% of such shares may vest on that date, depending on the degree to which the performance goal has been met. Any of such shares which do not vest on the first vesting date will remain subject to the grant until the second vesting date, December 31, 2009. Up to 100% of the shares still subject to the performance-vesting conditions of the grant (including shares which failed to vest at the first vesting date) may vest on the second vesting date, depending on the degree to which the performance goal has been met. Any of such shares which do not vest on the second vesting date will be forfeited. If the executive's employment is terminated by the Company without cause or by the executive with good reason at any time prior to the second vesting date, the shares subject to the performance-vesting conditions of the grant at the time of such termination will remain subject to the grant until the vesting date which immediately follows such termination. Upon that vesting date the same number of shares will vest as would have vested if the executive had remained employed by the Company on that vesting date. If the executive's employment terminates for any other reason while shares remain subject to the performance-vesting conditions of the grant, all such shares will be forfeited at such termination.

Each employment agreement with an ARC executive provides that, except for the vesting of his ARC restricted shares and options and the accelerated payments of deferred compensation, the officer waives all rights to benefits and compensation, which might otherwise result from treating the ARC Merger as a change in control under ARC's benefit plans, including his right to a gross-up with respect to any parachute excise tax that might be imposed in connection with the ARC Merger.

Except with respect to the required investment, restricted share grant and waiver provisions described above, the employment agreement with W.E. Sheriff is substantially similar to the employment agreement of Mark J. Schulte, including with respect to an initial term of approximately three years, with automatic annual renewals for up to two years, termination provisions, and the benefits upon termination. Mr. Sheriff and Mr. Schulte will report to our board of directors.

Except with respect to the required investment, restricted share grant and waiver provisions described above, the employment agreements with the remaining five ARC executives are substantially similar to the employment agreements of our executive officers other than Mr. Schulte, including with respect to an initial term of approximately three years, with automatic annual renewals for up to two years, termination provisions, and the benefits upon termination. The five ARC executives will report to the Co-Chief Executive Officers.



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## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Agreements With Stockholders

#### General

In connection with the series of formation transactions described in ''Business—History,'' we entered into various agreements with respect to our governance and our common stock. The following is a summary of material provisions of these agreements. This summary does not purport to be complete and is qualified in its entirety by reference to the respective agreements, a copy of each of which is filed as exhibits hereto. Each of the following agreements resulted from negotiations between our management and our significant stockholders, including our majority stockholder, Fortress. We believe the terms and conditions set forth in such agreements are reasonable and customary for transactions of this type.

#### Stockholders Agreement

Upon the consummation of our initial public offering, we entered into a Stockholders Agreement with FBA, Fortress Investment Trust II, FIT-ALT Investor and Health Partners, (the ''Stockholders Agreement''). The Stockholders Agreement provides these stockholders with certain rights with respect to the designation of directors to our board of directors as well as registration rights for our securities owned by them.

In connection with the distributions and contributions of our common stock described in ''Business—History'', each of FRIT, FBIF, FRITH and FITH will be considered a ''Fortress Stockholder'' for purposes of the Stockholders Agreement and have agreed to be bound by all of the restrictions and obligations of the Stockholders Agreement.

Upon consummation of the ARC Merger, the Investor will be considered a ''Fortress Stockholder'' for purposes of the Stockholders Agreement and will be bound by all of the restrictions and obligations of the Stockholders Agreement; provided, however, that pursuant to the terms of the Investment Agreement, the Investor has agreed to waive any ''piggyback'' registration rights under the Stockholders Agreement in the event that we file a registration statement on Form S-1 prior to November 11, 2006. In addition, upon consummation of the ARC Merger we may amend the Stockholders Agreement to increase the number of directors that the Fortress Stockholders are entitled to designate under the Stockholders Agreement from four (of seven) to five (of eight), provided that the Fortress Stockholders continue to beneficially own more than 50% of the voting power of the Company.

Designation of Directors

The Stockholders Agreement requires that each of FBA, Fortress Investment Trust II, FIT-ALT Investor and their respective affiliates and permitted transferees (collectively referred to in this prospectus as the ''Fortress Stockholders'') and Health Partners and its affiliates and permitted transferees (collectively referred to in this prospectus as the ''HP Stockholders'') vote or cause to be voted all of our voting stock beneficially owned by each and to take all other reasonably necessary action so as to elect to our board of directors the following:

- so long as the Fortress Stockholders beneficially own (i) more than 50% of the voting power of the Company, four directors designated by FIG Advisors LLC, an affiliate of Fortress (''FIG Advisors''), or such other party designated by Fortress; (ii) between 25% and 50% of the voting power of the Company, three directors designated by FIG Advisors; (iii) between 10% and 25% of the voting power of the Company, two directors designated by FIG Advisors; and (iv) between 5% and 10% of the voting power of the Company, one director designated by FIG Advisors; and
- so long as the HP Stockholders beneficially own more than 5% of the voting power of the Company, one director designated by Health Partners.

If at any time the number of our directors entitled to be designated by FIG Advisors or HP pursuant to the Stockholder Agreement shall decrease, within 10 days thereafter, FIG Advisors or HP, as applicable, shall cause the appropriate number of directors to resign and any such vacancy shall be filled by a majority vote of our board of directors.





In accordance with the Stockholders Agreement, FIG Advisors designated Wesley R. Edens, William Doniger, Jeffrey R. Leeds and Jeffrey G. Edwards and Health Partners designated Bradley E. Cooper to our board of directors.

If the underwriters exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder then, following the consummation of this offering, the HP Stockholders will no longer beneficially own more than 5% of the voting power of the Company. In such case, within 10 days of the sale, as required by the Stockholders Agreement, the HP Stockholders would be required to cause Mr. Cooper to resign from our board of directors. This resignation would result in a vacancy on our board of directors. The board of directors would begin a process in due course to identify an appropriate candidate to fill this vacancy. We may decide to offer a current member of the board of directors of ARC or some other qualified individual the opportunity to join our board of directors after the consummation of the ARC Merger. As of the date of this prospectus, we have no arrangement with any individual to join our board of directors.

The Investment Agreement provides that in the event the Investor transfers some or all of its equity investment in the Company to an entity that intends to qualify as a ''venture capital operating company'' pursuant to applicable law, we will enter into a management rights letter with the Investor, which sets forth certain rights of the Investor, including the right to (i) appoint a representative observer to our board of directors, (ii) examine our books and records and visit and inspect our facilities and (iii) discuss our business operations with our executives.

Registration Rights

Demand Rights. We have granted to the Fortress Stockholders and the HP Stockholders, in each case for so long as such stockholders collectively and beneficially own an amount of our common stock at least equal to 5% or more of our common stock issued and outstanding immediately after the consummation of our initial public offering (a ''Registrable Amount'') ''demand'' registration rights that allow them at any time after six months following the consummation of our initial public offering to request that we register under the Securities Act of 1933, as amended, an amount equal to or greater than 5% of our stock that they own. Each of the Fortress Stockholders and the HP Stockholders is entitled to an aggregate of two demand registrations. We are not required to maintain the effectiveness of the registration statement for more than 60 days. We are also not required to effect any demand registration within six months of a ''firm commitment'' underwritten offering to which the requestor held ''piggyback'' rights and which included at least 50% of the securities requested by the requestor to be included. We are not obligated to grant a request for a demand registration within four months of any other demand registration, and may refuse a request for demand registration if in our reasonable judgment, it is not feasible for us to proceed with the registration because of the unavailability of audited financial statements.

Piggyback Rights. For so long as they beneficially own an amount of our common stock at least equal to 1% of our common stock issued and outstanding immediately after the consummation of our initial public offering, the Fortress Stockholders and the HP Stockholders also have ''piggyback'' registration rights that allow them to include the shares of common stock that they own in any public offering of equity securities initiated by us (other than those public offerings pursuant to registration statements on Forms S-4 or S-8) or by any of our other stockholders that have registration rights. The ''piggyback'' registration rights of these stockholders are subject to proportional cutbacks based on the manner of the offering and the identity of the party initiating such offering. Health Partners exercised its right to require us to register 4,447,250 shares in this offering (including 2,582,250 shares that the underwriters may purchase from the selling stockholder if the underwriters exercise their overallotment option in full) and is the selling stockholder in this offering.

Shelf Registration. We have granted each of the Fortress Stockholders and the HP Stockholders, for so long as each beneficially owns a Registrable Amount, the right to request a shelf registration on Form S-3, providing for an offering to be made on a continuous basis, subject to a time limit on our efforts to keep the shelf registration statement continuously effective and our right to suspend the use of the shelf registration prospectus for a reasonable period of time (not exceeding 60 days in succession or 90



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days in the aggregate in any 12 month period) if we determine that certain disclosures required by the shelf registration statement would be detrimental to us or our stockholders. In addition, each of the Fortress Stockholders and HP Stockholders that have not made a request for a shelf registration may elect to participate in such shelf registration within ten days after notice of the registration is given.

Indemnification; Expenses. We have agreed to indemnify each of the Fortress Stockholders and the HP Stockholder against any losses or damages resulting from any untrue statement or omission of material fact in any registration statement or prospectus pursuant to which they sell shares of our common stock, unless such liability arose from such stockholder's misstatement or omission, and each such stockholder has agreed to indemnify us against all losses caused by its misstatements or omissions. We will pay all expenses incident to our performance under the Stockholders Agreement, and the Fortress Stockholders and HP Stockholders will pay their respective portions of all underwriting discounts, commissions and transfer taxes relating to the sale of their shares under the Stockholders Agreement.

Conveyance Agreement

In September 2005, we entered into a conveyance agreement with certain equity holders of BLC, FEBC-ALT Investors (Alterra's indirect parent company) and Fortress CCRC, including several funds managed by affiliates of Fortress. Pursuant to this conveyance agreement, three separate wholly-owned subsidiaries of ours were merged with and into BLC, FEBC-ALT Investors and Fortress CCRC, respectively, and the equity holders of these entities received an aggregate of 58,000,000 shares of our common stock in exchange for all of their equity interests in these entities and became direct owners of 100% of our common stock prior to our initial public offering. Pursuant to the conveyance agreement, we agreed to indemnify each of such former equity holders of BLC, FEBC-ALT Investors and Fortress CCRC from any damages suffered by such equity holders as a result of breaches of representations and warranties made by us in the conveyance agreement. We believe the terms of the conveyance agreement are reasonable and customary for transactions of this type. See ''Business—History'' for a further description of these transactions and ''Principal and Selling Stockholders'' for a list of the equity holders.

Acquisition of Membership Interests of FEBC-ALT Investors by FIT-ALT Investor

In June 2005, we entered into a Membership Interest Purchase Agreement with FIT-ALT Investor, Emeritus and NW Select. Pursuant to this agreement, FIT-ALT Investor purchased from Emeritus and NW Select membership interests in FEBC-ALT Investors representing approximately 25% of the membership interests in FEBC-ALT Investors for an aggregate purchase price of $50.0 million. In connection with this transaction, FEBC-ALT Investors paid a preferred distribution of $20.0 million to FIT-ALT Investor in connection with its membership interest in FEBC-ALT Investors. FIT-ALT Investor used the proceeds of the distribution to pay a portion of the purchase price. In addition, pursuant to this agreement, each of Emeritus and NW Select agreed to sell in our initial public offering all of the shares of our common stock received by them in September 2005 in exchange for their membership interests in FEBC-ALT Investors. Also, we agreed to indemnify each of Emeritus and NW Select against various liabilities in connection with our initial public offering. The terms of the Membership Interest Purchase Agreement were negotiated on an arms-length basis and were comparable to the terms that could have been obtained from independent third parties.

In August 2005, FIT-ALT Investor, Emeritus and NW Select entered into an amendment of the limited liability company agreement of FEBC-ALT Investors. Pursuant to this amendment, FIT-ALT Investor exchanged a preferred distribution of approximately $7.1 million from FEBC-ALT Investors to which FIT-ALT Investor was entitled to under FEBC-ALT Investors' limited liability company agreement for additional membership interests in FEBC-ALT Investors.

Provident

Darryl W. Copeland, Jr., previously the chief executive officer, president and chairman of the board of trustees of Provident, was, until April 2004, a member of the boards of directors of both BLC and

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Alterra. Mr. Copeland also was a managing director of Fortress Capital Finance, an affiliate of Fortress, from August 2001 until April 2004. Provident is party to the sale-leaseback arrangements described in ‘‘Business—Leases—Provident Sale-Leasebacks.’’ The terms of the Provident sale-leaseback arrangements were negotiated on an arms-length basis and we believe the terms are reasonable and customary for transactions of this type.

SNH

On February 28, 2003, AHC Trailside, Inc., a subsidiary of Alterra, entered into and became the tenant under a lease, or the SNH Lease, with SNH ALT Leased Properties Trust, or SNH, for 25 assisted living properties. Simultaneously with the entering into of the SNH Lease, SNH ALT Mortgaged Property Trust, an affiliate of SNH, made a $6.9 million loan, or the SNH Loan, to Pomacy Corporation, a wholly owned subsidiary of Alterra. At such time, the SNH Lease and SNH Loan were subject to cross-defaults, cross-guarantee and cross-collateralization. In December 2003, in connection with Alterra’s reorganization, FIT-ALT SNH Loan LLC, a subsidiary of Fortress, purchased the SNH Loan from SNH ALT Mortgaged Property Trust for an amount equal to the outstanding principal balance of the SNH Loan plus accrued interest, the SNH Lease and SNH Loan were amended to eliminate the cross-defaults, cross-guarantees and cross-collateralization between the SNH Loan documents and the SNH Lease documents, and Alterra paid SNH $1.0 million as consideration for the agreement to sell the SNH Loan. Pomacy repaid the SNH Loan in full during 2004 with the proceeds of sale of all but one of the properties mortgaged to secure such loan and obtained a release of the mortgage on the remaining property for a final payment of $1.5 million. The purchase and amendment of the SNH Loan resulted from negotiations with funds managed by affiliates of Fortress, our majority stockholder. As a result, these matters were not approved at arm’s length; however, we believe the terms and conditions set forth in such agreement were reasonable and customary for transactions of this type.

The NBA

The NBA is a 501(c)(3) not-for-profit organization founded in 1887. As a result of deteriorating operating performance and unsuccessful negotiations to restructure the NBA’s debt and management, bonds issued by the NBA were trading at a discount to their par value. In January and February 2004, FIT CCRC LLC, a fund managed by an affiliate of Fortress, acquired $44.7 million aggregate amount of the NBA bonds. Fortress helped form the unsecured creditors’ committee to lead a restructuring of the NBA. In February 2004, the NBA elected to file for bankruptcy protection. In September 2004, Fortress CCRC negotiated an asset purchase agreement to acquire the Fortress CCRC Portfolio from the NBA, and was subsequently selected as the winning bidder through a bankruptcy auction in December 2004. The acquisition closed in April and May 2005. Proceeds from the sale of these facilities and cash from the NBA were used to fund a plan of reorganization, which included repayment in full of the bonds owned by FIT CCRC LLC.

Loan to Mark J. Schulte

In October 2000, BLC loaned approximately $2.0 million to our chief executive officer, Mark J. Schulte. In exchange, BLC received a ten-year, secured, non-recourse promissory note from Mr. Schulte, which bears interest at a rate of 6.09% per annum, 2.0% of which is payable in cash the remainder of which accrues and will be paid at maturity on October 2, 2010. The greatest outstanding amount of indebtedness due on the note within our last fiscal year was approximately $2.5 million, and the amount outstanding as of March 31, 2006 was approximately $2.5 million. The note was secured by Mr. Schulte’s membership interests in FBA, a fund managed by an affiliate of Fortress and the former holder of a majority of the outstanding common stock of BLC. The loan to Mark J. Schulte resulted from negotiations between Mr. Schulte, our chief executive officer, and Fortress, our largest stockholder. As a result, some of the terms of this loan may not have been as favorable to us as if such loan was negotiated with an unaffiliated third party. In connection with the combination transactions in September 2005, BLC and Mr. Schulte substituted as collateral for this loan 115,159 shares of our common stock received by Mr. Schulte in exchange for his membership interests in FBA.





Investment Agreement

Simultaneously with entering into the ARC Merger Agreement, in order to finance the ARC Merger, we entered into the Investment Agreement with RIC Coinvestment Fund LP, or the Investor, a fund managed by an affiliate of Fortress. Under the terms of the Investment Agreement, the Investor committed to purchase, at and simultaneously with the closing of the ARC Merger, up to $1.3 billion of our common stock at a price of $36.93 per share. Prior to the closing of the ARC Merger, we intend to exercise our right to reduce the Investor's $1.3 billion commitment by $650.0 million. If we do not complete this offering prior to the closing of the ARC Merger, the Investor will issue to us, at the closing, a one-time option to purchase from the Investor a number of shares of our common stock having a value equal to the difference between the total consideration paid by the Investor for the common stock at the closing and $650.0 million. Pursuant to this option, we would have the right and the option (but not the obligation) to purchase the shares at a price per share of $38.07. The option would be immediately vested upon issuance at the closing and would expire six months and one day after the closing. If we complete this offering, we will not be entitled to this option and no option will be issued by the Investor. For a more detailed description of the Investment Agreement and the option, see ‘‘Business—Equity Commitment’’. We believe the terms and conditions set forth in such agreement are reasonable and customary for a transaction of this type.

Fortress Credit Agreements

On June 28, 2006, Fortress informed us of the following:

Two affiliates of Fortress, FRIT Holdings LLC and FIT Holdings LLC entered into separate credit agreements, both dated June 28, 2006, with Deutsche Bank AG, London Branch, or Deutsche Bank, as Administrative Agent and sole lender. Pursuant to these credit agreements, the affiliates have received an aggregate commitment of approximately $1.43 billion from Deutsche Bank, and this amount has been secured by, among other things, a pledge by the borrowers and one other affiliate of Fortress of a total of 40,628,000 shares of our common stock owned by such affiliates. The 40,628,000 shares of common stock represent approximately 61% of our issued and outstanding common stock as of June 28, 2006.

The credit agreements contain customary default provisions and also require prepayment of a portion of the borrowings by the borrowers in the event the trading price of our common stock decreases below certain specified levels. In the event of a default under the credit agreements by the borrowers, Deutsche Bank may foreclose upon any and all shares of our common stock pledged to it. The borrowers have agreed in the credit agreements that if a shelf registration statement is not effective and usable for resales of any portion of the pledged common stock by Deutsche Bank (in the event of foreclosure) as of June 9, 2007, the applicable affiliate will prepay a related portion of the borrowings.

The lock-up agreements with applicable affiliates of Fortress will contain an exception to allow Deutsche Bank to seize and dispose of the shares pledged under the credit agreements in the event of a default under either of the credit agreements by the applicable affiliates of Fortress.

We are not a party to the credit agreements and have no obligations thereunder. Mr. Wesley R. Edens, the Chairman of our board of directors, owns an interest in Fortress and is the Chairman of its Management Committee.

Terminated Agreements

Governance Agreement

In September 2005, we entered into a Governance Agreement with FBA, Fortress Investment Trust II and Health Partners (the ‘‘Governance Agreement’’). Each of FBA and Fortress Investment Trust II is a fund managed by an affiliate of Fortress, our largest stockholder. Pursuant to the Governance Agreement, each of FBA, Fortress Investment Trust II and FIT-ALT Investor, and their respective affiliates and permitted transferees (collectively, the ‘‘Fortress Fund Stockholders’’) and the HP Stockholders shall vote or cause to be voted all of our voting stock beneficially owned by each and take all other reasonably necessary action so as to elect to our board of directors one director designated by the HP Stockholders.



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The Governance Agreement terminated automatically upon the consummation of our initial public offering and is of no further force or effect.

Stockholders Agreement with Emeritus and NW Select

On June 29, 2005, we entered into a Stockholders and Voting Agreement with FIT-ALT Investor, Emeritus and NW Select (the ‘‘ENW Stockholders Agreement’’). Among other things, the ENW Stockholders Agreement requires the ENW Stockholders to vote all of our shares of common stock beneficially owned by them as directed by FIT-ALT Investor or its transferees. In addition, the ENW Stockholders may not transfer the shares of our common stock that they beneficially own other than to their permitted transferees.

Emeritus and NW Select each owned 2,086,000 shares of our common stock prior to the consummation of our initial public offering. Each of Emeritus and NW Select sold all of our shares of common stock that it owned in our initial public offering. The ENW Stockholders Agreement terminated automatically upon the consummation of our initial public offering and is of no further force or effect.

Exchange and Stockholder Agreement with Mark Schulte

In connection with the combination transactions in September 2005, we entered into an exchange and stockholders agreement with Mark Schulte, our chief executive officer, and FBA, with respect to 248,723 shares of our common stock acquired by Mr. Schulte from FBA in exchange for his membership interests in FBA. This agreement provides Mr. Schulte with certain participation rights in any sale of our common stock by FBA and requires him to consent to any business combination transactions involving us. In addition, this agreement restricts the transfer of these shares of our common stock by Mr. Schulte. This agreement terminated automatically upon the consummation of our initial public offering and is of no further force and effect. We believe the terms and conditions set forth in such agreement were reasonable and customary for a transaction of this type.

Stockholder Agreement with Paul Froning

On September 14, 2005, BLC entered into a stockholders agreement with Paul Froning, a member of our management, and FBA, with respect to 25 shares of common stock of BLC acquired by Mr. Froning pursuant to BLC's restricted stock plan. This agreement provided Mr. Froning with certain participation rights in any sale of our common stock by FBA and required him to consent to any business combination transactions involving us. This agreement terminated automatically upon the consummation of our initial public offering and is of no further force and effect. We believe the terms and conditions set forth in such agreement were reasonable and customary for a transaction of this type.

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PRINCIPAL STOCKHOLDERS AND SELLING STOCKHOLDER

The following table sets forth the total number of shares of our common stock beneficially owned, and the percent so owned, as adjusted to reflect the sale of the shares offered hereby, by (i) each person known by us to be the beneficial owner of more 5% of our common stock, (ii) each of our directors and named executive officers, (iii) all directors and executive officers as a group, and (iv) the selling stockholder.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days of the date hereof, are deemed outstanding for computing the percentage of the person holding such options or warrants but are not deemed outstanding for computing the percentage of any other person.

The percentage of beneficial ownership of our common stock before this offering is based on 66,560,800 issued shares of our common stock (including certain unvested shares of restricted stock) outstanding as of July 6, 2006. The percentage of beneficial ownership of our common stock after this offering is based on 100,463,029 shares of our common stock outstanding (including certain unvested restricted shares). The table assumes that the underwriters will not exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder, assumes the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger, and assumes the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan— New Plan Benefits’’.

| | Nature and Amount of Beneficial Ownership | | | |
|---|---|---|---|---|
| | Before Offering | | After Offering | |
| Name of Beneficial Owner | Shares Owned (2) | Percentage | Shares Owned (2) | Percentage |
| Executive Officers and Directors(1) | | | | |
| Wesley R. Edens(3) | 43,456,200 | 65.29% | 61,057,067 | 60.78% |
| Mark J. Schulte | 705,829 | 1.06% | 705,829 | * |
| W. E. Sheriff(9) | 0 | * | 499,504 | * |
| Mark W. Ohlendorf | 315,000 | * | 315,000 | * |
| John P. Rijos | 452,106 | * | 452,106 | * |
| R. Stanley Young | 383,939 | * | 383,939 | * |
| Kristin A. Ferge | 113,700 | * | 113,700 | * |

| | | | | |
|---|---|---|---|---|
| William B. Doniger | 5,500 | * | 5,500 | * |
| Jackie M. Clegg | 20,290 | * | 20,290 | * |
| Bradley E. Cooper(5)(6) | 7,844,625 | 11.79% | 5,979,625 | 5.95% |
| Jeffrey G. Edwards(7) | 535,790 | * | 535,790 | * |
| Jeffrey R. Leeds | 20,790 | * | 20,790 | * |
| Samuel Waxman | 32,790 | * | 32,790 | * |
| All directors and executive officers as a group (19 persons) | 54,082,038 | 81.25% | 70,769,267 | 70.44% |
| 5% Stockholders | | | | |
| Fortress Investment Holdings LLC(4)(8) | 43,407,000 | 65.21% | 61,007,867 | 60.73% |
| Selling Stockholder | | | | |
| Health Partners(4)(5)(6) | 7,844,625 | 11.79% | 5,979,625 | 5.95% |

*Less than 1%

(1)The address of each officer or director listed in the table below, except Mark W. Ohlendorf, Kristin A. Ferge, and W.E. Sheriff, is c/o Brookdale Senior Living Inc., 330 North Wabash Avenue, Suite 1400, Chicago, Illinois 60611. The address of Mark W. Ohlendorf and Kristin A. Ferge is c/o



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Brookdale Senior Living Inc., 6737 W. Washington St., Suite 2300, Milwaukee, Wisconsin 53214. The address of W.E. Sheriff is c/o Brookdale Senior Living Inc., 111 Westwood Place, Suite 200, Brentwood, Tennessee 37027.

(2)Consists of shares held, including restricted shares.

(3)Includes 49,200 shares held by Mr. Edens and other ownership as set forth in Footnote 8.

(4)The address of Fortress Investment Holdings LLC is 1345 Avenue of the Americas, 46th Floor, New York, New York 10105. The address of Health Partners is c/o Capital Z Management, LLC, 230 Park Avenue South, 11th Floor, New York, New York 10003.

(5)Bradley E. Cooper, who is one of our directors, is a shareholder of Capital Z Partners, Ltd., the ultimate general partner of Capital Z Financial Services Fund II, L.P., which is the managing partner of Health Partners. Mr. Cooper owns 5.7% of the voting capital stock of Capital Z Partners, Ltd. Mr. Cooper disclaims beneficial ownership of all shares of our common stock that are beneficially owned by Capital Z.

(6)Consists of 7,844,625 shares and 5,979,625 shares held by Health Partners before this offering and after this offering, respectively. Health Partners is managed by its managing partner, Capital Z Financial Services Fund II, L.P. Capital Z Partners Ltd. is the ultimate general partner of Capital Z Financial Services Fund II, L.P. Bob Spass and Bradley E. Cooper are shareholders of Capital Z Partners, Ltd. By virtue of their ownership interests in Capital Z Partners, Ltd., Messrs. Spass and Cooper, may be deemed to beneficially own the shares listed as beneficially owned by Health Partners. Health Partners is selling 1,865,000 of its shares of our common stock in this offering. In accordance with the Stockholders Agreement, so long as the HP Stockholders beneficially own more than 5% of the voting power of the Company, Health Partners is entitled to designate one director to our board. Based on the current share ownership of Health Partners, the HP Stockholders have the right to designate one director. Mr. Cooper is the designee of the HP Stockholders that currently serves on our board of directors. If the underwriters exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder then, following the consummation of this offering, the HP Stockholders will no longer beneficially own more than 5% of the voting power of the Company. In such case, within 10 days of the consummation of this offering, as required by the Stockholders Agreement, the HP Stockholders would be required to cause Mr. Cooper to resign. See ''Certain Relationships and Related Party Transactions—Agreements With Stockholders— Stockholders Agreement'' for a more detailed description of the Stockholders Agreement and the HP Stockholders.

(7)Includes 55,790 shares held by Mr. Edwards and 480,000 shares held by East Peak Partners, L.P. (''East Peak''). JGE Capital Management LLC (''JGE Capital Management'') is the sole general partner of East Peak. As President and the Principal of JGE Capital Management, Jeffrey G. Edwards makes investment decisions for East Peak. Mr. Edwards disclaims beneficial ownership of the shares held by East Peak.

(8)Includes 13,228,000 shares held by FIT-ALT Investor LLC, 20,000,000 shares held by FIT Holdings LLC, 7,400,000 shares held by FRIT Holdings LLC, 1,702,708 shares held by Fortress Registered Investment Trust, 826,292 shares held by Fortress Brookdale Investment Fund LLC, 18,750 shares held by Drawbridge Special Opportunities Fund Ltd., 106,250 shares held by Drawbridge Special Opportunities Fund LP, 125,000 shares held by Drawbridge Global Macro Master Fund Ltd. and, assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the ARC Merger, 17,600,867 shares held by RIC Coinvestment Fund LP. FIT-ALT Investor LLC is a wholly-owned subsidiary of FIT Holdings LLC, which is a wholly-owned subsidiary of Fortress Investment Trust II, which is a majority-owned subsidiary of Fortress Investment Fund II LLC. Fortress Investment Fund II LLC is managed by its managing member, Fortress Fund MM II LLC, which is managed by its managing member Fortress Investment Group LLC. FRIT Holdings LLC is wholly-owned by Fortress Registered Investment Trust, which is 100% owned by Fortress Investment Fund LLC. Fortress



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Investment Fund LLC is managed by its managing member, Fortress Fund MM LLC, which is managed by its managing member Fortress Investment Group LLC. Drawbridge Special Opportunities Advisors LLC is the investment manager of Drawbridge Special Opportunities Fund Ltd. Drawbridge Special Opportunities Advisors LLC is the investment manager of Drawbridge Special Opportunities Fund LP. Fortress Investment Group LLC is the sole managing member of Drawbridge Special Opportunities Advisors LLC. Drawbridge Global Macro Master Fund Ltd. is 100% owned by Drawbridge Global Macro Fund LP and Drawbridge Global Macro Fund Ltd. Drawbridge Global Macro Advisors LLC is the investment manager of each of Drawbridge Global Macro Fund LP and Drawbridge Global Macro Fund Ltd. Fortress Investment Group LLC is the sole managing member of Drawbridge Global Macro Advisors LLC. FIG Advisors LLC is the investment advisor of RIC Coinvestment Fund LP and Fortress Brookdale Investment Fund LLC and may be deemed to beneficially own the shares listed as beneficially owned by RIC Coinvestment Fund LP and Fortress Brookdale Investment Fund LLC. FIG Advisors LLC disclaims beneficial ownership of such shares. FIG Advisors LLC is a wholly-owned subsidiary of Fortress Investment Group LLC. Fortress Investment Group LLC is 100% owned by Fortress Investment Holdings LLC. Fortress Investment Holdings LLC is an entity that is owned by certain individuals, including Wesley R. Edens, our Chairman of the board. By virtue of his ownership interests in Fortress Investment Holdings LLC, Mr. Edens may be deemed to beneficially own the shares listed as beneficially owned by Fortress Investment Holdings LLC. Mr. Edens disclaims beneficial ownership of such shares.

(9)Includes 249,752 shares that Mr. Sheriff is expected to purchase upon consummation of the ARC Merger pursuant to his employment agreement, and an additional 249,752 shares that we expect to grant to Mr. Sheriff pursuant to his employment agreement. Mr. Sheriff is expected to become our co-Chief Executive Officer upon consummation of the ARC Merger.

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# DESCRIPTION OF INDEBTEDNESS

## New Credit Facility

On February 10, 2006, we entered into a $330.0 million credit agreement, as amended on May 10, 2006 and June 29, 2006, (the ‘‘New Credit Facility’’) consisting of a $250.0 million term loan, a $20.0 million revolving loan, and a $60.0 million letters of credit commitment, with the several lenders from time to time parties thereto, Lehman Brothers Inc., as lead arranger, LaSalle Bank National Association, as syndication agent, Goldman Sachs Credit Partners L.P., Citigroup Global Markets Inc., and LaSalle Bank National Association, as co-arrangers, Goldman Sachs Credit Partners L.P. and Citicorp North America, Inc., as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent. Concurrent with the New Credit Facility we terminated our existing line of credit.

In connection with the New Credit Facility, we and certain of our subsidiaries thereto (the ‘‘Guarantors’’) made a Guarantee and Pledge Agreement (the ‘‘Guarantee and Pledge Agreement’’) in favor of Lehman Commercial Paper Inc., as administrative agent for the banks and other financial institutions from time to time parties to the New Credit Facility, pursuant to which certain of the Guarantors guarantee the prompt and complete payment and performance when due by us of our obligations under the New Credit Facility and certain of the Guarantors pledge certain assets for the benefit of the secured parties as collateral security for the payment and performance of our obligations under the New Credit Facility and under the guarantee. The pledged assets include, among other things, equity interests in certain of our subsidiaries, all related books and records and, to the extent not otherwise included, all proceeds and products of any and all of the foregoing, all supporting obligations in respect of any of the foregoing and all collateral security and guarantees given by any person with respect to any of the foregoing.

The term loan and the revolving loan and the letters of credit commitment under the New Credit Facility is scheduled to expire on February 10, 2007. We have the option of requesting a six-month extension of any or all of the maturity or expiration dates.

At our option, the term loan and the revolving loan bear interest at either (i) the greater of (a) the prime lending rate as set forth on the British Banking Association Telerate Page 5 plus a margin of 0.50% and (b) the Federal Funds Effective Rate plus ½ of 1% plus a margin of 0.50%, or (ii) the Eurodollar rate plus a margin of 1.50%. In connection with the revolving loan, we will pay a commitment fee of 0.25% per annum on the average daily amount of undrawn funds. In connection with the term loan, we will pay a commitment fee of 0.125% of the average daily amount of undrawn funds so long as we draw less than $150.0 million, or 0.25% if we draw $150.0 million or more.

The proceeds of the loans under the New Credit Facility were used to finance a portion of acquisitions of fee-simple and leasehold ownership interests in senior housing real estate and to pay related fees and expenses and for general corporate purposes.

The New Credit Facility contains typical representations and covenants for loans of this type. A violation of any of these covenants could result in a default under the New Credit Facility, which would result in termination of all commitments and loans under the New Credit Facility and all other amounts owing under the New Credit Facility and the other loan documents to become immediately due and payable.

As of the date of this prospectus, we have drawn $195.0 million and $0 on the term loan and the revolving loan, respectively. In addition $59.4 million of letters of credit have been issued under the letter of credit commitment.

The GECC Mortgage Loan

General. Subsidiaries of Fortress CCRC are borrowers under a mortgage loan made on April 5, 2005 by General Electric Capital Corporation, or GECC, and Merrill Lynch Capital, which we refer to in this prospectus as the ‘‘GECC mortgage loan’’, with a current balance of $105.8 million. If certain financial covenants in the GECC mortgage loan are satisfied, the borrowers have the option to borrow up to an additional $30.0 million as a one-time advance.



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Security for the Mortgage Loan. The GECC mortgage loan is secured by (i) mortgage liens on the borrowers’ fee interests in six facilities comprising the Fortress CCRC Portfolio, (ii) a security interest in substantially all of the borrowers’ personal property and fixtures, (iii) a pledge of the membership interests (or equivalent equity interests) of each of the borrowers, (iv) a guaranty for typical non-recourse carveouts by us, and (v) a $10.0 million limited guaranty by us for certain capital improvements to be completed at the facilities.

Interest Rate. The GECC mortgage loan had an interest rate equal to the 30-day LIBOR plus a margin of 3.0% per annum (which margin has reduced to 2.25% per annum as of April 1, 2006).

Interest Rate Swap. In connection with the GECC mortgage loan we entered into an interest rate swap with Merrill Lynch Capital Services to hedge our interest rate risk and convert the loan from a floating rate to a fixed rate through January 22, 2008. The notional amount of the interest rate swap is $108.0 million of which $2.2 will be redesignated and we pay a fixed rate of 3.615% and receive one-month LIBOR.

Prior to closing the financing we entered into an additional $12.0 million amortizing interest rate swap where we pay a fixed rate of 3.615% and receive one-month LIBOR. We intend to redesignate this swap to the estimated debt financing to be obtained in connection with the six facilities currently leased but expected to be purchased.

Payment Terms. For the first four years of the GECC mortgage loan, we are required to make monthly payments in arrears of interest only. Commencing on April 1, 2009, we will also be required to make a monthly principal amortization payment based upon the outstanding principal balance of the GECC mortgage loan, using a 25-year period and an assumed annual interest rate equal to 6.0%.

Debt Service Coverage Ratio. Commencing on September 30, 2005, the debt service coverage ratio (defined in the GECC mortgage loan as the ratio of (i) adjusted net operating income from the properties for the 12-month period ending on the applicable measurement date to (ii) annualized payments of debt service due on the GECC mortgage loan for the same period) shall not, as of the end of any calendar quarter through June 30, 2006, fall to lower than 1.15:1.0 or, after September 30, 2006, fall to lower than 1.3:1.0.

Project Yield. Commencing on September 30, 2005 and as of the last day of each calendar quarter through December 31, 2005, the project yield (defined in the GECC mortgage loan as a percentage of (i) adjusted net operating income from the properties for the 12 month period ending on the applicable measurement date to (ii) the outstanding principal balance of the GECC mortgage loan on the applicable measurement date) shall equal or exceed 8.5%. Commencing on September 30, 2006 and as of the last day of each calendar quarter through June 30, 2007, the project yield shall equal or exceed 11%. Commencing on September 30, 2007 and commencing on the last day of each calendar quarter thereafter, the project yield shall equal or exceed 13%.

Occupancy Requirements. Commencing on September 30, 2005 and as of the last day of each calendar quarter thereafter, the average daily occupancy for the properties for any such calendar quarter must be greater than 90% of the average daily occupancy at the facilities at closing.

Failure to Meet Debt Service Ratio, Project Yield or Occupancy Requirement. If we fail to meet either the debt service coverage ratio or the project yield thresholds, then, within ten days thereafter, we must either deposit with the lender a letter of credit or pay down a portion of the principal balance of the GECC mortgage loan, in each case in an amount necessary to meet such project yield requirement or debt service coverage ratio requirement, as applicable. Failure to deposit such letter of credit or pay down the principal balance of the GECC mortgage loan if either financial covenant is not met constitutes as an event of default. Failure to maintain the occupancy rate also constitutes an event of default.

Voluntary Prepayment. The borrowers may prepay the GECC mortgage loan without penalty in whole or in part on or after April 1, 2007.

Special Purpose Entities. In connection with the GECC mortgage loan, the organizational documents of the borrowers were amended to limit their purposes and to add other provisions consistent with the provisions of the organizational documents of special purpose entities.



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Certain Covenants. The GECC mortgage loan documents include representations, warranties and covenants customary for mortgage loans. Among other things, the borrowers are prohibited from incurring additional indebtedness or further encumbering their assets. In addition, so long as the GECC mortgage loan remains outstanding, (i) Fortress Investment Trust II or its affiliates shall own, in the aggregate, directly or indirectly, not less than 35% of the ownership interests in us, or (ii) (A) Wesley R. Edens shall remain a manager of Fortress Investment Group LLC and be our chairman of the board of directors, (B) Fortress Investment Trust II or its affiliates shall own, in the aggregate, directly or indirectly, not less than ownership interests in us that they owned at the time of this offering, or (C) we must have a market capitalization equal to or greater than $500.0 million.

Merrill Lynch Mortgage Loan

General. AHC Purchaser, Inc., a subsidiary of Alterra, is the borrower under a mortgage loan made on December 31, 2004 by Merrill Lynch Capital, which we refer to in this prospectus as the ‘‘Merrill Lynch mortgage loan’’, with a current principal balance of $62.5 million and AHC Purchaser Holding II, Inc., another subsidiary of Alterra, is the borrower under a mezzanine loan made on December 31, 2004 by Merrill Lynch Capital, which we refer to as the junior loan, with a current principal balance of $10.0 million. The Merrill Lynch mortgage loan and the junior loan both mature on December 31, 2007, with an option to extend the maturity date for up to two 12-month terms, provided that both loans are extended concurrently.

Security for the Mortgage Loan. The Merrill Lynch mortgage loan is secured by (i) mortgage liens on the borrower’s fee interests in 21 properties, (ii) security liens on the borrower’s personal assets, (iii) an unconditional guaranty from AHC Purchaser Holding, Inc. and Alterra for all amounts due under the Merrill Lynch mortgage loan, and (iv) a pledge of 100% of the capital stock in the borrower. The junior loan is secured by (a) a collateral assignment of 100% of the capital stock of the borrower and (b) a guaranty from Alterra for all amounts due under the junior loan.

Interest Rate. The Merrill Lynch mortgage loan has an interest rate equal to the 30 day LIBOR plus a margin of 3.642% per annum and the junior loan has an interest rate equal to the 30 day LIBOR plus a margin of 9.5% per annum. If the combined interest rate (as defined under the applicable loan documents) falls below 6.0%, then the Merrill Lynch mortgage loan shall bear additional interest at a rate such that the combined rate equals 6.0%.

Interest Rate Swap. In connection with the Merrill Lynch mortgage loan we entered into an interest rate swap with Merrill Lynch Capital Services, Inc. to hedge our interest rate risk and convert the loan from a floating rate to a fixed rate through March 22, 2012. The notional amount of the interest rate swap is $70.0 million and we pay a fixed rate of 4.70% and receive one-month LIBOR.

Voluntary Prepayments. The borrowers may prepay the loans in whole but not in part on or after July 1, 2006, provided they pay an exit fee to the lender with respect to the Merrill Lynch mortgage loan in an amount equal to $1.875 million through the end of calendar year 2006, and thereafter $937,500, and with respect to the junior loan in an amount equal to $300,000 through the end of calendar year 2006, and thereafter $150,000.

Debt Service Coverage Ratio. The debt service coverage ratio (defined as the ratio of (i) net operating income of the properties securing the loans to (ii) total debt service) shall not as of the end of each calendar month fall below 1.30:1.0.

Payment Terms. The borrowers are required to make monthly payments in arrears of interest on the outstanding principal balance of the loans, and any additional interest, and monthly principal amortization payments as set forth in a schedule attached to the loan agreement. Commencing on January 1, 2008, if the project yield (defined as the quotient of (i) net operating income from the properties divided by (ii) the sum of the then current outstanding principal balance plus accrued and unpaid interest (on both the mortgage and junior loans)) for any calendar month is less than 14%, then in addition to any other required payments, the borrowers will be required to make monthly payments to the lender in an amount equal to approximately 64.66% of excess cash flow of the properties (defined as net cash flow for such period less current scheduled principal and interest payments due on the loans).



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Project Yield. The project yield shall not, as of the end of each calendar month, fall below 10.25% during the first year of the loans, 11.0% during the second year of the loans, 12.0% during the third year of the loans, and 13.0% for all years thereafter.

Certain Covenants. The loan documents include representations, warranties, and covenants customary for mortgage loans. Among other things, the borrowers are prohibited from incurring additional indebtedness or further encumbering their assets. Alterra may not incur any indebtedness to any of its stockholders or affiliates, and at any time an event of default is continuing under the loan documents, may not pay any dividends. The loan documents also require Alterra to maintain unrestricted cash and/or availability under lines of credit or revolving loan agreements in the aggregate amount of at least $8.0 million and, in certain circumstances, at least $10.0 million. Provided that Merrill Lynch reasonably determines that Alterra’s fixed charge coverage ratio is not equal to or greater than 1:1 on a prospective basis taking into account any of the following events, Alterra may not (i) declare a dividend or make other distributions of any kind to Alterra’s stockholders, (ii) make any asset acquisition of $10.0 million or more, (iii) enter into any sale-leaseback transaction where the sale price is $10.0 million or more, (iv) incur any debt for borrowed money, or (v) incur any lease obligations (other than (a) renewals or extensions of existing leases pursuant to options to do so in such leases, (b) intercompany leases among Alterra and its direct or indirect subsidiaries and (c) leases necessary for governmental compliance), whether or not such leases are capitalized).

Transfer Restrictions. Without the prior written consent of Merrill Lynch, which consent may be withheld in Merrill Lynch's sole discretion, the borrowers may not suffer or permit (i) the termination of any existing management agreement or master lease or any change in the manager or master tenant thereunder with respect to any project, or (ii) any sale, transfer, lease or pledge of (a) all or any portion of any of the Merrill Lynch projects or any portion of the properties securing the Merrill Lynch mortgage loan, (b) all or any portion of borrowers' right, title and interest in and to any of the properties securing the Merrill Lynch mortgage loan, or (c) any interest in the borrowers, any master tenant or any guarantor or any interest in any entity that holds a direct or indirect interest in, or directly or indirectly controls, any borrower, master tenant or guarantor. The Company has received Merrill Lynch's consent to the consummation of this offering, as well as the applicable formation transactions described in ''Business— History.'' In addition, if Alterra fails to continue to control (x) the day-to-day management and operation of the borrowers' business and (y) all material business decisions of the borrowers during the term of the Merrill Lynch mortgage loan, then Merrill Lynch may, at its option, declare the Merrill Lynch mortgage loan to be immediately due and payable in addition to exercising any of its other remedies permitted by the Merrill Lynch loan documents. Furthermore, without the consent of Merrill Lynch, the borrowers may not engage in a transfer of shares constituting an initial public offering of Alterra, or any direct or indirect owner of 100% of the stock of Alterra, or similar equity sale transaction, unless such shares of Alterra, or such direct or indirect owner of 100% of the stock of Alterra, are listed or approved for listing on the New York Stock Exchange, the National Association of Securities Dealers Automated Quotation System or the American Stock Exchange at the time of such transfer.

Guaranty Bank Mortgage Loan

General. Five subsidiaries of BLC are borrowers under a loan made on March 30, 2005 by Guaranty Bank, GMAC Commercial Mortgage Bank and GMAC Commercial Mortgage Corporation, or the Guaranty mortgage loan, with a current principal balance of $150.0 million. The notes evidencing the loan include notes A, which evidence the $150.0 million principal amount, and notes B, which evidenced $32.0 million of the principal amount. We used a portion of the net proceeds received from our initial public offering to repay all of the $32.0 million outstanding balance of the notes B. The loan matures on April 1, 2008, and the borrowers have an option to extend the maturity date for up to two 12-month terms, subject to (i) payment of an extension fee in an amount equal to .25% of the principal amount for each extension period, (ii) the properties securing the Guaranty mortgage loan having achieved a debt coverage ratio (the ratio of net operating income from the properties for the period in question to debt service on the Guaranty mortgage loan for the period in question) of at least 1.35 for the immediately preceding six-month period, (iii) the properties having a cumulative loan-to-value ratio (the ratio of (a) the sum of the principal amount outstanding and all accrued but unpaid interest thereon to (b) the appraised



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''as is'' value of the properties) of at least 75% as of the date the notice of extension is provided, and (iv) the prior reclassification of all of notes B into notes A, as further described below. Subsequent to the consummation of this offering, we intend to refinance this obligation. See ''—Development Mortgage Loan'' below.

Interest Rate. The Guaranty mortgage loan has an interest rate equal to the sum of LIBOR plus 2.25% effective May 1, 2006 (3.05% prior to that date) for the notes A.

Interest Rate Swap. In connection with the Guaranty mortgage loan we entered into three interest rate swaps with LaSalle Bank, N.A. to hedge our interest rate risk and convert the loan from a floating rate to a fixed rate. The swaps have notional amounts of $85.0 million, $60.0 million and $37.0 million, mature on March 22, 2012, March 22, 2012 and March 25, 2008 and have fixed rates of 4.66%, 4.775% and 4.395%, respectively. For the three swaps we pay a fixed rate and receive one-month LIBOR.

Security for the Mortgage Loan. The loan is secured by (i) mortgage liens on the borrowers' fee interests in five properties, and (ii) an unconditional guaranty made by BLC to the lenders for 50% of the amount due under the loan (such percentage to drop to 25% if certain financial covenants are met) and for typical non-recourse carve outs. As additional collateral for the obligations of the borrowers under the Guaranty mortgage loan, borrowers maintain with the lender cash or a letter of credit in the amount of $2.5 million.

Payment Terms. For the initial term of the Guaranty mortgage loan, we are required to make monthly payments in arrears of interest only on the outstanding principal balance of the Guaranty mortgage loan. In the event that the borrowers exercise their option to extend the term of the loan, in addition to the regularly scheduled interest payments on the principal amount of the Guaranty mortgage loan, we are required to make a monthly principal installment amount (as defined in the applicable loan documents).

Required Ratios. During the first year of the Guaranty mortgage loan, the properties securing the Guaranty mortgage loan must have achieved a debt coverage ratio of at least 1.2:1.0 with respect to notes A and a debt coverage ratio of at least 1.0:1.0 with respect to notes A and notes B, in the aggregate, for each calendar quarter. During each subsequent year, the facilities must have achieved a debt coverage ratio of at least 1.25:1.0 concerning notes A, and if notes B are outstanding, a debt coverage ratio of at least 1.1:1.0 concerning notes A and notes B, in the aggregate, for each calendar quarter. We used a portion of the net proceeds received from our initial public offering to repay all of the $32.0 million outstanding balance of the notes B.

During the first year of the Guaranty mortgage loan, the facilities located on the properties securing the Guaranty mortgage loan must have achieved a minimum aggregate occupancy ratio (as defined in the applicable loan documents) of at least 75%. During each subsequent year, the facilities must have achieved a minimum aggregate occupancy ratio of at least 80%. As of March 31, 2006, the facilities' aggregate occupancy ratio was 89.9%.

If the borrowers fail to maintain the required debt service coverage ratio or the minimum aggregate occupancy ratio, we may, at our option, prevent an event of default from occurring as a result of such failure only by delivering to the lender a fee and additional collateral equal to: (i) with respect to any first failure, a fee in the amount of $100,000 and $500,000 pledged as additional collateral for the Guaranty mortgage loan, and (ii) with respect to any second failure, a fee in an amount equal to $150,000 and $1.0 million pledged as additional collateral for the Guaranty mortgage loan.

Voluntary Prepayment. After April 1, 2006, with respect to notes A, and at any time, with respect to notes B, the borrowers may prepay all or any part of the principal amount outstanding, together with the payment of an exit fee to the lender in the amount of 1% of the amount of principal being repaid.

Capital Expenditures. The borrowers are required to expend a minimum of $300 per unit per year for capital expenditures with respect to the properties securing the Guaranty mortgage loan.

Certain Covenants. The loan documents include representations, warranties and covenants customary for mortgage loans. Among other things, the borrowers are prohibited from incurring or permitting to exist any additional indebtedness. The loan documents also prohibit the sale or transfer of

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the direct or indirect ownership interests in the properties securing the Guaranty mortgage loan or the borrowers without the lenders' agent's prior written consent, provided that there are no restrictions on transfers of direct or indirect ownership interests in BLC, subject to certain notice requirements.

Development Mortgage Loan

General. Five subsidiaries of BLC have entered into a commitment to become borrowers under five separate loans by Capmark Finance Inc., or the Development mortgage loan, in the aggregate principal amount of $150.0 million. The Development mortgage loan will refinance the Guaranty mortgage loan, with a current balance of $150.0 million (original principal amount was $182.0 million of which $32.0 million was repaid from proceeds of the initial public offering in November 2005). The Development mortgage loan will have a term of eighty-four months.

Interest Rate. The Development mortgage loan will have an interest rate equal to the sum of (i) one-month LIBOR plus (ii) ..88%.

Interest Rate Swap. In connection with the Guaranty mortgage loan, we entered into three interest rate swaps with LaSalle Bank, N.A. to hedge our interest rate risk and convert the loan from a floating rate to a fixed rate. The swaps have notional amounts of $150.0 million of which $5.0 million matures March 2008 and $145.0 million matures March 2012. Pursuant to the Development mortgage loan we are required to maintain a hedge (swap or interest rate cap).

Security for the Mortgage Loan. The Development mortgage loan will be secured by (i) mortgage liens on the borrowers' fee interests in five properties, and (ii) an unconditional guaranty made by BLC to the lenders of $7.0 million of the principal amount of the Development mortgage loan, for typical non-recourse carve outs and for certain additional obligations of the borrowers. The $7.0 million guaranty by BLC will be released if the debt service coverage ratio for such loan is not less than 1.35:1.0 for the last six consecutive calendar months prior to a request for release by the borrowers, so long as no event of default exists at the time under the loan. In addition, BLC will be required to have cash availability of $3.0 million until it secures certain guarantee obligations with a $3.0 million letter of credit, no later than December 15, 2006.

Payment Terms. For the first 5 years of the term of the Development mortgage loan, we are required to make monthly payments in arrears of interest only on the outstanding principal balance of the Development mortgage loan. The loan will not amortize during this 5 year period. Thereafter, in addition to the regularly scheduled interest payments on the principal amount of the Development mortgage loan, we are required to make monthly principal installment payments (as set forth in the applicable loan documents).

Voluntary Prepayment. The borrowers may prepay all or any part of the principal amount outstanding under the Development mortgage loan at any time, subject to the required payment of a prepayment premium on the amount of the principal being repaid in accordance with the following schedule: 5% in year 1, 4% in year 2, 3% in year 3, 2% in year 4 and 1% after year 4, provided that no prepayment premium will be due if prepayment occurs any time during the three consecutive calendar months before the scheduled maturity of the Development mortgage loan. Additionally, no prepayment penalty will be due if the Development loan is repaid any time after year 5 of the term if such repayment is made in connection with a refinancing mortgage loan that is the subject of a binding commitment for purchase by Freddie Mac and a Freddie Mac-approved Program Plus Seller/Servicer.

Capital Expenditures. The borrowers will be required to expend a minimum of $300 per unit per year for capital expenditures with respect to the properties securing the Development mortgage loan.

Certain Covenants. The loan documents will include representations, warranties and covenants customary for mortgage loans.

GMAC Mortgage Loan

General. Nine subsidiaries of FIT REN, a wholly owned subsidiary of Alterra and a fund managed by an affiliate of Fortress, are borrowers under nine separate cross-collateralized and cross-defaulted



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mortgage loans in an aggregate amount of approximately $171.0 million, $151.4 million of which was funded on June 21, 2005 in connection with the purchase of eight facilities by GMAC Commercial Mortgage Corporation, or the GMAC mortgage loans. The balance was funded on July 22, 2005, upon closing of the purchase of the ninth facility.

Security for the GMAC Mortgage Loans. The GMAC mortgage loans are secured by (i) mortgage liens on the borrowers' fee interests in eight facilities and a ground lease interest in one property, collectively comprising the Prudential Portfolio, (ii) a security interest in substantially all of the borrowers' fixtures, equipment and personal property, (iii) a guaranty for typical non-recourse carveouts by Alterra, (iv) an assignment of leases, rents, lease guarantees and like profits arising from the properties and (v) an assignment of each borrower's rights under the applicable property management agreements.

Interest Rate. The GMAC mortgage loans with respect to the properties that closed on June 21, 2005 have a fixed interest rate equal to 5.37%. The GMAC mortgage loan with respect to the one property that closed on July 22, 2005 has a fixed interest rate equal to 5.51%.

Payment Terms. For the first five years of the GMAC mortgage loans, the borrowers are required to make monthly payments of interest only. During the final two years, the borrowers will also be required to make a monthly principal amortization payment based upon the outstanding principal balance of the GMAC mortgage loans, using a 25-year amortization period.

Voluntary Prepayment. The borrowers may prepay any of the GMAC mortgage loans in whole, but not in part, at any time during the first six and a half years of the GMAC mortgage loans, provided that (i) the borrowers pay a prepayment fee in an amount equal to the greater of 1% of the principal amount being prepaid and the standard yield maintenance amount of the Federal National Mortgage Association, or Fannie Mae; and (ii) in connection with the release of the lien on any individual property securing the GMAC mortgage loans, the remaining properties, in the aggregate, maintain a debt service coverage of at least 1.45:1.0. Any prepayment after the first six and a half years, but before the last three months, of the GMAC mortgage loans shall be subject to a prepayment premium equal to 1% of the amount of principal being prepaid and no prepayment fee shall be payable in connection with a prepayment during the last three months of the GMAC mortgage loans.

Special Purpose Entities. In connection with the GMAC mortgage loans, the organizational documents of the borrowers were amended to limit their purposes and to add provisions consistent with the provisions of the organizational documents of special purpose entities.

Certain Covenants. The GMAC mortgage loan documents include representations, warranties and covenants customary for mortgage loans. Among other things, the borrowers are prohibited from incurring additional indebtedness or further encumbering their assets, unless Fannie Mae otherwise provides additional financing. In addition, neither the properties securing the GMAC mortgage loans nor the ownership interests in the borrowers may be directly or indirectly transferred, provided that such restriction does not apply to a direct or indirect transfer of the ownership interests in the Company.



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## DESCRIPTION OF CAPITAL STOCK

### General

As of the date of this prospectus, our authorized capital stock consisted of:

- 200,000,000 shares of common stock, par value $0.01 per share; and
- 50,000,000 shares of preferred stock, par value $0.01 per share.

As of July 6, 2006, 66,560,800 shares of our common stock (including certain unvested restricted shares) were issued and outstanding. Upon completion of this offering, there will be outstanding 100,463,029 shares of common stock (assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assuming the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits’’) and no outstanding shares of preferred stock. All of the currently outstanding shares of common stock are validly issued, fully paid and non-assessable under the Delaware General Corporation Law, or the DGCL.

Set forth below is a summary description of all the material terms of our capital stock. This description is qualified in its entirety by reference to our amended and restated certificate of incorporation and amended and restated by-laws, a copy of each of which is filed as an exhibit to the Registration Statement of which this prospectus is a part.

### Common Stock

Each holder of common stock is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess the exclusive right to vote for the election of directors and for all other purposes. The amended and restated certificate of incorporation does not provide for cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors standing for election, and the holders of the remaining shares will not be able to elect any directors; provided, however, that pursuant to the Stockholders Agreement with FBA, FIT-ALT Investor, Fortress Investment Trust II and Health Partners, (i) FIG Advisors will have the right to designate up to four directors to serve on the board for so long as the Fortress Stockholders beneficially own more than 50% of the voting power of the Company and (ii) Health Partners will have the right to designate one director to serve on the board for so long as the HP Stockholders beneficially own more than 5% of the voting power of the Company. The Stockholders Agreement requires that the Fortress Stockholders and the HP Stockholders vote or cause to be voted all of its voting shares for the directors nominated as described above. Based on the current share ownership of Health Partners, the HP Stockholders have the right to designate one director. Mr. Cooper is the designee of the HP Stockholders that currently serves on our board of directors. If the underwriters exercise their overallotment option to purchase up to 2,582,250 shares of our common stock from the selling stockholder then, following the consummation of this offering, the HP Stockholders will no longer own more than 5% of the voting power of the Company. In such case, within 10 days of the consummation of this offering, as required by the Stockholders Agreement, the HP Stockholders would be required to cause Mr. Cooper to resign. See ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders—Stockholders Agreement’’ for a more detailed description of the Stockholders Agreement and the HP Stockholders.

Subject to any preference rights of holders of our preferred stock that the Company may issue in the future, the holders of our common stock are entitled to receive dividends, if any, declared from time to time by our board of directors out of legally available funds. In the event of our liquidation, dissolution or winding up, the holders of our common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to any rights of our holders of preferred stock to prior distribution.

The holders of common stock have no preemptive, subscription, redemption or conversion rights. Any shares of common stock sold under this prospectus will be fully paid and non-assessable upon



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issuance against full payment of the purchase price for such shares. Our common stock is listed on the New York Stock Exchange under the symbol ‘‘BKD’’.

Preferred Stock

The board of directors has the authority, without action by our stockholders, to issue preferred stock and to fix voting powers for each class or series of preferred stock, and to provide that any class or series may be subject to redemption, entitled to receive dividends, entitled to rights upon dissolution or convertible or exchangeable for shares of any other class or classes of capital stock. The rights with respect to a series or class of preferred stock may be greater than the rights attached to our common stock. It is not possible to state the actual effect of the issuance of any shares of our preferred stock on the rights of holders of our common stock until our board of directors determines the specific rights attached to that preferred stock. The effect of issuing preferred stock could include one or more of the following:

- restricting dividends in respect of our common stock;
- diluting the voting power of our common stock or providing that holders of preferred stock have the right to vote on matters as a class;
- impairing the liquidation rights of our common stock; or
- delaying or preventing a change of control of Brookdale.

Agreements with Stockholders

We have entered into agreements with certain of our stockholders regarding voting and registration rights, among other things. See ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders.’’

Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated By-laws

The following is a summary of certain provisions of our amended and restated certificate of incorporation and amended and restated by-laws that may be deemed to have an anti-takeover effect and may delay, deter or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Authorized but Unissued Shares

The authorized but unissued shares of our common stock and our preferred stock will be available for future issuance without our stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of our common stock and our preferred stock could render more difficult or discourage an attempt to obtain control over us by means of a proxy contest, tender offer, merger or otherwise.

Delaware Business Combination Statute

We are organized under Delaware law. Some provisions of Delaware law may delay or prevent a transaction that would cause a change in our control.

Our amended and restated certificate of incorporation provides that Section 203 of the DGCL, an anti-takeover law, will not apply to us. In general, this statute prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction by which that person became an interested stockholder, unless the business combination is approved in a prescribed manner. For purposes of Section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder, and an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior, did own, 15% or more of voting stock.



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Other Provisions of Our Amended and Restated Certificate of Incorporation and Our Amended and Restated By-laws

Certain provisions of our amended and restated certificate of incorporation may make a change in control of Brookdale more difficult to effect. Our amended and restated certificate of incorporation provides for a staggered board of directors consisting of three classes of directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms and each year one class of our directors will be elected by our stockholders. The terms of the first, second and third classes will expire in 2008, 2007 and 2006, respectively. We believe that classification of our board of directors will help to assure the continuity and stability of our business strategies and policies as determined by our board of directors. Additionally, there is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors (except Health Partners, which is permitted to designate one director to serve on the board pursuant to the Stockholders Agreement, provided that Health Partners continues to own at least 5% of the Company — see ‘‘Certain Relationships and Related Party Transactions—Agreements With Stockholders’’). The classified board provision could have the effect of making the replacement of incumbent directors more time consuming and difficult. At least two annual meetings of stockholders, instead of one, will generally be required to effect a change in a majority of our board of directors. Thus, the classified board provision could increase the likelihood that incumbent directors will retain their positions. The staggered terms of directors may delay, defer or prevent a tender offer or an attempt to change control of us, even though a tender offer or change in control might be in the best interest of our stockholders. In addition, our amended and restated by-laws provide that directors may be removed only for cause and only with the affirmative vote of at least 80% of the voting interest of stockholders entitled to vote.

Pursuant to our amended and restated certificate of incorporation, shares or our preferred stock may be issued from time to time, and the board of directors is authorized to determine and alter all rights, preferences, privileges, qualifications, limitations and restrictions without limitation. See ''—Preferred Stock.'' Our amended and restated by-laws also provide that our stockholders (with the exception of the majority stockholder if Fortress owns at least 50% of the then outstanding shares) are specifically denied the ability to call a special meeting of the stockholders. Advance notice must be provided by our stockholders to nominate persons for election to our board of directors as well as to propose actions to be taken at an annual meeting.

Limitations on Liability and Indemnification of Directors and Officers

Our amended and restated certificate of incorporation and amended and restated by-laws provide that our directors will not be personally liable to us or our stockholders for monetary damages for breach of a fiduciary duty as a director, except for:

- any breach of the director's duty of loyalty to us or our stockholders;
- intentional misconduct or a knowing violation of law;
- liability under Delaware corporate law for an unlawful payment of dividends or an unlawful stock purchase or redemption of stock; or
- any transaction from which the director derives an improper personal benefit.

Our amended and restated certificate of incorporation allows us to indemnify our directors and officers to the fullest extent permitted by Delaware law.

We have entered into indemnification agreements with certain of our directors and executive officers. These provisions and agreements may have the practical effect in some cases of eliminating our stockholders' ability to collect monetary damages from our directors and executive officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, we have been informed that, in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.



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Corporate Opportunity

Under Article Eight of our amended and restated certificate of incorporation, FIT-ALT Investor, FBA, Fortress Investment Trust II, Fortress Registered Investment Trust, Fortress Brookdale Investment Fund LLC, and Health Partners, and their respective subsidiaries and affiliates (collectively, the ''Significant Stockholders'') have the right to, and have no duty to abstain from, exercising such right to, engage or invest in the same or similar business as us, do business with any of our clients, customers or vendors or employ or otherwise engage any of our officers, directors or employees. If the Significant Stockholders or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty to offer such corporate opportunity to us, our stockholders or affiliates. We have renounced any interest or expectancy in, or in being offered an opportunity to participate in, such corporate opportunities in accordance with Section 122(17) of the Delaware General Corporation Law.

In the event that any of our directors and officers who is also a director, officer or employee of any of our Significant Stockholders acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as our director or officer and such person acted in good faith, then such person is deemed to have fully satisfied such person's fiduciary duty and is not liable to us if any of the Significant Stockholders pursues or acquires such corporate opportunity or if such person did not present the corporate opportunity to us.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company. The telephone number of American Stock Transfer & Trust Company is 212-936-5100.



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## SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of common stock (including shares issued on the exercise of options, warrants or convertible securities, if any) or the perception that such sales could occur, could adversely affect the market price of our common stock and our ability to raise additional capital through a future sale of securities.

Upon completion of this offering, we will have 100,463,029 shares of common stock (including certain unvested restricted shares) outstanding, assuming the issuance of 17,600,867 shares of our common stock that we expect to issue to the Investor pursuant to the Investment Agreement in connection with the consummation of the ARC Merger and assuming the sale and corresponding grant of an aggregate of 951,362 shares of our common stock to the ARC executives as described in ''Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits''. All the 17,215,000 shares of common stock sold in this offering (or 19,797,250 shares if the underwriters exercise their option to purchase additional shares from the selling stockholder in full) and all of the 12,732,800 shares sold in our initial public offering will be freely tradable without restriction or further registration under the Securities Act, unless such shares are purchased by ''affiliates'' as that term is defined in Rule 144 under the Securities Act. Subject to certain contractual restrictions, holders of restricted shares will be entitled to sell those shares in the public securities markets if they qualify for an exemption from registration under Rule 144 or any other applicable exemption under the Securities Act. Subject to the lock-up agreements described below and the provisions of Rules 144 and 144(k), additional shares will be available for sale as set forth below.

On August 5, 2005 and September 14, 2005, BLC granted an aggregate of 988 shares of its stock and FEBC-ALT Investors granted 3.33% of its membership interests to certain members of our management, which shares, other than those described below, and percentage interests, subject to certain exceptions, were subject to substantial risk of forfeiture until the occurrence of certain events, as specified in the applicable restricted stock or restricted securities award agreements. Of the 988 shares of BLC stock granted, 25 shares were granted to Paul Froning, a member of our management, in exchange for a cash payment to BLC by Mr. Froning of $500,000. These 25 shares are fully vested and are not subject to risk of forfeiture. In accordance with the terms of the plans, a portion of these securities will no longer be subject to a risk of forfeiture upon the consummation of this offering. In addition, the remaining securities will vest over a five-year period following the issuance if the executive remains continuously employed by the Company. Securities that are subject to a risk of forfeiture may not be sold or transferred. See ‘‘Business—Equity Incentive Plans—Employee Restricted Stock Plans.’’ In connection with the formation transactions described in ‘‘Business—History,’’ these shares were automatically converted into an aggregate of 2,575,405 shares of our common stock. These grants were exempt from the registration requirements of the Securities Act pursuant to either Section 4(2) or Rule 701.

In addition to the outstanding shares of common stock, we filed a registration statement on Form S-8 after our initial public offering to register an aggregate of 2,000,000 shares of common stock under our Omnibus Stock Incentive Plan. In accordance with the terms of the Plan, the number of shares available for issuance increased by 400,000 shares on January 1, 2006. In addition, in connection with the shares we expect to issue to certain officers and employees of ARC in connection with the ARC Merger, our board of directors and holders of a majority of the shares of our common stock, have approved the Plan Amendment pursuant to which we will, upon the consummation of the ARC Merger, add 2,500,000 shares of Company common stock to the shares reserved under the Plan. See ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—Plan Amendment.’’

The 17,600,867 shares of our common stock expected to be issued to the Investor pursuant to the Investment Agreement in connection with the ARC Merger will be restricted shares and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemptions contained in Rule 144, as described below.

The 475,681 shares of our common stock expected to be sold to the ARC executives and any shares of common stock sold to ARC employee-optionees who choose to purchase such stock as described in ‘‘Management—Equity Incentive Plans—Omnibus Stock Incentive Plan—New Plan Benefits’’, will be freely tradeable subject to the restrictions on transfer attaching to such shares and also subject to restrictions under the Securities Act, including the restrictions and limitations set forth in Rule 144, as described below. Any shares sold to the ARC executives or to the approximately 350



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employee-optionees will be subject to an 18-month holding period. Any shares granted to the ARC executives or to the approximately 350 employee-optionees will be restricted shares under our Plan.

Lock-Up Agreements

The Company and its executive officers, directors and holders of substantially all of the Company’s common stock, including the selling stockholder, have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 60 days after the date of this prospectus, except with the prior written consent of the representatives. The Company's lock-up agreement does not apply to (i) the issuance of shares pursuant to the exercise or conversion of any outstanding securities, or the issuance of any securities pursuant to the Company's employee stock option plans, (ii) the sale of shares of stock issued in connection with an acquisition (clauses (i) and (ii) subject to an aggregate cap of $100.0 million), (iii) the grant of shares to the Investor under the Investment Agreement or (iv) in connection with the sale of shares or grant of shares to ARC employees and executives in connection with the ARC Merger, provided that (x) the Company will not waive any transfer restriction or accelerate the vesting of any such shares with respect to the restricted period described in this section and (y) the Company will direct the transfer agent to not effect the transfer of any such shares through the lockup period (as that may be extended). In addition, the Company will not grant or sell shares to the ARC employees other than subject to the transfer restrictions and vesting periods described under ‘‘Management — Equity Incentive Plans — Omnibus Stock Incentive Plan — New Plan Benefits’’. The lock-up agreement of the executive officers, directors and stockholders does not apply to transfers (i) as a bona fide gift or gifts, (ii) to any trust for the direct or indirect benefit of the executive officers, director or stockholder or the immediate family of the executive officer, director or stockholder or (iii) with the prior written consent of Goldman, Sachs & Co. and Lehman Brothers Inc. on behalf of the underwriters.

The lock-up agreements with applicable affiliates of Fortress, our largest stockholder, will contain an exception to allow Deutsche Bank, as the Administrative Agent and sole lender under the credit agreements discussed under ‘‘Certain Relationships and Related Party Transactions—Fortress Credit Agreements’’, to seize and dispose of the shares pledged under the credit agreements in the event of a default under either of the credit agreements by the applicable affiliates of Fortress.

The 60-day restricted period described in the preceding paragraph will be automatically extended if (1) during the last 17 days of the 60-day restricted period the Company issues an earnings release or announces material news or a material event or (2) prior to the expiration of the 60-day restricted period, the Company announces that it will release earnings results during the 15-day period following the last day of the 60-day restricted period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

All participants in the directed shares program described under ‘‘Underwriting’’ have also agreed to similar restrictions on the ability to sell their common stock.

Rule 144

In general, Rule 144 of the Securities Act as currently in effect, provides that a person may sell within any three month period a number of shares of the issuer that does not exceed the greater of:

- 1% of the total number of such issuer’s shares of common stock then outstanding, which, in our case, will equal approximately 100,463,029 shares immediately after this offering; or
- the average weekly trading volume of the common stock on the New York Stock Exchange during the four calendar weeks preceding the filing of notice on Form 144 with respect to the sale

subject to a requirement that any ‘‘restricted’’ shares have been beneficially owned for at least one year, including the holding period of any prior owner that was not an affiliate.

An ‘‘affiliate’’ is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with an issuer.

Sales under Rule 144 are also subject to manner of sale provisions and notice requirements and to the availability of current public information about us.

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Rule 144(k)

Under Rule 144(k) of the Securities Act, a person (or persons whose shares are aggregated) who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years (including the holding period of any prior owner other than an affiliate), is entitled to sell these shares under Rule 144(k) without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, ''144(k)'' shares may be sold immediately upon completion of this offering.



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MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX
CONSIDERATIONS TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax considerations generally applicable to the purchase, ownership and disposition of our common stock by Non-U.S. Holders (as defined below). This summary deals only with our common stock held as capital assets by holders who purchase common stock in this offering. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the purchase, ownership or disposition of our common stock by prospective investors in light of their particular circumstances. In particular, this discussion does not address all of the tax considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, such as:

- dealers in securities or currencies;
- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons holding common stock as part of a hedging, integrated, conversion or constructive sale transaction or a straddle;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- persons liable for alternative minimum tax;
- U.S. expatriates;
- partnerships or entities or arrangements treated as a partnership or other pass-through entity for U.S. federal tax purposes (or investors therein); or
- U.S. Holders (as defined below).

Furthermore, this summary is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, the Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as of the date hereof. Such authorities may be repealed, revoked, modified or subject to differing interpretations, possibly on a retroactive basis, so as to result in U.S. federal income tax consequences different from those discussed below. We have not received a ruling from the Internal Revenue Service, or the IRS, with respect to any of the matters discussed herein. This discussion does not address any state, local or non-U.S. tax considerations.

For purposes of this summary, a ‘‘U.S. Holder’’ means a beneficial owner of our common stock that is for U.S. federal income tax purposes one of the following:

- a citizen or an individual resident of the United States;
- a corporation (or other entity taxable as a corporation) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner in such partnership



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will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our common stock, we particularly urge you to consult your own tax advisors.

If you are considering the purchase of our common stock, we urge you to consult your own tax advisors concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our common stock, as well as any consequences to you arising under state, local and non-U.S. tax laws.

The following discussion applies only to Non-U.S. Holders. A ‘‘Non-U.S. Holder’’ is a beneficial owner of our common stock (other than a partnership or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. Special rules may apply to you if you are a ‘‘controlled foreign corporation’’ or a ‘‘passive foreign investment company’’, or are otherwise subject to special treatment under the Code. Any such holders should consult their own tax advisors to determine the U.S. federal, state, local and non-U.S. income and other tax consequences that may be relevant to them.

Dividends

Dividends paid to you (to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes) generally will be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable tax treaty. However, dividends that are effectively connected with a trade or business you conduct within the United States, or, if certain tax treaties apply, are attributable to a permanent establishment you maintain in the United States, are not subject to the U.S. federal withholding tax, but instead are subject to U.S. federal income tax on a net income basis at the applicable graduated individual or corporate rates. Special certification and disclosure requirements must be satisfied for effectively connected income to be exempt from withholding. If you are a corporation, any such effectively connected dividends that you receive may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you wish to claim the benefit of an applicable treaty rate for dividends paid on our common stock, you must provide the withholding agent with a properly executed IRS Form W-8BEN, claiming an exemption from or reduction in withholding under the applicable income tax treaty. In the case of common stock held by a foreign intermediary (other than a ‘‘qualified intermediary’’), the intermediary generally must provide an IRS Form W-8IMY and attach thereto an appropriate certification by each beneficial owner for which it is receiving the dividends.

If you are eligible for a reduced rate of U.S. federal withholding tax pursuant to an applicable income tax treaty, you may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Sale, Exchange or Other Taxable Disposition of Common Stock

You generally will not be subject to U.S. federal income tax with respect to gain recognized on a sale, exchange or other taxable disposition of shares of our common stock unless:

- the gain is effectively connected with your conduct of a trade or business in the United States, or, if certain tax treaties apply, is attributable to a permanent establishment you maintain in the United States;
- if you are an individual and hold shares of our common stock as a capital asset, you are present in the United States for 183 or more days in the taxable year of the sale, exchange or other taxable disposition, and you have a ‘‘tax home’’ in the United States; or
- we are or have been a ‘‘United States real property holding corporation’’ for U.S. federal income tax purposes at any time during the shorter of the five-year period preceding such disposition and your holding period in the common stock, and (i) you beneficially own, or have owned, more than 5% of the total fair market value of our common stock at any time during the five-year period preceding such disposition, or (ii) our common stock has ceased to be traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs.

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If you are an individual and are described in the first bullet above, you will be subject to tax on any gain derived from the sale, exchange or other taxable disposition at applicable graduated U.S. federal income tax rates. If you are an individual and are described in the second bullet above, you will generally be subject to a flat 30% tax on any gain derived from the sale, exchange or other taxable disposition that may be offset by U.S. source capital losses (even though you are not considered a resident of the United States). If you are a corporation and are described in the first bullet above, you will be subject to tax on your gain at applicable graduated U.S. federal income tax rates and, in addition, may be subject to the branch profits tax on your effectively connected earnings and profits for the taxable year, which would include such gain, at a rate of 30% or at such lower rate as may be specified by an applicable income tax treaty, subject to adjustments.

We believe that we may be a ‘‘United States real property holding corporation’’ for U.S. federal income tax purposes. Generally, a corporation is a U.S. real property holding corporation if the fair market value of its U.S. real property interests, as defined in the Code and applicable Treasury regulations, equals or exceeds 50% of the aggregate fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. If we are a United States real property holding corporation and you are a holder of greater than 5% of the total fair market value of our common stock, you should consult your tax advisor.

U.S. Federal Estate Tax

Shares of our common stock held by an individual Non-U.S. Holder at the time of his or her death will be included in such Non-U.S. Holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

You may be subject to information reporting and backup withholding with respect to any dividends on, and the proceeds from dispositions of, our common stock paid to you, unless you comply with certain reporting procedures (usually satisfied by providing an IRS Form W-8BEN) or otherwise establish an exemption. Additional rules relating to information reporting requirements and backup withholding with respect to the payment of proceeds from the disposition of shares of our common stock will apply as follows:

- If the proceeds are paid to or through the U.S. office of a broker (U.S. or foreign), they generally will be subject to backup withholding and information reporting, unless you certify that you are not a U.S. person under penalties of perjury (usually on an IRS Form W-8BEN) or otherwise establish an exemption;
- If the proceeds are paid to or through a non-U.S. office of a broker that is not a U.S. person and is not a foreign person with certain specified U.S. connections, or a U.S. Related Person, they will not be subject to backup withholding or information reporting; and
- If the proceeds are paid to or through a non-U.S. office of a broker that is a U.S. person or a U.S. Related Person, they generally will be subject to information reporting (but not backup withholding), unless you certify that you are not a U.S. person under penalties of perjury (usually on an IRS Form W-8BEN) or otherwise establish an exemption.

In addition, the amount of any dividends paid to you and the amount of tax, if any, withheld from such payment generally must be reported annually to you and the IRS. The IRS may make such information available under the provisions of an applicable income tax treaty to the tax authorities in the country in which you reside.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished by you to the IRS. Non-U.S. Holders should consult their own tax advisors regarding the filing of a U.S. tax return for claiming a refund of such backup withholding.



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UNDERWRITING

The Company, the selling stockholder and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and Lehman Brothers Inc. are the representatives of the underwriters.

Underwriters

| | Number of Shares |
|---|---|
| Goldman, Sachs & Co. | |
| Lehman Brothers Inc. | |
| Citigroup Global Markets Inc. | |
| J.P. Morgan Securities Inc. | |
| Banc of America Securities LLC | |
| Cohen & Steers Capital Advisors, LLC | |

The underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 2,582,250 shares of the Company from the selling stockholder to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the underwriters by the Company and the selling stockholder. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 2,582,250 additional shares of the Company from the selling stockholder.

| Paid by the Company | No Exercise | Full Exercise |
|---|---|---|
| Per Share | | |
| Total | | |

| Paid by the Selling Stockholder | No Exercise | Full Exercise |
|---|---|---|
| Per Share | | |
| Total | | |

Shares sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the public offering price. Any such securities dealers may resell any shares purchased from the underwriters to certain other brokers or dealers at a discount of up to $ per share from the public offering price. If all the shares are not sold at the public offering price, the representatives may change the offering price and the other selling terms.

The Company and its executive officers, directors, holders of substantially all of the Company's common stock and the selling stockholder have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 60 days after the date of this prospectus, except with the prior written consent of the representatives. The Company's lock-up agreement does not apply to (i) the issuance of shares pursuant to the exercise or conversion of any outstanding securities, or the issuance of any securities pursuant to the Company's employee stock option plans, (ii) the sale of shares of stock issued in connection with an acquisition (clauses (i) and (ii) subject to an aggregate cap of $100.0 million), (iii) the grant of shares to the Investor under the

Investment Agreement or (iv) in connection with the sale of shares or grant of shares to ARC employees and executives in connection with the ARC Merger, provided that (x) the Company will not waive any transfer restriction or accelerate the vesting of any such shares with respect to the restricted period described in this section and (y) the Company will direct the transfer agent to not





effect the transfer of any such shares through the lockup period (as that may be extended). In addition, the Company will not grant or sell shares to the ARC employees other than subject to the transfer restrictions and vesting periods described under ‘‘Management — Equity Incentive Plans — Omnibus Stock Incentive Plan — New Plan Benefits’’. The lock-agreement of the executive officers, directors and stockholders does not apply to transfers (i) as a bona fide gift or gifts, (ii) to any trust for the direct or indirect benefit of the executive officer, director or stockholder or the immediate family of the executive officer, director or stockholder or (iii) with the prior written consent of Goldman, Sachs & Co. and Lehman Brothers Inc. on behalf of the underwriters. See ‘‘Shares Eligible for Future Sale’’ for a discussion of certain transfer restrictions.

The lock-up agreements with applicable affiliates of Fortress, our largest stockholder, will contain an exception to allow Deutsche Bank, as the Administrative Agent and sole lender under the credit agreements discussed under ‘‘Certain Relationships and Related Party Transactions—Fortress Credit Agreements’’, to seize and dispose of the shares pledged under the credit agreements in the event of a default under either of the credit agreements by the applicable affiliates of Fortress.

The 60-day restricted period described in the preceding paragraph will be automatically extended if (1) during the last 17 days of the 60-day restricted period the Company issues an earnings release or announces material news or a material event or (2) prior to the expiration of the 60-day restricted period, the Company announces that it will release earnings results during the 15-day period following the last day of the 60-day restricted period, in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release of the announcement of the material news or material event.

At our request, the underwriters have reserved for sale at the public offering price up to 5% of the underwritten shares offered hereby for certain of our employees and certain other persons having business relationships with us, including certain of the employees of Fortress and its affiliates. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such reserved shares. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered hereby. The directed share program materials will include a lock-up agreement requiring each purchaser in the directed share program to agree that, for a period of 60 days from the date of this prospectus, such purchaser will not, without prior written consent of Lehman Brothers Inc., dispose of or hedge any shares of common stock purchased in the directed share program. The purchasers in the directed share program will be subject to substantially the same form of lock-up agreement as our executive officers, directors and stockholders described below.

The public offering price has been negotiated among the Company and the representatives. Among the factors to be considered in determining the public offering price of the shares, in addition to prevailing market conditions, will be the Company’s historical performance, estimates of the business potential and earnings prospects of the Company, an assessment of the Company’s management and the consideration of the above factors in relation to market valuation of companies in related businesses. The Company's common stock is listed for trading on the New York Stock Exchange under the symbol ‘‘BKD’’.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Shorts sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. ‘‘Covered’’ short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares from the selling stockholder in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option granted to them. ‘‘Naked’’ short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if



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the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Company’s common stock, and, together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Each of the underwriters has represented and agreed that:

(a) it has not made or will not make an offer of shares to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) (FSMA) except to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by the company of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority (FSA);

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA would not, if the company were not an authorised person, apply to the company; and

(c) it has complied with, and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of Shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an ‘‘offer of Shares to the public’’ in relation to any Shares in any Relevant Member State means the communication in any form and by any means of



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sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to ‘‘professional investors’’ within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a ‘‘prospectus’’ within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued, or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to ‘‘professional investors’’ within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the ‘‘SFA’’), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Securities and Exchange Law of Japan (the Securities and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

A prospectus in electronic format will be made available on the websites maintained by one or more of the lead managers of this offering and may also be made available on websites maintained by other underwriters. The underwriters may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the lead managers to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.



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The Company and the selling stockholder estimate that their share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately $ .

The Company and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act.

Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Company, for which they received or will receive customary fees and expenses. For example, Lehman Brothers Inc. serves as lead arranger under the Company's New Credit Facility and Citigroup Global Markets Inc. and an affiliate of Goldman, Sachs & Co. serve as co-arrangers. They are also lenders under the Company's New Credit Facility. Each of Lehman Brothers Inc., Goldman, Sachs & Co. and Citigroup Global Markets Inc. were underwriters in the Company's initial public offering.

In connection with the ARC Merger, Goldman, Sachs & Co. acted as a financial advisor to the Company and Cohen & Steers Capital Advisors, LLC acted as a financial advisor to ARC.

Because the underwriters and their respective affiliates act as lenders under the Company's New Credit Facility and a portion of the net proceeds from the offering will be used in part for the repayment of the New Credit Facility, the underwriters and their affiliates may receive over 10% of the net proceeds of the offering. Accordingly, this offering is being made in compliance with the requirements of Rule 2710(h) of the Conduct Rules of the National Association of Securities Dealers, Inc.

## LEGAL MATTERS

Certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, and for the underwriters by Willkie Farr & Gallagher LLP. Both Skadden, Arps, Slate, Meagher & Flom LLP and Willkie Farr & Gallagher LLP also represent Fortress on a variety of past and current matters.

## EXPERTS

The consolidated and combined financial statements of Brookdale Senior Living Inc. as of December 31, 2005 and 2004 and for each of the three years in the period ended December 2005 and for the periods from January 1, 2005 to September 30, 2005 and October 1, 2005 to December 31, 2005, the combined financial statements of the Fortress CCRC Portfolio and the Prudential Portfolio as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 and the consolidated financial statements of CMCP—Properties, Inc. as of December 31, 2004 and for the year then ended and for the period from January 1, 2005 through December 30, 2005 appearing is this prospectus and registration statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere in this prospectus, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The consolidated balance sheet of Alterra Healthcare Corporation as of December 31, 2002 and the consolidated statements of operations, statements of changes in stockholders' equity (deficit) and statements of cash flows for the period January 1, 2003 to November 30, 2003 and the fiscal year ended December 31, 2002 have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. The audit report covering the aforementioned consolidated financial statements of Alterra contains an explanatory paragraph that Alterra emerged from Chapter 11 bankruptcy on December 4, 2003. Upon emergence from bankruptcy, Alterra changed its basis of financial statement presentation to reflect the adoption of fresh start accounting in accordance with AICPA Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code.

The consolidated balance sheets of American Retirement Corporation and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2005 have been included herein and in the registration statement in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.



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## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement, of which this prospectus is a part, on Form S-1 with the Securities and Exchange Commission relating to this offering. This prospectus does not contain all of the information in the registration statement and the exhibits and financial statements included with the registration statement. References in this prospectus to any of our contracts, agreements or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contracts, agreements or documents. You may read and copy the registration statement, the related exhibits and other material we file with the Commission at the Commission's public reference room in Washington, D.C. at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of those documents, upon payment of a duplicating fee, by writing to the Commission. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The Commission also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file with the Commission. The website address is http://www.sec.gov. You may also request a copy of these filings, at no cost, by writing or telephoning us as follows: Brookdale Senior Living Inc., 330 North Wabash Avenue, Suite 1400, Chicago, Illinois, 60611, (312) 977-3700.

We are subject to the informational requirements of the Exchange Act, and, in accordance with the Exchange Act, will file reports, proxy and information statements and other information with the Commission. Such annual, quarterly and special reports, proxy and information statements and other information can be inspected and copied at the locations set forth above. We will report our financial statements on a year ended December 31. We intend to furnish our stockholders with annual reports containing consolidated financial statements audited by our independent an independent registered public accounting firm and with quarterly reports containing unaudited consolidated financial statements for each of the first three quarters of each fiscal year.



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## BROOKDALE SENIOR LIVING INC.

## INDEX TO FINANCIAL STATEMENTS

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GENERAL INFORMATION

The following unaudited pro forma condensed consolidated financial information sets forth the historical financial information as of and for the three months ended March 31, 2006 and for the year ended December 31, 2005 derived from our historical consolidated and combined financial statements, as adjusted to give effect to:

Pro Forma Adjustment, including Public Offering:

- pro forma adjustment to give effect to the merger with American Retirement Corporation (the ‘‘ARC Merger’’) and debt refinancing as if this transaction closed January 1, 2005;
- our current offering of common stock and other use of proceeds;

Initial Public Offering:

- pro forma adjustment to give effect to the September 30, 2005 step-up in basis of non-controlling ownership (ownership interests not controlled or owned by affiliates of Fortress Investment Group LLC, (‘‘Minority Shareholders’’)) due to the exchanges of minority ownership for Company ownership as if the transaction was completed on January 1, 2005;
- pro forma adjustment to give effect to compensation expense in connection with the grants under the restricted stock plan;
- incremental general and administrative expenses related to operating as a public company;
- our initial public offering, repayment of indebtedness and other use of proceeds;

Significant Acquisitions:

- pro forma adjustments to give effect to the Fortress CCRC Portfolio, the Prudential Portfolio and the CMCP—Properties, Inc. (‘‘Chambrel’’) Portfolio acquisitions on the pro forma condensed consolidated statements of operations as if these transactions closed on January 1, 2005;

Other Insignificant Acquisitions:

- pro forma adjustments to give effect to completed acquisitions (all completed and probable acquisitions are considered insignificant, individually and in the aggregate, under Securities and Exchange Commission Rules and Regulations, ‘‘Rule 3-05’’) of the Omega Portfolio, Merrill Gardens Portfolio, two facilities in Orlando, FL, Wellington Portfolio, Liberty Owned Portfolio, Southern Assisted Living Portfolio, AEW Portfolio, Southland Portfolio and AEW—New Jersey Portfolio, and the probable acquisitions of the AEW Portfolio and Liberty II Portfolio, as if these transactions closed on January 1, 2005;

Other Pro Forma Adjustments:

- pro forma adjustments to give effect to the refinancing of five facilities and termination of forward interest rate swaps of the five facilities as if these transactions closed on January 1, 2005;
- pro forma adjustment to give effect to the payment of the dividend declared for the three months ended March 31, 2006, Chambrel Portfolio financing and release of cash and investment-restricted as if these transactions closed January 1, 2005;
- pro forma adjustment to give effect to new and terminated management contracts as if these transactions closed January 1, 2005; and
- pro forma adjustment to give effect to the credit agreement and subsequent repayment as if this transaction closed January 1, 2005;
- pro forma adjustment to address the tax effect of all of the transactions described above.

You should read the information below along with all other financial information and analysis presented in this prospectus, including the section captioned ‘‘Management's Discussion and Analysis



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of Financial Condition and Results of Operations’’ and Brookdale Senior Living Inc.'s consolidated and combined historical financial statements and related notes included elsewhere in this prospectus. The unaudited pro forma condensed consolidated financial information is presented for informational purposes only, and we do not expect that this information will reflect our future results of operations or financial position. The unaudited pro forma adjustments are based on available information and upon assumptions that we believe are reasonable. The unaudited pro forma financial information assumes that the above described transactions and our current public offering were completed as of March 31, 2006 for purposes of the unaudited pro forma condensed consolidated balance sheet data and as of January 1, 2005 for purposes of the unaudited pro forma condensed consolidated statements of operations.



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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

As of March 31, 2006
(Unaudited, In thousands)

| | Brookdale Senior Living (A) | American Retirement (B) | Pro Forma Adjustments, including Public Offering (C) | Subtotal | Other Insignificant Acquisitions (D) | Other Adjustments (E) |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cash | $ 94,096 | $ 84,245 | $ 248,427 | $ 426,768 | $ (76,288) | $ (219,852) | $ |
| Cash and investment – Restricted | 41,984 | 21,824 | — | 63,808 | 8,019 | (3,049) | |
| Accounts receivables, net | 12,160 | 27,227 | — | 39,387 | — | — | |
| Deferred income taxes | — | 9,378 | (9,378) | — | — | — | |
| Other current assets | 33,239 | 18,560 | (7,800) | 43,999 | 1,054 | — | |
| Total current assets | 181,479 | 161,234 | 231,249 | 573,962 | (67,215) | (222,901) | |
| Property plant and equipment and lease intangibles, net | 1,610,551 | 558,257 | 900,380 | 3,069,188 | 557,472 | — | 3, |
| Cash and investments – restricted | 7,565 | 10,746 | — | 18,311 | — | (2,530) | |
| Investments in unconsolidated ventures | 13,983 | 36,389 | 161 | 50,533 | — | — | |
| Deferred leasehold costs | — | 21,346 | (21,346) | — | — | — | |
| Goodwill | 65,646 | 36,463 | 222,185 | 324,294 | — | — | |
| Lease security deposits | 19,723 | — | — | | | | |