



Brookdale Senior Living Solutions Newsroom

Brookdale Enters into Multi-Part Transaction Agreement with HCP Transactions Will Simplify Brookdale's Operating Platform and Increase Its Strategic Flexibility

Brookdale Review Process Remains Ongoing

NASHVILLE, Tenn., Nov. 2, 2017 /PRNewswire/ -- Brookdale Senior Living Inc. (NYSE: BKD) today announced that it has entered into a definitive agreement with HCP, Inc. (NYSE: HCP) for a multi-part transaction that will include the following components:

Lease Terminations – Triple-net leases on 34 communities (3,170 units) will be terminated. Brookdale will acquire two of such communities (208 units). Brookdale's remaining triple-net lease portfolio with HCP will be consolidated into one master lease.

RIDEA Restructurings – HCP will acquire Brookdale's 10% equity ownership in two existing RIDEA joint ventures with HCP, for which Brookdale provides management services to 59 communities (9,585 units). Brookdale will acquire four of such communities (787 units), will retain management of 18 of such communities (3,276 units) with extension of the term to 2030, and will terminate management of 37 of such communities (5,522 units).

Andy Smith, Brookdale's President and CEO, said, "We are pleased to have built on our strong relationship with HCP to create a set of win-win transactions that allow us to simplify and streamline our portfolio, reduce lease liability, increase ownership of our communities and build long-term, durable cash flow. In addition, as a result of these transactions, we will have increased flexibility and certainty when evaluating and engaging in transactions to realize the value of our portfolio. We expect the positive impact to our consolidated results of operations and cash flow from these transactions to be roughly equivalent to the reduction in our proportionate share of the economics of the joint ventures."

Smith continued, "This announcement is a by-product of both our ongoing strategic review process and our portfolio optimization initiative. We continue to explore actively the full range of options and alternatives to simplify our business, optimize our portfolio and create and enhance shareholder value."

Benefits of Transactions

Completion of the transactions outlined above is expected to have several significant benefits for Brookdale:

- ***Increases Brookdale's flexibility to pursue alternative strategic pathways***– The master lease, which became effective on November 1st, for Brookdale's remaining triple-net lease portfolio with HCP will allow Brookdale to engage in certain change in control and other transactions without the need to obtain HCP's consent.
- ***Rationalizes portfolio and reduces lease liability***– The transactions will eliminate leases with a weighted average remaining lease term of approximately 11 years on a portfolio of 34 communities, many of which have underperformed and/or are underwater.
- ***Improves community ownership*** – Brookdale will obtain the opportunity to participate in upside performance on the six communities it is acquiring, most of which have historically performed well.
- ***Simplifies the operating platform*** – The transactions will reduce the Company's total number of communities, improve geographic concentration and increase reporting transparency by re consolidating certain communities.
- ***Improves lease coverage on remaining HCP triple-net leased portfolio***– Following completion of the transactions, Brookdale's lease coverage ratio on the remaining HCP leased portfolio is expected to increase significantly.

Additional Transaction Details

Brookdale will acquire the six communities for \$275 million, plus transaction costs. The sources of funds for the transaction will include Brookdale's approximately \$99 million of proceeds from the sale of its minority ownership interest in the two RIDEA joint ventures with HCP, cash on hand and non-recourse mortgage financing on the assets to be acquired.

Brookdale expects the disposition of its ownership interest in the two joint ventures and its acquisition of the six communities to occur in the next three to six months, and expects the terminations of triple-net leases and management agreements on 69 communities to occur in stages throughout 2018.

The closings of the various transactions referenced above are subject to the satisfaction of various closing conditions, including (where applicable) the receipt of regulatory approvals. However, there can be no assurance that the transactions will close or, if they do, when the actual closings will occur.

An investor presentation regarding the transactions can be found on the Company's website under the Presentations tab of the Investor Relations section at www.brookdale.com.

Ongoing Review Process

As previously announced, Brookdale's Board and management team are working with legal and financial advisors in a process of exploring options and alternatives to create and enhance stockholder value. That process remains ongoing.

About Brookdale Senior Living

Brookdale Senior Living Inc. is the leading operator of senior living communities throughout the United States. The Company is committed to providing senior living solutions primarily within properties that are designed, purpose-built and operated to provide the highest-quality service, care and living accommodations for residents. Brookdale operates independent living, assisted living, and dementia-care communities and continuing care retirement centers, with approximately 1,031 communities in 46 states and the ability to serve approximately 101,000 residents as of September 30, 2017. Through its ancillary services program, the Company also offers a range of outpatient therapy, home health and hospice services. Brookdale's stock is traded on the New York Stock Exchange under the ticker symbol BKD.

Safe Harbor

Certain statements in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements relating to the pending transactions with HCP, Inc. and the timing and expected benefits thereof, the creation and enhancement of stockholder value, the evaluation of options and alternatives to create and enhance stockholder value, our strategy, our operational initiatives, our portfolio optimization initiative and our expectations regarding their effect on our

operating results and cash flow. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "could," "would," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "project," "predict," "continue," "plan," "target" or other similar words or expressions. These forward-looking statements are based on certain assumptions and expectations, and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain.

Although we believe that expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be attained and actual results and performance could differ materially from those projected. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include, but are not limited to, the risk associated with the current global economic situation and its impact upon capital markets and liquidity; changes in governmental reimbursement programs; the risk of overbuilding and new supply; our inability to extend (or refinance) debt (including our credit and letter of credit facilities and our outstanding convertible notes) as it matures; the risk that we may not be able to satisfy the conditions precedent to exercising the extension options associated with certain of our debt agreements; events which adversely affect the ability of seniors to afford our monthly resident fees or entrance fees; the conditions of housing markets in certain geographic areas; our ability to generate sufficient cash flow to cover required interest and long-term lease payments; the effect of our indebtedness and long-term leases on our liquidity; the risk of loss of property pursuant to our mortgage debt and long-term lease obligations; the possibilities that changes in the capital markets, including changes in interest rates and/or credit spreads, or other factors could make financing more expensive or unavailable to us; our determination from time to time to purchase any shares under our share repurchase program; our ability to fund any repurchases; our ability to effectively manage our growth; our ability to maintain consistent quality control; delays in obtaining regulatory approvals; the risk that we may not be able to expand, redevelop and reposition our communities in accordance with our plans; our ability to complete acquisition, disposition, lease restructuring, financing, re-financing and venture transactions (including assets currently held for sale and the pending transactions with HCP, Inc.) on agreed upon terms or at all, including in respect of the satisfaction of closing conditions, the risk that regulatory approvals are not obtained or are subject to unanticipated conditions, and uncertainties as to the timing of closing; our ability to successfully integrate acquisitions; competition for the acquisition of assets; our ability to obtain additional capital on terms acceptable to us; a decrease in the overall demand for senior housing; our vulnerability to economic downturns; acts of nature in certain geographic areas; terminations of our resident agreements and vacancies in the living spaces we lease; early terminations or non-renewal of management agreements; increased competition for skilled

personnel; increased wage pressure and union activity; departure of our key officers; increases in market interest rates; environmental contamination at any of our communities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us; the cost and difficulty of complying with increasing and evolving regulation; as well as other risks detailed from time to time in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such SEC filings. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this press release. We cannot guarantee future results, levels of activity, performance or achievements, and we expressly disclaim any obligation to release publicly any updates or revisions to any of these forward-looking statements to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

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