Brookdale Senior Living Inc.
Form 424B1
July 20, 2006

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File No.: 333-135030

PROSPECTUS

19,236,103 Shares

Brookdale Senior Living Inc.

Common Stock

Brookdale Senior Living Inc. is offering 17,721,519 of the shares to be sold in this offering. The selling stockholder identified in this prospectus is offering an additional 1,514,584 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 19% of the Company's common stock and funds managed by affiliates of Fortress Investment Group LLC will beneficially own approximately 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 19, 2006, was $39.80 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	$ 39.50	$ 759,826,069
Underwriting discount	$ 1.3825	$ 26,593,912
Proceeds, before expenses, to Brookdale	$ 38.1175	$ 675,500,000
Proceeds, before expenses, to the selling stockholder	$ 38.1175	$ 57,732,156

To the extent that the underwriters sell more than 19,236,103 shares of common stock, the underwriters have the option to purchase up to an additional 2,885,415 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 July 25, 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 July 19, 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 $268.7 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 $137.7 million, 94%, and 94% and $121.7 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 7% on an annualized basis for the three months ended June 30, 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
AEW Capital Management(1)	April 28, 2006 June 30, 2006	6	1,017	$209.5	IL, AL, CCRC	CA, OH, WA
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 millions)	Amount of Dividend Accounted For As 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 approximately 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	17,721,519 shares.
Common stock offered by selling stockholder in this offering(1)	1,514,584 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)	102,834,548 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.’’ We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholder.
Dividend policy	On July 17, 2006, we paid 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, 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 2,885,415 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,	Pro Forma, Year Ended December 31,	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 Decemb	
	2006	2005	2006	2005	2005	2005	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	$ (0.37)	$ (1.63)	$ (0.30)	—	$ (0.41)	—	—	—

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	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 Ende 2005	
Diluted	$ (0.37)	$ (1.63)	$ (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,	Year Ended December 31,	Three Months Ended March 31,		Three Months Ended December 31,	Nine Months Ended September 30,	Years Ended Decembe		
	2006	2005	2006	2005(1)	2005(1)	2005	2005(1)	2004	
Net loss	$(36,967)	$(164,133)	$(19,326)	$ (1,798)	$(24,456)	$(26,530)	$(50,986)	$ (9,794)	$

Cumulative effect of a change in accounting principle, net									
Loss on discontinued operations	—	—	—	35	—	128	128	361	
Provision (benefit) for income taxes	(23,221)	(100,834)	386	166	150	(247)	(97)	11,111	
Other	280	110	—	—	—	—	—	114	
Minority interest	646	(13,030)	116	(2,532)	—	(16,575)	(16,575)	(11,734)	
Equity in (earnings) loss of unconsolidated ventures	168	838	168	187	197	641	838	931	
Loss (gain) extinguishment of debt	5,320	4,168	1,334	453	3,543	453	3,996	(1,051)	
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

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

Years Ended December 31,

	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2005	Three Months Ended March 31,		Three Months Ended December 31, 2005(1)	Nine Months Ended September 30, 2005			
			2006	2005(1)			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	—	—
Reimbursement of operating expenses	1,500	—	1,500	—	—	—	—	—	—
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,				Years Ended December 31,		
	Three Months Ended March 31 2006	Twelve Months Ended December 31, 2005	2006	2005	Three Months Ended December 31, 2005(1)	Nine Months Ended September 30, 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	168	838	168	187	197	641	838	931	(31

ventures									
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.}

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(5)Excludes facilities held for sale.

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

	Pro Forma as of March 31,	As of March 31, 2006

	2006	
Balance Sheet Data (in thousands):		
Cash and cash equivalents	$ 130,370	$ 94,096
Total assets	4,739,085	1,925,071
Total debt	1,660,802	897,840
Total stockholders' equity	1,939,051	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

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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 July 17, 2006, we paid 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. 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

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 approximately 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 92,265,452 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 102,834,548 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 4,399,999 shares (including 2,885,415 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 68.3%, or 70,231,477 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 $29.97 in the net tangible book value per share of our common stock, based upon an offering price of $39.50 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 from the Company 17.6% 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 17,721,519 shares of common stock offered by the Company hereby are estimated to be approximately $673.5 million, based on an offering price of $39.50 per share, after deducting the estimated underwriting discounts and commissions and 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 1,514,584 shares (or 4,399,999 shares if the underwriters exercise their option to purchase up to 2,885,415 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 19, 2006)	$ 47.50	$ 39.80
Year Ending December 31, 2005		
Fourth Quarter (from November 22, 2005)	$ 31.73	$ 23.10

On July 19, 2006, the closing sale price of our common stock as reported on the New York Stock Exchange was $39.80 per share. As of July 19, 2006, there were 37 record holders of our common stock.

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DIVIDEND POLICY

On July 17, 2006, we paid 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. 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 17,721,519 shares of our common stock in this offering at an offering price of $39.50, after deducting offering costs, underwriters' discount and sale of 1,514,584 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	Actual
	(Dollars in thousands)	
Cash and cash equivalents	$ 130,370	$ 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 basis and 65,006,833 shares issued and outstanding on an actual basis and 100,804,900 shares issued and outstanding on a pro forma basis	$ 1,008	$ 650
Additional paid-in capital	2,010,560	670,801
Accumulated deficit	(81,952)	(81,952)
Accumulated other comprehensive income	9,435	9,435
Total stockholders' equity	$ 1,939,051	$ 598,934
Total capitalization	$ 3,599,853	$ 1,583,774

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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 17,721,519 shares of common stock in this offering at the public offering price of $39.50 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 100,804,900 shares of common stock, or $9.53 per share. This represents an immediate and substantial dilution of $29.97 per share to new investors purchasing common stock in this offering.

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

Public offering price per share		$ 39.50
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	2.75	
Pro forma net tangible book value per share after giving effect to this offering		9.53
Dilution per share to new investors		$ 29.97

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 $39.50 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	64.5%	$ 317,918	18.9%	$ 4.89
New investors					
Investor and ARC executives(2)	18,076,548	17.9%	668,109	39.6%	36.96
Investors in this offering	17,721,519	17.6%	700,000	41.5%	39.50
	100,804,900	100.0%	$ 1,686,027	100.0%	$ 16.73

(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	$ 4,739,085
Less pro forma deferred charges and goodwill	(339,118)
Pro forma tangible assets	4,399,967
Less pro forma total liabilities	(2,800,034)
Plus pro forma deferred gains	59,594
Pro forma net tangible assets	1,659,527
Less proceeds of offering and sale of shares to Investor and ARC executives, net of costs associated with the offering	(1,341,609)
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

(2)Excludes 475,681 shares of unvested restricted stock grants.

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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 non-cash stock compensation of $3,018, $—, $11,534, $11,146, $22,680, $—, $—, $—, $—)	21,085	11,658	27,690	54,006	81,696	43,640	15,997	12,540
Total operating expenses	226,063	173,682	222,066	591,674	813,740	608,993	201,243	150,173
	(3,880)	1,301	(9,019)	(14,144)	(23,163)	51,879	21,341	11,343

Income (loss) from operations								
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 taxes of $8,095	—	—	—	—	—	—	(7,277)	
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)	$ —	$ —	$ —	$ —	$
	65,007	—	59,710	—	—	—	—	

Shares used in computing basic earnings (loss) per share								
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

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.

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

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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

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’’):

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	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%
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%

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	Three Months Ended March 31,		Increase (Decrease)	% Increase (Decrease)
Statement of Operations Data:	2006	2005		
Net loss	$(19,326)	$ (1,798)	$(17,528)	(974.9%)
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

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at the acquisition, which resulted in 1.8% decline in average occupancy. The Prudential Portfolio had 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%

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- 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%

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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)
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)
	26,805	26,618	26,805	22,540	4,265	18.9%

Owned/leased facilities units/beds						
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

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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):

	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.
- 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)%
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%

	2004	2003	Increase (Decrease)	% Increase (Decrease)
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%

(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

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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):

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Year Ended

	December 31, 2004	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.

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,

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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 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

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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.

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

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- 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 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

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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.

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.

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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
- 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.

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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%. These loans were refinanced on July 14, 2006. See ‘‘Description of Indebtedness—Development Mortgage Loan’’.

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

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;

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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 principle, net	—	—	—	—	—	—	7,277

Loss on discontinued operations	—	35	—	128	128	361	322
Provision (benefit) for income taxes	386						