



## **NAREIT Conference**

*June 2015*

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# Disclaimers

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**General.** These disclaimers apply to this presentation and to any comments made by the individuals presenting it (the collectively, the “Presentation”). Throughout this Presentation, we refer to New Senior Investment Group Inc. (NYSE: SNR) as “New Senior,” “SNR” or “we.”

**Forward-looking statements; no duty to update.** Certain items in this Presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements regarding our expectations about (a) trends in supply and demand for senior housing (“absorption”), (b) consistency and stability of cash flow, (c) sector NOI growth, (d) the ability of our business model to drive earnings growth and (e) our portfolio outperforming the sector as a whole, statements regarding our ability to execute on our investment pipeline and maintain growth momentum, our ability to close acquisitions in contract as anticipated or at all. These statements are based on management’s current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. New Senior can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements contained herein. New risks and uncertainties emerge from time to time, and it is not possible for New Senior to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this Presentation. New Senior expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in New Senior’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

**Non-GAAP Information.** This Presentation includes information based on financial measures that are not recognized under generally accepted accounting principles (“GAAP”), such as total NOI, Normalized FFO, AFFO and Normalized FAD. You should use non-GAAP information in addition to, and not as an alternative to, financial information prepared in accordance with GAAP. See Appendix at the end of this Presentation for reconciliations to the most comparable GAAP measures and an explanation of each of our non-GAAP measures. Our non-GAAP measures may not be identical or comparable to measures with the same name presented by other companies.

**Pro Forma Financials.** Pro forma NFFO, pro forma NOI, pro forma AFFO and pro forma Normalized FAD, as well as annualized pro forma amounts, included in this Presentation are illustrative/hypothetical values based on 1Q’15 results with the adjustments described below. These pro forma measures do not represent New Senior’s historical performance or management’s projections for any future reporting period.

Pro forma NFFO, pro forma AFFO and pro forma Normalized FAD represent 1Q 2015 actuals with adjustments to 1) include 3 months of results attributable to acquisitions completed during and subsequent to quarter end, based on underwriting assumptions for the months in which the Company did not own an asset for the entire month and 2) reflect 3 months of interest expense from the new financing completed at the end of the first quarter.

Pro forma NOI represents 1Q 2015 NOI with the first adjustment described above.

**Past performance.** In all cases where historical results are presented or past performance is described, we note that past performance is not a reliable indicator of future results and performance.

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# Company Overview

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# Executive Summary

*New Senior Investment Group (NYSE: SNR) is a \$2+ billion publicly traded REIT focused on independent living (IL) & assisted living (AL) senior housing assets<sup>(1)</sup>*

- **New Senior is the only pure-play, publicly-traded senior housing REIT – spun from Newcastle Investment Corp. on November 6<sup>th</sup>, 2014**
  - 90% of portfolio's NOI is comprised of private pay senior housing properties<sup>(2)</sup>
  - Diversified portfolio contains 124 properties with over 15,600 beds across 32 states<sup>(3)</sup>
- **New Senior is externally managed by Fortress Investment Group (NYSE: FIG), which has ~15 years of investment experience in the senior housing sector (Holiday Retirement Corporation and Brookdale Senior Living)**
- **Continue building acquisition track record with more than \$3 billion investment pipeline**
  - \$596 million of high-quality acquisitions completed year-to-date → exceeds total 2014 volume of \$315 million
- **New Senior well positioned to capitalize on strong industry fundamentals**
  - Seniors are the fastest growing demographic, with senior housing demand continuing to outpace new supply

1) \$2+ billion represents enterprise value as of 3/31/15.

2) Calculated based on annualized 1Q 2015 pro forma NOI. See Disclaimers for explanation of pro forma results.

3) Represents portfolio as of the date hereof.

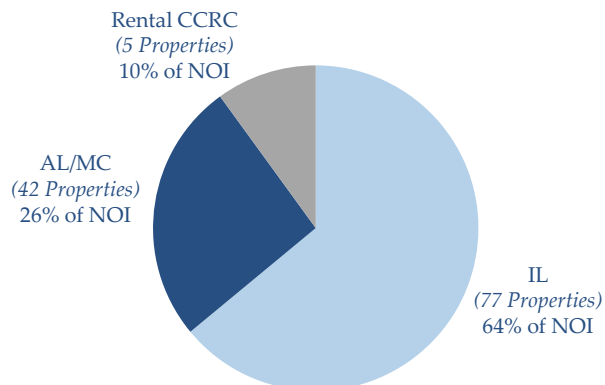
# New Senior Overview

- **The only publicly-traded pure play senior housing REIT**
  - One of the largest owners of senior housing:<sup>(1)</sup>
    - ✓ \$2.6 billion enterprise value and \$1.1 billion market cap
    - ✓ 124 properties, 15,600 beds across 32 states<sup>(1)</sup>
- **90% private pay independent and assisted living properties<sup>(2)</sup>**
- **41% managed and 59% triple net leased (“NNN”)<sup>(2)</sup>**

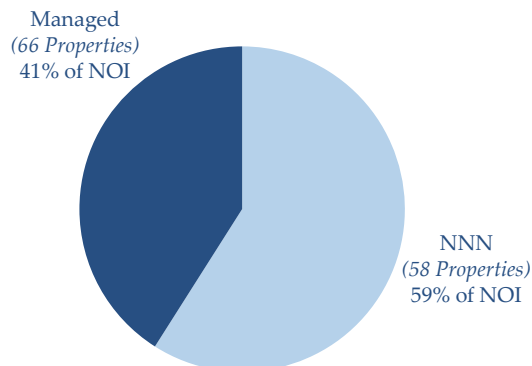


## New Senior's Portfolio Composition<sup>(2)</sup>

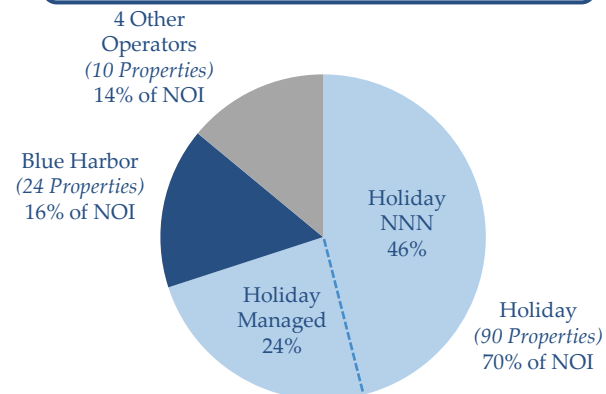
### Majority Private Pay



### Balanced Managed/NNN Mix



### Best in Class Operator Mix



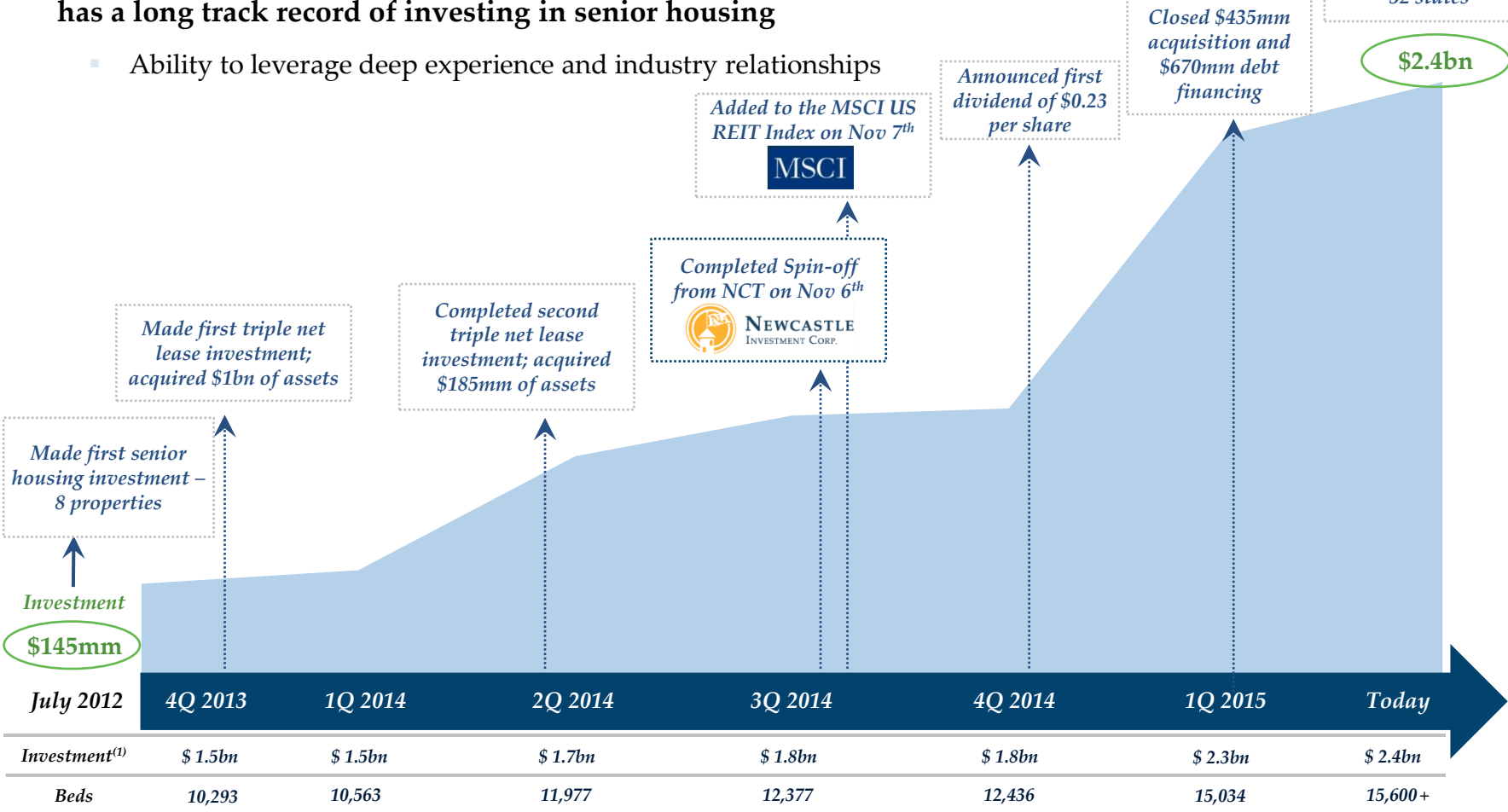
1) Estimated based on ASHA 2013 Top Senior Housing Owners report, published in June 2013 and management's estimates of acquisitions since June 2013. Includes three properties acquired during 2Q 2015.

2) Calculated based on annualized 1Q 2015 pro forma NOI. See Disclaimers for explanation of pro forma NOI.

# Evolution of New Senior

- Since 2012, New Senior has assembled one of the largest senior housing portfolios in the U.S. with \$2.4 billion of investments<sup>(1)</sup>
- New Senior is managed by an affiliate of Fortress Investment Group (NYSE: FIG), which has a long track record of investing in senior housing
  - Ability to leverage deep experience and industry relationships

**New Senior**  
Investment Group  
\$2.4bn portfolio with  
124 properties across  
32 states<sup>(1)</sup>



1) \$2.4 billion represents net real estate investments plus accumulated depreciation and amortization as of 3/31/15, plus the purchase price of acquisitions that closed in the second quarter totaling \$98 million.

# New Senior Highlights<sup>(1)</sup>

1

*Pure Play  
Senior Housing REIT*

- ✓ Only pure play senior housing REIT out of 15 total public healthcare REITs
- ✓ 90% of portfolio NOI is from private pay senior housing
- ✓ Strategy is to focus on acquiring private pay senior housing

2

*Diversified Portfolio with  
Best-in-Class Operators*

- ✓ 124 properties with over 15,600 beds diversified across 32 states
- ✓ Attractive mix of NNN (59%) and managed properties (41%)
- ✓ ~80% of NOI managed/leased by the Top 3 largest senior living operators in the U.S.

3

*Expected Strong  
Internal & External  
Growth Prospects*

- ✓ Strong organic growth expected from portfolio
  - 4+% contractual growth from NNN
  - 6.3% same store NOI growth from managed portfolio from 1Q'14 to 1Q'15<sup>(2)</sup>
- ✓ Robust acquisition pipeline expected to drive future growth

4

*Significant Platform and  
Strong Dividend Growth*

- ✓ Pro forma annualized NOI of \$191 million
- ✓ Pro forma Normalized FFO of \$1.40 per share and AFFO of \$1.22 per share
- ✓ 13% increase in Q2 2015 dividend to an annualized \$1.04 per share

1) Based on annualized 1Q 2015 pro forma NOI. See Disclaimers for explanation of pro forma results.

2) 1Q 2015 same store NOI excludes \$122,000 relating to the write-off of a receivable assumed at the time of an acquisition in the third quarter of 2013.



# Key New Senior Highlights Since Spinoff

*Continued momentum on growth & other corporate activities post-spin*

1



NEWCASTLE  
INVESTMENT CORP

New Senior  
Investment Group

*Spun off from Newcastle  
Investment Corp.*

3

*Closed \$670mm Freddie Mac financing*

- L+234bps / 7 year term
- \$0.085 per share of savings on existing floating rate debt
- Decreased overall cost of funds on total debt by 85bps

November 6<sup>th</sup>, 2014

November 7<sup>th</sup>

March 27<sup>th</sup>

June 8<sup>th</sup>

2015 Year-To-Date

2

*New Senior added to  
MSCI US REIT Index*

MSCI

4

*Announced 13% quarterly  
dividend increase to \$0.26  
per share*

5

*Closed \$596 million of senior  
housing acquisitions*

- Significantly exceeding 2014 volume of \$315 million
- Majority private pay: 21 IL, 2 AL/MC, 1 rental CCRC

# High-Quality Senior Housing Properties



*Independent Living – Santa Clara, CA*



*Independent Living – Paducah, KY*



*Independent Living – Deltona, FL*



*Assisted Living / Memory Care – Citrus Heights, CA*

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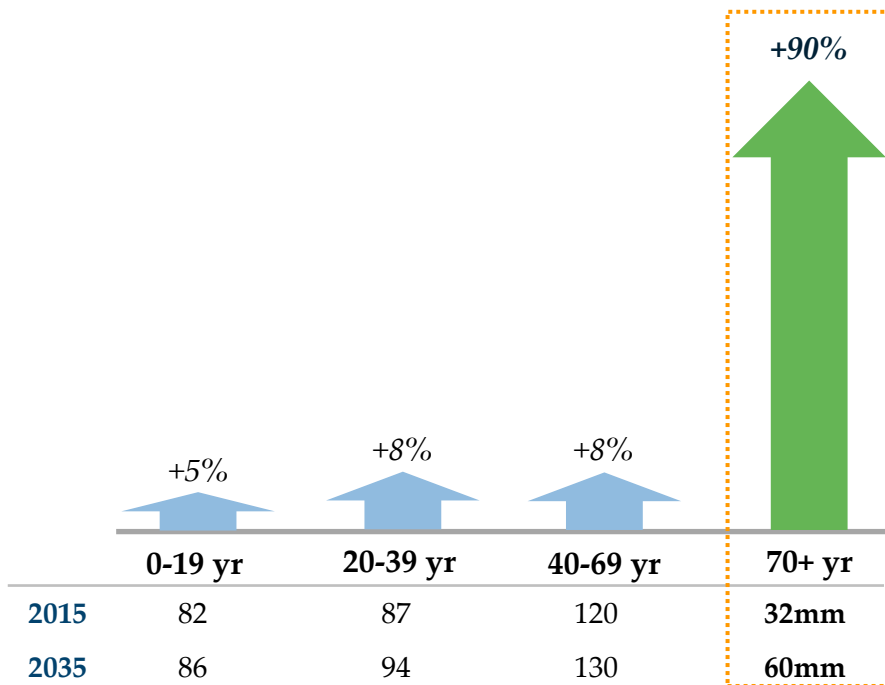
# Industry Overview

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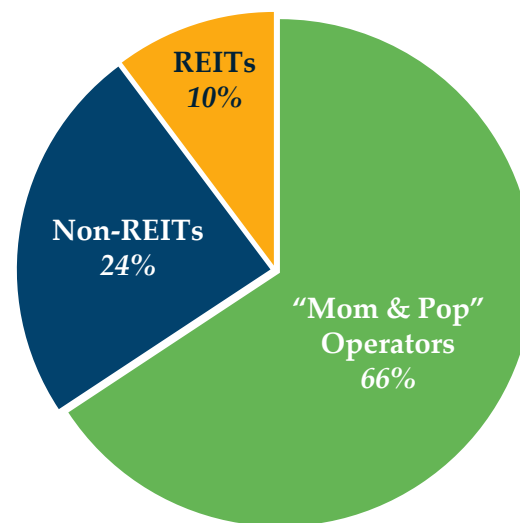
# Strong Industry Fundamentals Generate Significant Demand

- U.S. 70+ population is expected to grow faster than any other age group; 32 million in 2015 → 60 million in 2035<sup>(1)</sup>
- Industry is characterized by a significant supply-demand imbalance and high fragmentation
  - Estimated \$300 billion<sup>(2)</sup> of senior housing assets in the U.S. – 66% of those properties are owned by “mom and pops”
- 4.1% of seniors over the age of 70 live in senior housing<sup>(1)</sup>
  - 50bps increase in penetration rate to 4.6% would equate to 100% industry occupancy

## Seniors Represent Fastest Growing Demographic<sup>(1)</sup>



## Dominated by “Mom & Pop” Owners<sup>(3)</sup>



1) United Nations Dept. of Economic & Social Affairs, July 2014, U.S. Census Bureau and NIC.

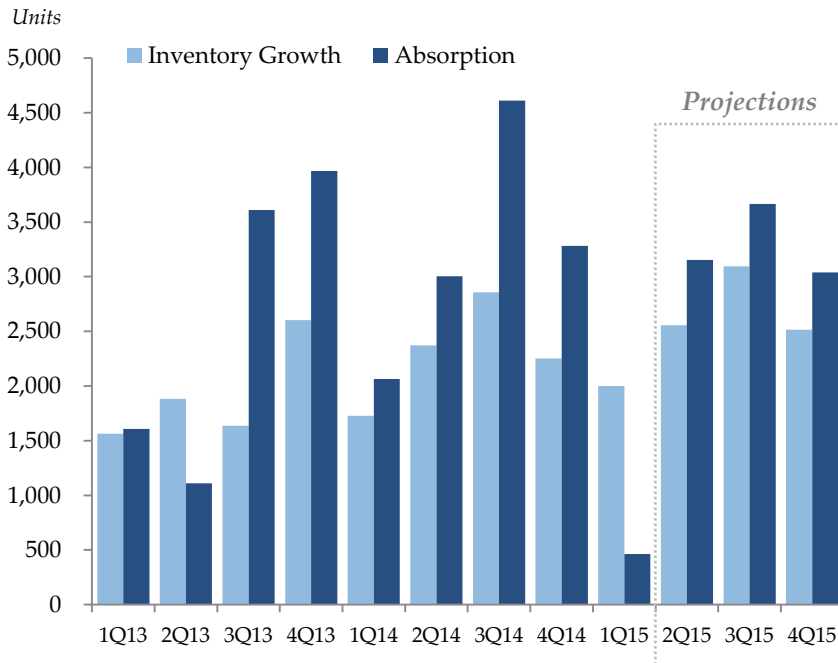
2) Based on management estimates.

3) 2013 ASHA 50 Report. Data as of June 2013.

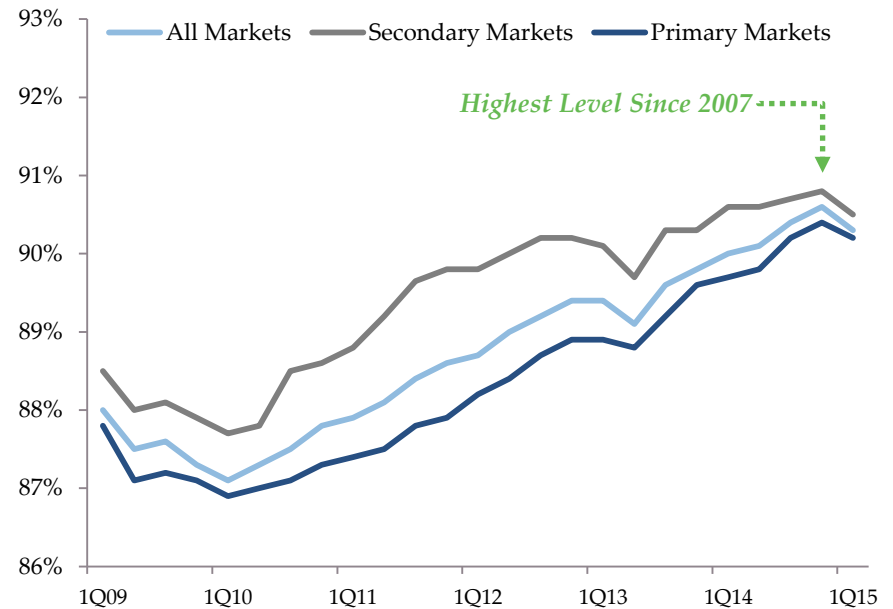
# Demand Continues to Outpace New Supply<sup>(1)</sup>

- Total industry supply of 1.4 million senior housing units
- Moderate increase in new supply has been offset by strong absorption
  - 2014 absorption was positive
    - ✓ 12,961 units absorbed versus 9,212 new units coming online
  - Occupancies recently reached 2007 highs
- Positive absorption expected to continue into 2015

## Demand Continues to Outpace New Supply...



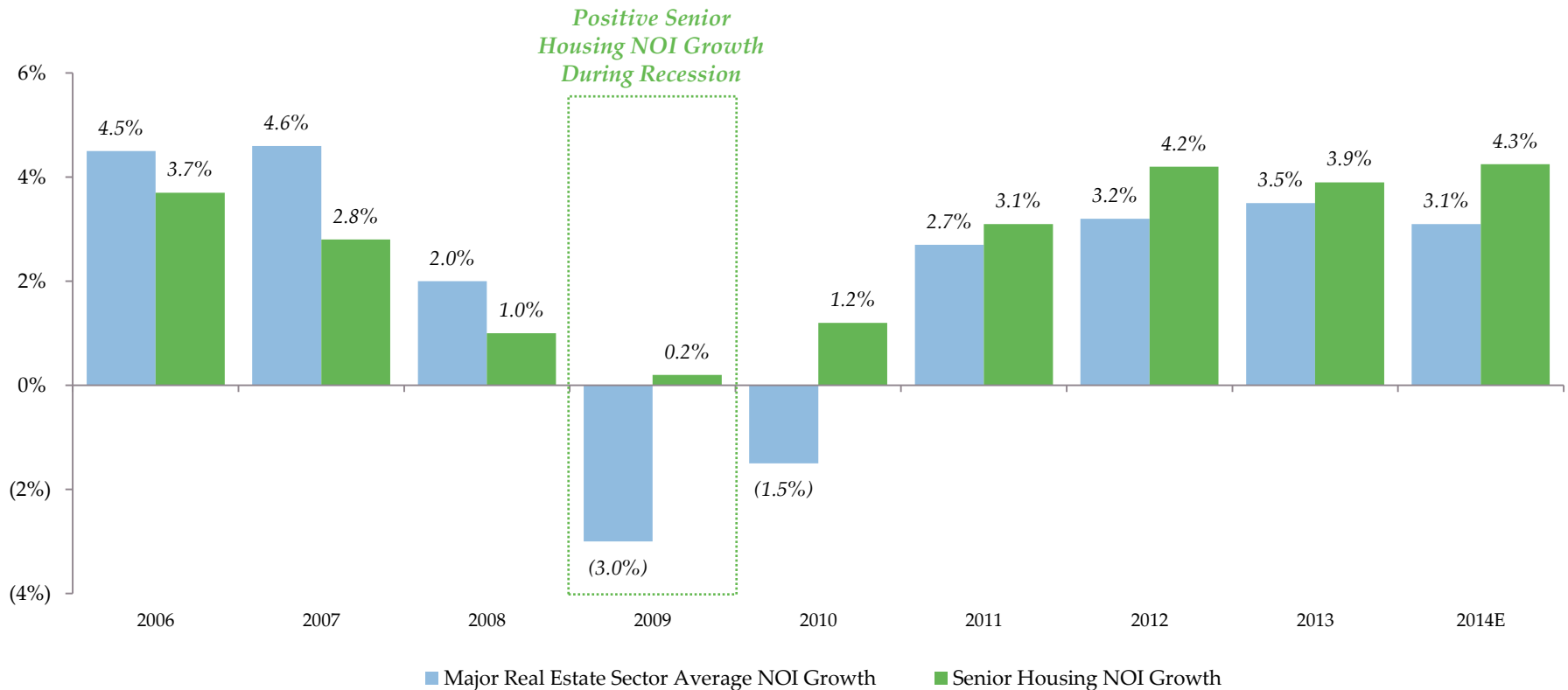
## ...Leading to Increased Industry Occupancies



# Senior Housing - Potential For Consistent & Stable Cash Flows<sup>(1)</sup>

- Senior housing has proven to be resilient through various economic cycles
  - Only real estate sector to experience positive NOI growth during recession due to need-based characteristics of industry
  - Positive NOI growth of 2+% expected for 2015 – 2018

## Real Estate Industry NOI Growth



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# Strategy and Business Plan

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# Unique External Management Structure

*New Senior is externally managed by an affiliate of Fortress Investment Group*

1

- **Continue to leverage the expertise of our manager – an affiliate of Fortress Investment Group**
  - Leading, highly diversified global investment management firm with \$69.9 billion in AUM
  - ~15 years of experience investing in senior housing industry → Brookdale and Holiday
  - Industry presence provides access to significant acquisition opportunities

2

- **Simple fee structure that is aligned with shareholders<sup>(1)</sup>**
  - Base management fee of 1.5% of invested equity
  - Incentive fee provides alignment: 25% of amount earned above a 10% return on invested equity (cumulative test)
  - Total G&A in-line with peers

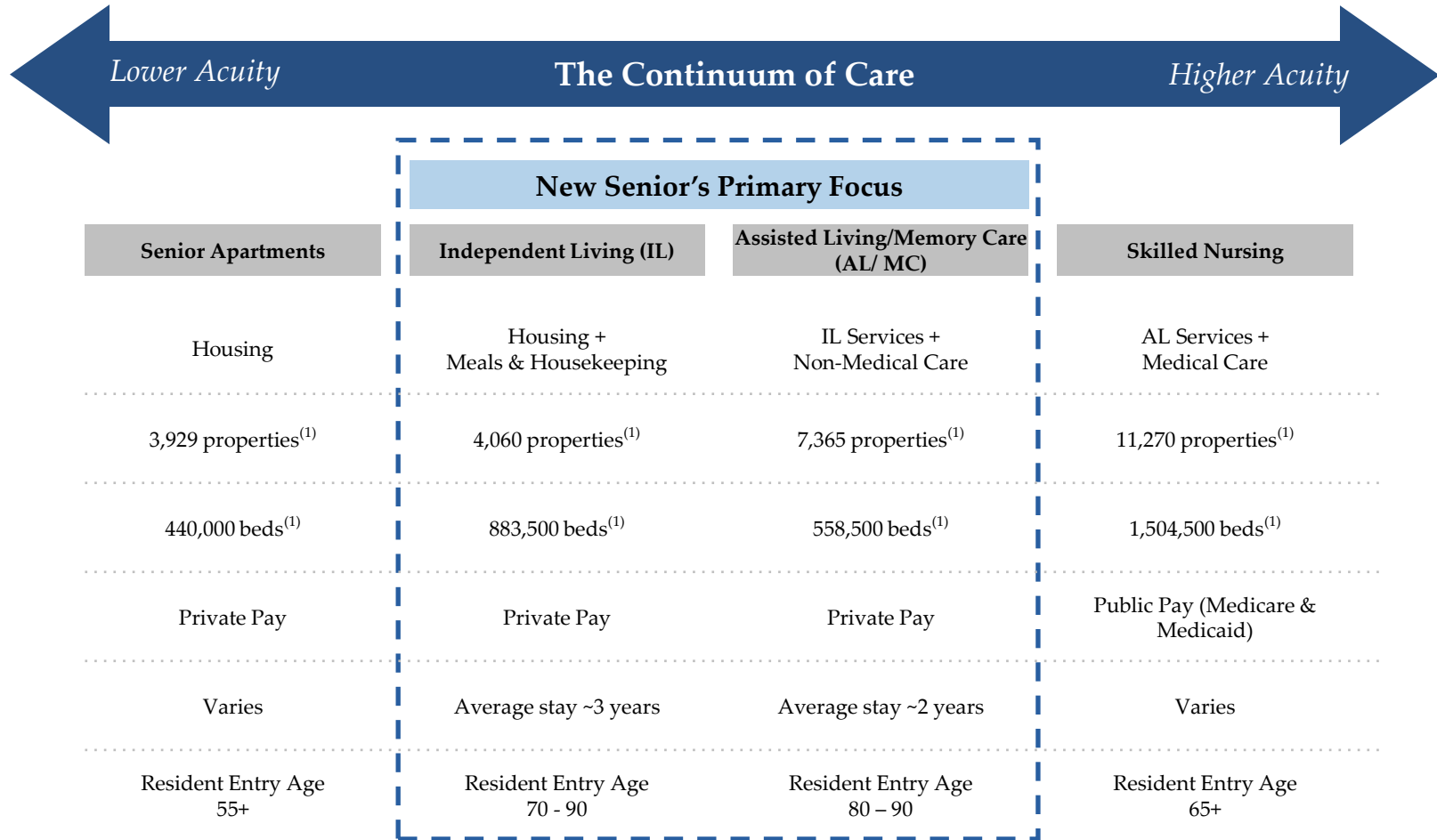
3

- **Leverage Fortress national vendor contracts to lower operating expenses**
  - New Senior benefits from combined purchasing power of Fortress portfolio companies
    - ✓ Savings on food and beverage, utilities and maintenance supplies for operators



# New Senior's Strategic Focus

- New Senior targets primarily private pay independent living, assisted living and memory care properties
  - Limited government reimbursement exposure expected to provide more consistent and predictable cash flows to New Senior

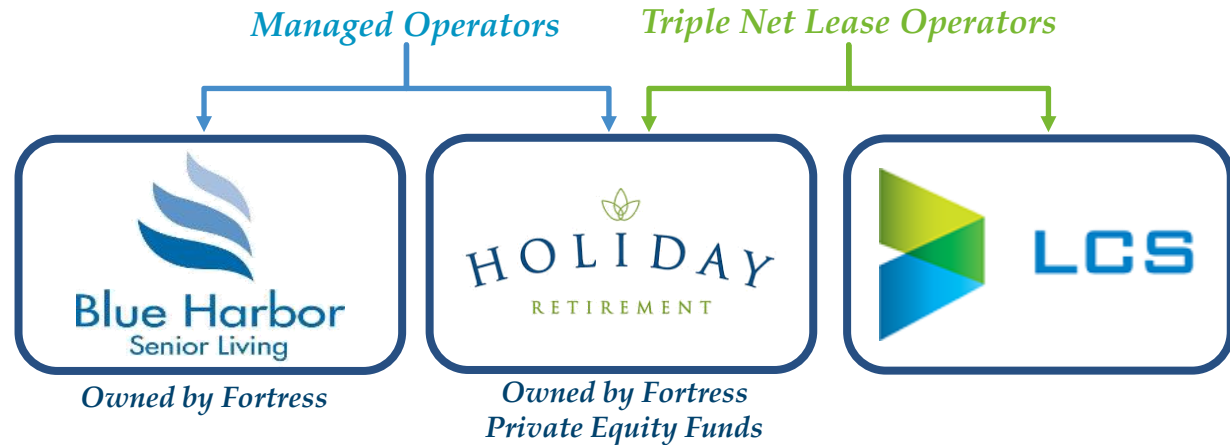


# New Senior's Business Model Intended to Drive Earnings Growth<sup>(1)</sup>



1) There can be no assurance that New Senior will be able to execute its business strategy or refinancing plans as anticipated. Management's business strategy is subject to change.

# 1 Utilizing Experienced and Best-in-Class Operators to Drive Growth



## Operator Information<sup>(1)</sup>

U.S. Ranking <sup>(2)</sup>	--	2 <sup>nd</sup> largest operator	3 <sup>rd</sup> largest operator
Number of Properties Operated	26 properties	308 properties	116 properties
Property Type Focus	AL	IL	IL/AL/SNF
Geographic Presence	13 states	43 states	30 states

## Relationship with SNR<sup>(1)</sup>

Tenant	--	51 properties	6 properties
Third-Party Manager	24 properties	39 properties	--
% of NOI <sup>(3)</sup>	16%	70%	9%

1) Operator information and information regarding relationship with SNR as of the date of this presentation. Excludes three other operators that manage or lease four properties.

2) Industry ranking per ALFA-2014 Largest Senior Living Providers.

3) Calculated based on annualized 1Q 2015 pro forma NOI. See Disclaimers for explanation of pro forma results.

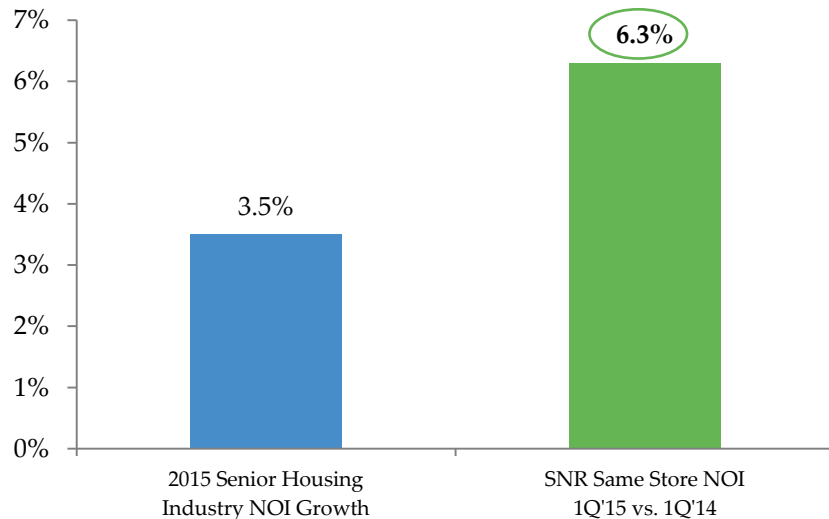
# 1 SNR Portfolio Has Outperformed Overall Market

- Organic growth of SNR's existing portfolio expected to outperform the healthcare industry's average growth
  - Strong managed portfolio performance to date → 6.3% same store NOI growth (1Q'14 to 1Q'15) vs. 3.5% for peers<sup>(1)</sup>
  - 4+% escalators in NNN portfolio through 2017 vs. 2.5% - 3% for peers

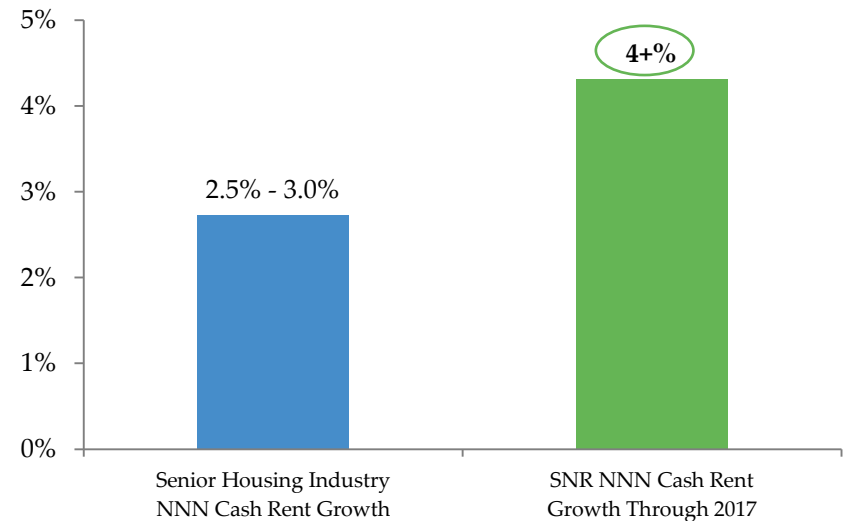
## Managed Growth Compared to Peers<sup>(1,2)</sup>

- Utilize best-in-class team to execute results-driven sales & marketing program

- Implement staffing efficiencies & corporate purchasing program



## NNN Growth Compared to Peers<sup>(2)</sup>



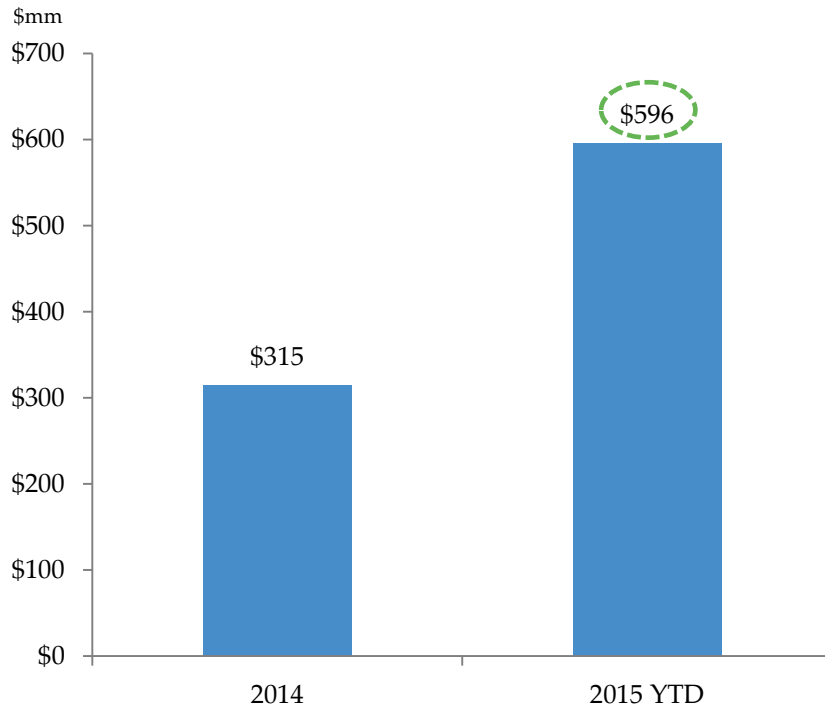
1) 1Q 2015 same store NOI excludes \$122,000 relating to the write-off of a receivable assumed at the time of an acquisition in the third quarter of 2013.

2) Industry managed NOI growth for Big 3 healthcare REITs (VTR, HCN and HCP) is 3.5% for 2015 per Green Street Advisors (May 2015), and industry NNN rent growth average is 2.5% - 3% per management estimates.

## 2 Robust Acquisition Activity Expected to Drive Growth

- Investment activity year-to-date in 2015 has already exceeded 2014 full year volume
- Incredibly active market with strong pipeline of potential deals (mixture of small deals & larger opportunities)
  - ✓ Over \$3 billion acquisition pipeline (\$129 million “in contract”; greater than \$3 billion “active pipeline”<sup>(1)</sup>)
  - ✓ Track record of executing on pipeline – grown portfolio from 12 properties in 2012 to 124 properties today

### Acquisition Activity Already Exceeds 2014



### Acquisition Pipeline Remains Active

*Target off-market, non-brokered transactions  
with favorable yields*




1) “In contract” includes investments with a signed purchase and sale agreement or letter of intent with binding exclusivity provisions. “Active pipeline” includes investments that we are actively pursuing but with respect to which we have not yet signed a purchase and sale agreement or letter of intent.

### 3 Capital Structure Improvements

*New Senior completed \$670 million financing with Freddie Mac at the end of 1Q 2015, improving overall cost of funds by 85bps*

- Debt refinancing optimizes New Senior's capital structure
  - Pricing of L + 234 bps and term of 7 years; hedged against potential increases in rates
  - Extended weighted average maturity on total debt

#### Summary Capital Structure

	4Q 2014		1Q 2015	
	\$mm	Effective Rate <sup>(1)</sup>	\$mm	Effective Rate <sup>(1)</sup>
Existing Floating Debt	\$399	4.32%	\$114	3.63%
New Debt	--	--	\$679	2.68%
Total Floating Debt	\$399	4.32%	\$793	2.81%
<i>% of Total</i>	33%		49%	
Total Fixed Debt	\$824	5.04%	\$822	5.04%
<i>% of Total</i>	67%		51%	
<b>Total Debt</b>	<b>\$1,223</b>	<b>4.81%</b>	<b>\$1,615</b>	<b>3.96%</b> 

85bps of improvement

1) Includes the amortization of discount / premium and deferred financing costs on mortgage notes payable.

# Summary & Looking Forward

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1

## *Significant Initiatives Completed Since Spin*

- Invested majority of cash in high-quality, private pay independent living facilities
- Completed \$670 million Freddie Mac financing in March at attractive rate of L+234bps
  - ✓ Refinanced ~\$290 million of floating rate debt / achieved 190bps of interest rate savings
- Increased dividend 13% in 2Q 2015

2

## *Robust Acquisition Pipeline*

- \$596 million of acquisitions closed YTD already; significantly ahead of 2014 volume
- Continued focus on acquiring high-quality private pay senior housing assets
- Increasing number of opportunities in the market – strong pipeline

3

## *Strong Performance from Existing Portfolio*

- Impressive same store NOI growth of 6.3% on managed portfolio<sup>(1)</sup>
- Sequential quarter occupancy trending ahead of industry averages
- Stable rent coverage on NNN portfolio

1) 1Q 2015 same store NOI excludes \$122,000 relating to the write-off of a receivable assumed at the time of an acquisition in the third quarter of 2013.

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# Appendix

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# Non-GAAP Reconciliation

## Total NOI Reconciliation

(\$ in thousands)

	1Q'15		
	<u>NNN Properties</u>	<u>Managed Properties</u>	<u>Total</u>
Revenue	\$ 26,672	\$ 47,188	\$ 73,860
Property operating expense	-	(34,271)	(34,271)
<b>Segment / Total NOI</b>	<b>\$ 26,672</b>	<b>\$ 12,917</b>	<b>\$ 39,589</b>
Depreciation and amortization			(30,157)
Interest expense			(15,312)
Acquisition, transaction & integration expense			(3,918)
Management fee to affiliate			(3,050)
General and administrative expense			(3,409)
Loss on extinguishment of debt			(5,091)
Income tax benefit			95
<b>Net loss</b>			<b>\$ (21,253)</b>

# Non-GAAP Reconciliation

## Cash NOI Reconciliation

(\$ in thousands)

	1Q'15		
	<u>NNN Properties</u>	<u>Managed Properties</u>	<u>Total</u>
Cash NOI	\$ 20,543	\$ 13,580	\$ 34,123
Straight-line rent	6,166	-	6,166
Amortization of deferred community fees and other <sup>(1)</sup>	(37)	(663)	(700)
<b>Segment / Total NOI</b>	<b>\$ 26,672</b>	<b>\$ 12,917</b>	<b>\$ 39,589</b>
Depreciation and amortization			(30,157)
Interest expense			(15,312)
Acquisition, transaction & integration expense			(3,918)
Management fee to affiliate			(3,050)
General and administrative expense			(3,409)
Loss on extinguishment of debt			(5,091)
Income tax benefit			95
<b>Net loss</b>			<b>\$ (21,253)</b>

1) Includes net change in deferred community fees, above/below market lease amortization and other non-cash GAAP adjustments.

# Non-GAAP Reconciliation

## EBITDARM Reconciliation

(\$ in thousands)

	1Q'14			4Q'14			1Q'15		
	<u>NNN Properties</u>	<u>Managed Properties</u>	<u>Total</u>	<u>NNN Properties</u>	<u>Managed Properties</u>	<u>Total</u>	<u>NNN Properties</u>	<u>Managed Properties</u>	<u>Total</u>
EBITDARM	\$ 22,298	\$ 12,085	\$ 34,383	\$ 26,676	\$ 14,600	\$ 41,276	\$ 26,672	\$ 16,034	\$ 42,706
Property management fees	-	(2,107)	(2,107)	-	(2,605)	(2,605)	-	(3,117)	(3,117)
<b>Segment / Total NOI</b>	<b>\$ 22,298</b>	<b>\$ 9,978</b>	<b>\$ 32,276</b>	<b>\$ 26,676</b>	<b>\$ 11,995</b>	<b>\$ 38,671</b>	<b>\$ 26,672</b>	<b>\$ 12,917</b>	<b>\$ 39,589</b>
Depreciation and amortization			(22,835)			(28,597)			(30,157)
Interest expense			(13,305)			(15,494)			(15,312)
Acquisition, transaction & integration expense			(4,223)			(1,972)			(3,918)
Management fee to affiliate			(1,653)			(2,706)			(3,050)
General and administrative expense			(838)			(4,363)			(3,409)
Loss on extinguishment of debt			-			-			(5,091)
Income tax benefit (expense)			(360)			1,177			95
<b>Net loss</b>			<b>\$ (10,938)</b>			<b>\$ (13,284)</b>			<b>\$ (21,253)</b>

# Non-GAAP Reconciliation

## Same Store EBITDARM Reconciliation

(\$ in thousands)

	1Q'14				1Q'15			
	NNN Properties	Same Store Managed Properties	Non-Same Store Managed Properties	Total	NNN Properties	Same Store Managed Properties	Non-Same Store Managed Properties	Total
EBITDARM	\$ 22,298	\$ 11,621	\$ 464	\$ 34,383	\$ 26,672	\$ 12,491	\$ 3,543	\$ 42,706
Property management fees	-	(2,034)	(73)	(2,107)	-	(2,422)	(695)	(3,117)
<b>Segment / Total NOI</b>	<b>\$ 22,298</b>	<b>\$ 9,587</b>	<b>\$ 391</b>	<b>\$ 32,276</b>	<b>\$ 26,672</b>	<b>\$ 10,069</b>	<b>\$ 2,848</b>	<b>\$ 39,589</b>
Depreciation and amortization				(22,835)				(30,157)
Interest expense				(13,305)				(15,312)
Acquisition, transaction & integration expense				(4,223)				(3,918)
Management fee to affiliate				(1,653)				(3,050)
General and administrative expense				(838)				(3,409)
Loss on extinguishment of debt				-				(5,091)
Income tax benefit (expense)				(360)				95
<b>Net loss</b>				<b>\$ (10,938)</b>				<b>\$ (21,253)</b>

# Non-GAAP Reconciliation

## Same Store EBITDARM Reconciliation

(\$ in thousands)

	4Q'14				1Q'15			
	<u>NNN Properties</u>	<u>Same Store Managed Properties</u>	<u>Non-Same Store Managed Properties</u>	<u>Total</u>	<u>NNN Properties</u>	<u>Same Store Managed Properties</u>	<u>Non-Same Store Managed Properties</u>	<u>Total</u>
EBITDARM	\$ 26,676	\$ 14,454	\$ 146	\$ 41,276	\$ 26,672	\$ 14,696	\$ 1,337	\$ 42,706
Property management fees	-	(2,590)	(15)	(2,605)	-	(2,941)	(176)	(3,117)
<b>Segment / Total NOI</b>	<b>\$ 26,676</b>	<b>\$ 11,864</b>	<b>\$ 131</b>	<b>\$ 38,671</b>	<b>\$ 26,672</b>	<b>\$ 11,755</b>	<b>\$ 1,161</b>	<b>\$ 39,589</b>
Depreciation and amortization				(28,597)				(30,157)
Interest expense				(15,494)				(15,312)
Acquisition, transaction & integration expense				(1,972)				(3,918)
Management fee to affiliate				(2,706)				(3,050)
General and administrative expense				(4,363)				(3,409)
Loss on extinguishment of debt				-				(5,091)
Income tax benefit				1,177				95
<b>Net loss</b>				<b>\$ (13,284)</b>				<b>\$ (21,253)</b>

# GAAP Reconciliation of FFO, Normalized FFO, AFFO and Normalized FAD

## FFO, Normalized FFO, AFFO and Normalized FAD Reconciliation

(\$ and shares in thousands, except per share data)

	1Q'15
Net loss	\$ (21,253)
<b>Add (Deduct):</b>	
Depreciation and amortization	30,157
<b>FFO</b>	<b>\$ 8,904</b>
<b>FFO per Diluted Share</b>	<b>\$ 0.13</b>
Acquisition, transaction & integration expense	3,918
Loss on extinguishment of debt	5,091
<b>Normalized FFO</b>	<b>\$ 17,913</b>
<b>Normalized FFO per Diluted Share</b>	<b>\$ 0.27</b>
Straight-line rent	(6,166)
Amortization of deferred financing costs	2,198
Amortization of premium on mortgage notes payable	230
Amortization of deferred community fees and other <sup>(1)</sup>	700
<b>AFFO</b>	<b>\$ 14,875</b>
<b>AFFO per Diluted Share</b>	<b>\$ 0.22</b>
Maintenance capital expenditures	(1,525)
<b>Normalized FAD</b>	<b>\$13,350</b>
<b>Normalized FAD per Diluted Share</b>	<b>\$0.20</b>
Weighted average basic shares outstanding	66,415
Weighted average diluted shares outstanding <sup>(2)</sup>	67,418

1) Includes net change in deferred community fees, above/below market lease amortization and other non-cash GAAP adjustments.

2) Includes dilutive effect of options.

# Glossary

## Cash Revenue

Cash Revenue is a non-GAAP measure that represents Revenue excluding the effects of straight-line rents and amortization of deferred community fees and other, which includes the net change in deferred community fees, above/below market lease amortization and other non-cash GAAP adjustments.

## EBITDARM

EBITDARM is a non-GAAP measure and represents earnings before interest, taxes, depreciation, amortization, rent and management fees for the period stated unless otherwise noted. We use EBITDARM in determining coverage and as a supplemental measure of the ability of the property to generate sufficient liquidity to meet related obligations to us. For our triple net lease portfolio, all facility financial performance data was derived solely from information provided by operators/tenants without independent verification by us. EBITDARM does not represent net income or cash flow from operations and should not be considered an alternative to those indications.

## EBITDARM Coverage

Facility EBITDARM divided by the aggregate of base rent and any additional rent due to us for the same period. EBITDARM coverage is a supplemental measure of a property's ability to generate cash flows for the operator/tenant (not for us) to meet the operator's/tenant's related rent and other obligations to us.

## EBITDARM Margin

EBITDARM margin is equal to EBITDARM divided by Revenue.

## Enterprise Value

Enterprise value is equal to market capitalization plus carrying value of mortgage notes payable, minus cash.

## Gross Assets

The carrying amount of total assets, after adding back accumulated depreciation and amortization, as reported in our consolidated financial statements.

## Investment

Represents the carrying amount of real estate assets, including intangibles, after adding back accumulated depreciation and amortization, as reported in our consolidated financial statements.

## FFO, Normalized FFO, AFFO and Normalized FAD

We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of funds from operations ("FFO"). NAREIT defines FFO as net income (computed in accordance with GAAP) excluding gains (losses) from sales of depreciable real estate assets, impairment charges of depreciable real estate, plus real estate related depreciation and amortization, and after adjustments for unconsolidated entities and joint ventures to reflect FFO on the same basis.

We define "Normalized FFO" as FFO excluding the following income and expense items (which may be recurring in nature): (a) acquisition, transaction and integration related expenses; (b) the write off of unamortized deferred financing fees, or additional costs, make whole payments, penalties or premiums incurred as a result of early retirement or payment of debt; and (c) changes in the fair value of contingent consideration and financial instruments.

We define "AFFO" as Normalized FFO excluding the impact of the following: (a) straight-line rents; (b) amortization of above / below market lease intangibles; (c) amortization of deferred financing costs; (d) amortization of premium on mortgage notes payable and (e) amortization of deferred community fees and other, which includes the net change in deferred community fees and other non-cash GAAP adjustments.

We define "Normalized FAD" as AFFO less maintenance capital expenditures. Maintenance capital expenditures is defined as capital expenditures that have a useful life of ten years or less.

## Net Operating Income ("NOI") and Cash NOI

NOI and Cash NOI are non-GAAP measures. We define NOI as total revenue less property operating expenses, which include property management fees and travel cost reimbursements to affiliates. We define Cash NOI as NOI excluding the effects of straight-line rents and amortization of deferred community fees and other, which includes the net change in deferred community fees, above/below market lease amortization and other non-cash GAAP adjustments. We consider NOI as an important supplemental measure used to evaluate the operating performance of our segments because it allows investors, analysts and our management to assess our unleveraged property-level operating results and to compare our operating results with other real estate companies, and between periods on a consistent basis.

# Glossary

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## Occupancy

For the managed portfolio, occupancy represents the facilities' average operating occupancy for the trailing three-month period. For the triple net lease portfolio, occupancy is based on the period reported unless otherwise noted. The percentages are calculated based on available beds. All occupancy data was derived solely from information provided by operators/tenants without independent verification by us.

## Revenue Quality Mix

Non-Medicaid revenues as a percent of total revenues for the trailing 12 months and one quarter in arrears from the period presented.

## RevPOR

Represents average GAAP revenues per occupied room per month. We use RevPOR to evaluate the revenue generating potential of our senior housing portfolio independent of fluctuating occupancy rates.

## Same Store Portfolio

Properties that remained in operations and were consistently reported as leased properties or managed properties for the duration of both comparison periods presented. Same store statistics allow management to evaluate the performance of our real estate portfolio under a consistent population, which eliminates changes in the composition of our portfolio.

## Segment NOI Margin

Segment NOI margin is equal to Segment NOI divided by Revenue.