

# LANDandBUILDINGS

## Land & Buildings Sends Open Letter to Brookdale Senior Living Shareholders

*- Brookdale Board Has Failed to Announce Plans to Materially Monetize Company's Real Estate or Truly Modernize its Corporate Governance –*

*- With Covenants Now Removed, Real Estate Monetization Should be Brookdale's Top Priority –*

*- Urges Shareholders to Press for Substantial Real Estate Monetization and Shareholder-Friendly Governance Changes Ahead of Brookdale's 2018 Annual Meeting –*

*- Land and Buildings Intends to Pursue Any and All Avenues to Ensure that Value is Maximized for All Shareholders –*

**Stamford, CT** (August 9, 2018) – Today Land and Buildings Investment Management LLC (“Land & Buildings”) issued the following open letter to shareholders of Brookdale Senior Living Inc. (NYSE: BKD) (the “Company” or “Brookdale”):

Dear Fellow Brookdale Shareholders:

Cindy Baier, Brookdale’s Chief Executive Officer, has taken the bull by the horns in an effort to maximize value for all shareholders. In a short period of time she has restructured the Company’s leases – which were the impediment to selling its real estate – and has stabilized operations. Unfortunately, she appears to have been hamstrung in her efforts by the Board of Directors (the “Board”).

We are disappointed the Board did not announce, as part of the Company’s second quarter results, plans to materially monetize its real estate or propose a fulsome modernization to its corporate governance, as previously requested. Although the Company included governance proposals in its preliminary proxy statement for the 2018 Annual Meeting of Shareholders to be held on October 4<sup>th</sup> (the “Annual Meeting”), we do not believe they go far enough to improve Brookdale’s corporate governance, and our view is that more shareholder-friendly changes are required.

Our engagement with Jackie Clegg, Chairman of the Nominating & Corporate Governance Committee and the longest serving director of the Company at 13 years, revealed a dated knowledge of best corporate governance practices, as well as a strong bias for entrenchment. We believe the Board should reevaluate her inclusion on any committees and that it would be well advised not to re-nominate her at the 2019 Annual Meeting of Shareholders.

### **Operations Turning the Corner**

Operating results have turned a corner and Brookdale is likely to exceed EBITDA guidance based on the second quarter better than expected results. Specifically:

1. Sequential operating results are now positive;
2. EBITDA handily beat expectations in the second quarter and appears on pace to do so for the year;

3. First half adjusted EBITDA of \$294.4 million, implies just \$255.6 million to meet full year guidance of \$550 million; and
4. New competitive senior housing starts have declined materially (more than 50%) in Brookdale's markets and demand continues to accelerate.

### **Finally, Brookdale can Sell its Real Estate**

Since our Brookdale engagement began we highlighted that the company should sell its real estate as long as the company trades at a material discount to the value of its real estate however the real estate could not be effectively monetized until the leases were restructured. We have championed for restructuring the Company's leases and now that the restructuring is complete, and the Company continues to trade at a material discount as such the Board should aggressively sell assets. Specifically:

1. Brookdale's real estate is likely valued at \$7-8 billion, \$16-19 per share net;
2. The Board should immediately put up for sale portfolios of \$500 million to \$1 billion and reload as transactions are completed;
3. The Board should simultaneously pursue a senior housing REIT for its real estate, comparable companies trade at multiples in the mid-teens compared to mid-single digit multiple for Brookdale today; and
4. The Board should insure that no unsecured debt obligations entered into would prevent an asset monetization strategy as outlined above.

Senior housing property transaction volumes and valuations in 2017 and 2018 provide credence to the foregoing portfolio sale strategy.

### **Meaningful Corporate Governance Changes are Required**

Notwithstanding the Company's progress, the Board has failed to propose a fulsome overhaul of Brookdale's corporate governance regime despite our repeated requests and engagement. While the proposed governance changes up for a vote at the Annual Meeting are a step in the right direction, they fall woefully short of what we believe is required to maximize value for all Brookdale shareholders.

Accordingly, we urge all Brookdale shareholders to press the Board to revise its proxy materials for the Annual Meeting to include and/or reflect the following more shareholder-friendly governance changes. It is important that the matters up for a vote at the Annual Meeting are closely aligned with maximizing shareholder value. Specifically:

1. Accelerate de-staggering of the Board so that all directors up for election are elected to a one-year term;
2. Amend the Charter and Bylaws to allow shareholders to call a special meeting of shareholders;
3. Replace the longest standing director who has overseen material shareholder value destruction at Brookdale; and
4. Appoint a new finance-oriented Board member to the Board and to the Investment Committee of the Board.

According to the Company's proxy statement, the record date for the Annual Meeting is August 10<sup>th</sup>. We urge shareholders to take action now to push the Company to improve its corporate governance and monetize its real estate.

We intend to utilize all available avenues to ensure value is maximized for all shareholders.

Thank you for your time and attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Litt".

Jonathan Litt

Founder & Chief Investment Officer

Land & Buildings

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