



NEWS RELEASE

## Sabra Completes \$230.3 Million of Acute Care Hospital Investments; Commits to Additional \$66.3 Million

2013-10-22

IRVINE, Calif., Oct. 22, 2013 (GLOBE NEWSWIRE) -- Sabra Health Care REIT, Inc. ("Sabra," the "Company" or "we") (Nasdaq:SBRA) announced today the completion of three acute care hospital investments sourced by the Neal Richards Group ("NRG"), a developer of premier, physician-owned hospitals under the Forest Park Medical Center brand. These investments create a material shift in our portfolio composition (proforma as of June 30, 2013):

- Our exposure to Genesis decreases from 60.8% to 52.2% of annualized revenues.
- Our exposure to Skilled Nursing/Post Acute facilities decreases from 82.1% to 70.6%.
- Our exposure to Medicare and Medicaid reimbursement decreases from 68.4% to 58.3%.

### Forest Park Medical Center - Fort Worth Construction Loan

On September 30, 2013, we entered into an agreement to provide up to \$66.8 million of construction financing to FPMC Fort Worth Realty Partners, LP ("Forest Park - Fort Worth") for the construction of a 54-bed acute care hospital with 12 operating rooms, a medical office building and associated parking structure located in Fort Worth, Texas (the "Forest Park - Fort Worth Construction Mortgage Loan"), of which \$0.5 million was funded at closing. Construction of the facility is expected to be completed by mid-2014. The Forest Park - Fort Worth Construction Mortgage Loan has a three-year term and bears interest at a fixed rate of 7.25% per annum, with an option to extend the term for a fourth year with a fixed rate increasing to 8% per annum. In addition, we have an option to purchase the acute care hospital and associated parking structure starting 12 months after the facility receives a certificate of occupancy through and until the maturity date of the loan, subject to certain limited rights of the borrower. The purchase price under the purchase option agreement will be calculated by dividing the contractual

rent due under the existing lease for the facility over the twelve months following closing by the greater of (i) 8.75% and (ii) the sum of (x) the then current 10-year Treasury rate and (y) 525 basis points. Upon exercise of the purchase option on the facility, we would expect to assume the existing long-term triple net lease on the facility. The annualized GAAP interest income will be \$4.8 million when the loan is fully funded.

#### Forest Park Medical Center - Frisco Acquisition

On October 22, 2013, we purchased Forest Park Medical Center - Frisco, a 54-bed acute care hospital located in Frisco, Texas for \$119.8 million. This acute care hospital contains 30 inpatient rooms, 14 family suites, 10 ICU beds and 12 operating rooms. Approximately \$10.5 million of the purchase price is being held in escrow for up to 20 months, the release of which is contingent on the tenant achieving certain performance hurdles. The seller will be paid a fee of \$0.5 million per annum during the escrow period. Concurrently with the purchase, we assumed the existing long-term triple net lease with Forest Park Medical Center at Frisco, LLC, resulting in annual lease revenues determined in accordance with GAAP of \$13.3 million and an initial yield on cash rent of 8.75%.

#### Forest Park Medical Center - Dallas Mortgage Loan

Also on October 22, 2013, we entered into a \$110.0 million mortgage loan secured by Forest Park Medical Center - Dallas, an 84-bed acute care hospital located in Dallas, Texas (the "Forest Park - Dallas Mortgage Loan"). This acute care hospital contains 22 operating rooms and 84 patient rooms. The Forest Park - Dallas Mortgage Loan has a three-year term, bears interest at a fixed rate of 8.0% per annum and cannot be prepaid until the final six months of the loan term. In addition, we have an option to purchase the facility securing the Forest Park - Dallas Mortgage Loan for up to \$168.0 million. The borrowers under the Forest Park - Dallas Mortgage Loan have the right, if Forest Park Medical Center - Dallas is able to achieve certain EBITDAR coverage levels, to require us to purchase the facility for up to \$168.0 million.

The Forest Park Medical Center - Frisco acquisition and the Forest Park - Dallas Mortgage Loan origination were funded with available cash and proceeds from our revolving credit facility. The Forest Park-Fort Worth Construction Loan will be secured by the facility when built and is partially guaranteed by two founding members of the Forest Park Medical Center system. The obligations under the lease with Forest Park Medical Center - Frisco, LLC are guaranteed by the physician-owners of the tenant. The Forest Park - Dallas Mortgage Loan is secured by Forest Park Medical Center - Dallas. None of the loans or leases are cross-collateralized or cross-defaulted to each other and we have made independent credit assessments for each investment.

Commenting on the Forest Park Investments, Rick Matros, CEO and Chairman, said, "Sabra's investment in the Forest Park portfolio marks an important shift in our company's profile. We view the significant drop in exposure to Genesis in particular, as well as exposure to skilled nursing and reimbursement from Medicare and Medicaid in

general, as a strong benefit to our shareholders. Our relationship with the Neal Richards Group also provides the company an additional path to continued growth.

A number of factors attracted us to these assets. Forest Park Medical Center is a physician-owned, physician-run hospital system with a vested interest in providing patients unsurpassed surgical specialty care in a five-star hotel-like setting. All patient rooms are private, and Forest Park offers "family suites" that have an extra room attached for family to spend the night, much like a hotel room. In addition, the campuses house MOB's (not owned by Sabra), banks and other destination points for consumers. Forest Park hospitals were designed with the comfort of the patient in mind. For example, the Forest Park Café in each location offers fresh, cooked-to-order meals prepared by an on-site chef and kitchen staff.. In addition, in its support of clean and efficient technology, all Forest Park facilities are certified by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program standards, thus reducing energy consumption significantly and allowing more resources to be put into patient care.

The physicians at the respective hospitals and the developer participate in the profitability of the operating company, so all interests are aligned with Sabra. A third Forest Park hospital developed by NRG recently opened, three more are under construction (including the Fort Worth facility whose construction we are funding), and NRG has identified additional locations for future developments. The model is consistent with what we see happening with health care reform. Forest Park has a high ratio of operating rooms to inpatient units and the result is an average length of stay of less than two days, well below industry average. Currently, 50% and 60% of revenues are derived from outpatient procedures at the Dallas and Frisco facilities, respectively. Specialty services at the hospitals include bariatric, orthopedic, gynecological, plastic surgery, and spine/neurological among others. Lastly, all Forest Park locations are built in high-access areas with high patient demand and significant physician interest.

We view both Forest Park's management company, Vibrant Healthcare, and NRG, the development company, as very strong partners that we look forward to growing with as they expand their platform."

"This activity reflects the success and level of maturity Forest Park has achieved to date," said Forest Park Founding Physician and System Chief Medical Officer Dr. J. Robert Wyatt. "We appreciate our partnerships with both NRG and Sabra, and look to continue our path forward as a strong health system continuing to grow, innovate and provide unsurpassed patient care."

"As we continue to grow and build with the Forest Park Medical Center system, we will rely heavily on strong partners like Sabra to continue the original real estate strategy set forth by Forest Park and its stakeholders," said Neal Richards Group CEO Derrick Evers. "Sabra has exhibited a great ability to understand the physician-owned hospital environment, and they have a strong understanding of the overall growth strategy of Forest Park. We look forward to continuing to build on our already strong relationships with both Sabra and Forest Park Medical Center in the future."

## ABOUT SABRA

Sabra Health Care REIT, Inc. (Nasdaq:SBRA), a Maryland corporation, operates as a self-administered, self-managed real estate investment trust (a "REIT") that, through its subsidiaries, owns and invests in real estate serving the healthcare industry. Sabra leases properties to tenants and operators throughout the United States. As of October 22, 2013, and after giving effect to the Forest Park Investments, Sabra's portfolio included 121 real estate properties held for investment and leased to operators/tenants under triple-net lease agreements (consisting of (i) 96 skilled nursing/post-acute facilities, (ii) 23 senior housing facilities, and (iii) two acute care hospitals), seven debt investments (consisting of (i) three mortgage loans, (ii) one mezzanine loan, (iii) two pre-development loans, and (iv) one construction mortgage loan) and two preferred equity investments. As of October 22, 2013, and after giving effect to the Forest Park Investments, Sabra's real estate properties were located in 27 states and included 12,468 licensed beds.

The Sabra Health Care REIT, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=8563>

## ABOUT NEAL RICHARDS GROUP

Neal Richards Group ("NRG") is a privately held, Dallas based, real estate services firm specializing in development, brokerage, and project management consulting for a diverse mix of end-users. Since 2008, NRG has systematically developed nearly a half a billion dollars of high quality, class A, award-winning, healthcare and mixed-use assets. The firm currently has another half a billion dollars in the development pipeline. During this same period, Neal Richards Group has brokered over \$30 million in leasing and sales transactions. Neal Richards Group is currently active in North Texas, San Antonio, and Austin, with growth plans across multiple states, offering diverse real estate opportunities. Neal Richards Group was co-founded in 2008 by CEO Derrick Evers.

Please visit our website [www.nealrichardsgroup.com](http://www.nealrichardsgroup.com)

## ABOUT FOREST PARK MEDICAL CENTER

Forest Park Medical Center, a physician-owned hospital system, currently operates state-of-the-art medical facilities in Dallas, Frisco and Southlake, Texas focused on providing unsurpassed surgical specialty care. By focusing on specific key areas of surgery and a keen emphasis on the latest and most effective technology in medical care, Forest Park offers cost effective care for patients and their employers and an efficient way of practicing for its physicians. Texas campuses currently in development include Fort Worth, San Antonio and Austin.

For more information, please visit [www.forestparkmc.com](http://www.forestparkmc.com).

This release contains "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. These statements may be identified, without limitation, by the use of "expects," "believes," "intends," "should" or comparable terms or the negative thereof. Forward-looking statements in this release include all statements regarding our expectations concerning the Forest Park-Fort Worth Construction Mortgage loan, the Forest Park-Frisco acquisition, and the Forest Park-Dallas Mortgage Loan, including the future performance of these investments and the impact of these investments on our portfolio composition, as well as our expectations concerning our future relationship with Vibrant Healthcare and NRG.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including, among others, the following: our dependence on Genesis HealthCare LLC ("Genesis"), the parent company of Sun Healthcare Group, Inc., until we are able to further diversify our portfolio; our dependence on the operating success of our tenants; changes in general economic conditions and volatility in financial and credit markets; the dependence of our tenants on reimbursement from governmental and other third-party payors; the significant amount of and our ability to service our indebtedness; covenants in our debt agreements that may restrict our ability to make acquisitions, incur additional indebtedness and refinance indebtedness on favorable terms; increases in market interest rates; our ability to raise capital through equity financings; the relatively illiquid nature of real estate investments; competitive conditions in our industry; the loss of key management personnel or other employees; the impact of litigation and rising insurance costs on the business of our tenants; uninsured or underinsured losses affecting our properties and the possibility of environmental compliance costs and liabilities; our ability to maintain our status as a REIT; compliance with REIT requirements and certain tax matters related to our status as a REIT; and other factors discussed from time to time in our news releases, public statements and/or filings with the Securities and Exchange Commission (the "SEC"), especially the "Risk Factors" sections of our Annual and Quarterly Reports on Forms 10-K and 10-Q. We assume no, and hereby disclaim any, obligation to update any of the foregoing or any other forward-looking statements as a result of new information or new or future developments, except as otherwise required by law.

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