NEWS RELEASE

Sabra Reports First Quarter 2014 Results and Increases Quarterly Common Dividend by 6%; Reports Increases in Normalized FFO and Normalized AFFO Per Share of 20% and 23%, Respectively Over First Quarter 2013

2014-05-05

IRVINE, Calif., May 5, 2014 (GLOBE NEWSWIRE) -- Sabra Health Care REIT, Inc. ("Sabra," the "Company" or "we") (Nasdaq:SBRA) today announced results of operations for the first quarter of 2014.

RECENT HIGHLIGHTS

- For the first quarter of 2014, Normalized FFO, Normalized AFFO and net (loss) income attributable to common stockholders per diluted common share were $0.55, $0.53 and $(0.25), respectively, compared to $0.46, $0.43 and $0.25, respectively, for the first quarter of 2013.

- During the first quarter, revenues increased 28% over the same period in 2013, from $32.0 million to $40.9 million.

- During the first quarter of 2014, we purchased eight facilities with a total of 927 beds/units for a total of $114.5 million, originated a $0.4 million pre-development loan for a 32-unit memory care facility and invested an additional $19.0 million in the construction of an acute care hospital and two memory care facilities.

- During the first quarter of 2014, we completed an underwritten public offering of $350.0 million aggregate principal amount of 5.5% senior unsecured notes due 2021 and completed a tender offer and redemption of

$211.3 million aggregate principal amount of 8.125% senior unsecured notes due 2018. We also refinanced $44.8 million of existing variable rate mortgage indebtedness with mortgages guaranteed by the United Stated States Department of Housing and Urban Development ("HUD") at an interest rate of 4.25%.

- On April 8, 2014, we funded an additional $6.5 million under the Forest Park Medical Center-Fort Worth construction loan, bringing our total investment for the year for this construction loan to $24.8 million.

- On April 8, 2014, we completed the refinancing of $11.6 million of variable rate mortgage indebtedness with a mortgage loan, guaranteed by HUD, which has an interest rate of 4.10%.

- On April 25, 2014, we funded a preferred equity investment for the completion of a memory care facility located in Colorado Springs, Colorado for $1.7 million.

- On April 29, 2014, we purchased a senior housing campus in Fort Wayne, Indiana for $23.8 million. The campus contains 140 units (24 independent living units, 76 assisted living units and 40 memory care units) and opened in 2011. As part of this purchase, we assumed a $14.1 million HUD-insured mortgage obligation which bears interest at a rate of 4.84%.

- On May 1, 2014, we repaid $29.8 million of existing variable mortgage indebtedness with proceeds from our revolving credit facility. As a result of these recent financing activities, we have reduced our weighted-average effective interest rate, excluding borrowings under our revolving credit facility, to 5.18% per annum from 5.96% per annum as of December 31, 2013. Also, excluding borrowings under our revolving credit facility, all our borrowings are now at fixed interest rates and we have no significant debt maturities until 2021.

- On May 5, 2014, our board of directors declared a quarterly cash dividend of $0.38 per share of common stock, representing a 6% increase. The dividend will be paid on May 30, 2014 to common stockholders of record as of the close of business on May 15, 2014.

- Also on May 5, 2014, our board of directors declared a quarterly cash dividend of $0.4453125 per share of Series A Preferred Stock. The dividend will be paid on May 30, 2014 to preferred stockholders of record as of the close of business on May 15, 2014.

Commenting on the first quarter results and recent acquisitions, Rick Matros, CEO and Chairman, said, "We were pleased to deliver strong results again this quarter with normalized AFFO growing 23%. As expected, Genesis's fixed charged coverage was strong at 1.25x for the twelve months ended March 31, 2014. We are well on our way to meeting investment expectations for both the first half and full year 2014 with investments to date of $165.9

million. We continue to be opportunistic in the capital markets as evidenced by our successful high yield offering in the first quarter. Regarding guidance, our initial guidance excluded anticipated investments for 2014. We plan to update that guidance in the near term to reflect investments to date as well as pending activity."

Performance for the First Quarter of 2014

During the first quarter of 2014:

- We recognized revenues of $40.9 million compared to $32.0 million during the first quarter of 2013.
- We recognized Normalized FFO of $21.7 million ($0.55 per diluted common share), FFO of $(0.5) million ($(0.01) per diluted common share), Normalized AFFO of $21.1 million ($0.53 per diluted common share) and AFFO of $0.3 million ($0.01 per diluted common share), compared to Normalized FFO and FFO of $17.5 million ($0.46 per diluted common share) and Normalized AFFO and AFFO of $16.6 million ($0.43 per diluted common share) for the same period in 2013.
- We recognized EBITDA of $13.2 million and Adjusted EBITDA of $35.0 million compared to compared to $27.8 million and $27.3 million, respectively, during the first quarter of 2013.
- Net loss attributable to common stockholders was $(9.9) million ($(0.25) per diluted common share), compared to net income attributable to common stockholders of $9.3 million ($0.25 per diluted common share) for the same period in 2013. Included in net loss attributable to common stockholders during the first quarter of 2014 was $22.1 million ($0.56 per diluted common share) of losses on extinguishment of debt resulting primarily from redemption related costs and write-offs associated with the tender offer and redemption of $211.3 million of 8.125% senior unsecured notes due 2018.
- We generated $1.2 million of cash from operating activities compared to $21.6 million during the same period of 2013. The lower amount of cash from operating activities during the first quarter of 2014 is primarily the result of the $20.8 million cash portion of the loss on extinguishment of debt described above.
- EBITDARM Coverage and EBITDAR Coverage for our consolidated portfolio were 1.71x and 1.32x, respectively, for the trailing twelve months ended March 31, 2014.

LIQUIDITY

As of March 31, 2014, we had approximately $129.8 million of liquidity, consisting of unrestricted cash and cash equivalents of $4.3 million and available borrowings of $125.5 million under our revolving credit facility. As of March 31, 2014, we also had $57.1 million available under the ATM Program.

CONFERENCE CALL AND COMPANY INFORMATION

A conference call to discuss the 2014 first quarter results will be held on Tuesday, May 6 at 7:00am Pacific Time. The

dial in number for the conference call is (888) 466-4462 and the participant code is "Sabra." A replay of the call will also be available immediately following the call and for 30 days by dialing (888) 203-1112, and using pass code 2161379. The Company's supplemental information package for the first quarter will also be available on the Company's website in the "Investor Relations" section.

ABOUT SABRA

As of May 5, 2014, Sabra's portfolio consisted of 130 real estate properties held for investment and leased to operators/tenants under triple-net lease agreements (consisting of (i) 102 skilled nursing/post-acute facilities, (ii) 26 senior housing facilities, and (iii) two acute care hospitals), 11 debt investments (consisting of (i) four mortgage loans, (ii) three construction loans, (iii) one mezzanine loan, and (iv) three pre-development loans) and three preferred equity investments. Included in the 130 real estate properties held for investment is one 100% owned, senior housing facility leased to a 50%/50% RIDEA-compliant joint venture tenant. As of May 5, 2014, Sabra's real estate properties were located in 28 states and included 13,550 licensed beds/units.

FORWARD-LOOKING STATEMENTS SAFE HARBOR

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 our acquisition pipeline, future development programs, and our outlook for the full year 2014.

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. Forward-looking statements made in this press release are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of the date hereof. 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.

TENANT AND BORROWER INFORMATION

This release includes information regarding each of our tenants that lease properties from us and our borrowers. The information related to our tenants and borrowers that is provided in this release has been provided by the tenants and borrowers. We have not independently verified this information. We have no reason to believe that such information is inaccurate in any material respect. We are providing this data for informational purposes only.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

This release includes the following financial measures defined as non-GAAP financial measures by the SEC: EBITDA, Adjusted EBITDA, funds from operations ("FFO"), Normalized FFO, Adjusted FFO ("AFFO"), Normalized AFFO, FFO per diluted common share, Normalized FFO per diluted common share, AFFO per diluted common share and Normalized AFFO per diluted common share. These measures may be different than non-GAAP financial measures used by other companies, and the presentation of these measures is not intended to be considered in isolation or as a substitute for financial information prepared and presented in accordance with U.S. generally accepted accounting principles. An explanation of these non-GAAP financial measures is included under "Reporting Definitions" in this release, and reconciliations of these non-GAAP financial measures to the GAAP financial measures we consider most comparable are included under "Reconciliations of EBITDA, Adjusted EBITDA, Funds from Operations (FFO), Normalized FFO, Adjusted Funds from Operations (AFFO) and Normalized AFFO" in this release.

SABRA HEALTH CARE REIT, INC.
FINANCIAL HIGHLIGHTS
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Revenues	$ 40,850	$ 32,022
EBITDA	$ 13,163	$ 27,805
Adjusted EBITDA	$ 34,997	$ 27,305
Net (loss) income attributable to common stockholders	$ (9,864)	$ 9,253
FFO	$ (514)	$ 17,499
Normalized FFO	$ 21,719	$ 17,499
AFFO	$ 324	$ 16,559
Normalized AFFO	$ 21,120	$ 16,559
Per common share data:		
Diluted EPS	$ (0.25)	$ 0.25
Diluted FFO	$ (0.01)	$ 0.46

Diluted Normalized FFO	$ 0.55	$ 0.46
Diluted AFFO	$ 0.01	$ 0.43
Diluted Normalized AFFO	$ 0.53	$ 0.43
Net cash flow from operations	$ 1,207	$ 21,603

	March 31, 2014	December 31, 2013
Real Estate Portfolio		
Total Equity Investments (1) (#)	129	121
Total Equity Investments, gross ($)	$ 1,181,679	$ 1,066,242
Total Licensed Beds/Units	13,410	12,468
Weighted Average Remaining Lease Term (in months)	129	131
Total Debt Investments (#)	11	10
Total Debt Investments, gross ($) (2)	$ 191,683	$ 177,592
Total Preferred Equity Investments (#)	2	2
Total Preferred Equity Investments, gross ($)	$ 8,074	$ 7,784

	Twelve Months Ended March 31, 2014	Twelve Months Ended March 31, 2013
EBITDARM Coverage (3)	1.71x	1.76x
EBITDAR Coverage (3)	1.32x	1.33x

	March 31, 2014	December 31, 2013
Debt		
Book Value		
Fixed Rate Debt	$ 650,335	$ 469,090
Variable Rate Debt	191,771	222,140
Total Debt	$ 842,106	$ 691,230
Weighted Average Effective Rate		
Fixed Rate Debt	5.18%	6.14%
Variable Rate Debt	3.44%	3.88%
Total Debt	4.78%	5.41%
% of Total		
Fixed Rate Debt	77.2%	67.9%
Variable Rate Debt	22.8%	32.1%
Total Debt	100.0%	100.0%
Availability Under Revolving Credit Facility:	$ 125,528	$ 135,126
Available Liquidity (Unrestricted Cash and Availability Under Revolving Credit Facility)	$ 129,814	$ 139,434

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(1)Included in equity investments is one senior housing facility leased to a 50%/50% RIDEA-compliant joint venture tenant.
(2)Total Debt Investments, gross consists of principal of $190.6 million plus capitalized origination fees of $1.1 million.
(3)EBITDARM and EBITDAR and related coverages for facilities with new tenants/operators are only included in periods subsequent to our acquisition of the facilities and exclude the impact of strategic disposition candidates, non-stabilized properties and facilities leased to RIDEA-compliant joint venture tenants. All facility financial performance data are presented one quarter in arrears.

SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(dollars in thousands, except per share data)

	Three Months Ended March 31, 2014	2013
Revenues:		
Rental income	$ 36,093	$ 31,475
Interest and other income	4,757	547
Total revenues	40,850	32,022
Expenses:		
Depreciation and amortization	9,350	8,246
Interest	11,134	10,002
General and administrative	5,853	4,717
Total expenses	26,337	22,965
Other (expense) income:		
Loss on extinguishment of debt	(22,134)	—
Other income	300	500
Total other (expense) income	(21,834)	500

Net (loss) income	(7,321)	9,557
Net loss attributable to noncontrolling interests	18	—
Net (loss) income attributable to Sabra Health Care REIT, Inc.	(7,303)	9,557
Preferred stock dividends	(2,561)	(304)
Net (loss) income attributable to common stockholders	$ (9,864)	$ 9,253
Net (loss) income attributable to common stockholders, per:		
Basic common share	$ (0.25)	$ 0.25
Diluted common share	$ (0.25)	$ 0.25
Weighted-average number of common shares outstanding, basic	38,968,403	37,286,121
Weighted-average number of common shares outstanding, diluted	38,968,403	37,739,964

SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except per share data)

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Real estate investments, net of accumulated depreciation of $160,229 and $151,078 as of March 31, 2014 and December 31, 2013, respectively	$ 1,021,704	$ 915,418
Loans receivable and other investments, net	199,603	185,293
Cash and cash equivalents	4,286	4,308
Restricted cash	6,364	5,352
Deferred tax assets	24,212	24,212
Prepaid expenses, deferred financing costs and other assets	75,187	63,252
Total assets	$ 1,331,356	$ 1,197,835
Liabilities		
Mortgage notes	$ 130,106	$ 141,328
Secured revolving credit facility	162,000	135,500
Senior unsecured notes	550,000	414,402
Accounts payable and accrued liabilities	26,315	22,229
Tax liability	24,212	24,212
Total liabilities	892,633	737,671
Equity		
Preferred stock, $.01 par value; 10,000,000 shares authorized, 5,750,000 shares issued and outstanding as of March 31, 2014 and December 31, 2013	58	58
Common stock, $.01 par value; 125,000,000 shares authorized, 39,143,251 and 38,788,745 shares issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	391	388
Additional paid-in capital	537,288	534,639
Cumulative distributions in excess of net income	(98,996)	(74,921)
Total Sabra Health Care REIT, Inc. stockholders' equity	438,741	460,164
Noncontrolling interests	(18)	—
Total equity	438,723	460,164
Total liabilities and equity	$ 1,331,356	$ 1,197,835

SABRA HEALTH CARE REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31, 2014	2013
Cash flows from operating activities:		
Net (loss) income	$ (7,321)	$ 9,557
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	9,350	8,246
Non-cash interest income adjustments	70	5
Amortization of deferred financing costs	945	766
Stock-based compensation expense	2,513	2,474
Amortization of premium	(33)	(199)
Loss on extinguishment of debt	1,338	—
Straight-line rental income adjustments	(4,186)	(3,683)
Write-off of straight-line rental income	99	—
Change in fair value of contingent consideration	(300)	(500)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(2,152)	(513)

Accounts payable and accrued liabilities	2,086	6,513
Restricted cash	(1,202)	(1,063)
Net cash provided by operating activities	1,207	21,603
Cash flows from investing activities:		
Acquisitions of real estate	(108,650)	—
Origination and fundings of loans receivable	(19,428)	(12,873)
Preferred equity investment	(5)	(4,646)
Additions to real estate	(56)	—
Net proceeds from the sale of real estate	—	2,208
Net cash used in investing activities	(128,139)	(15,311)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured notes	350,000	—
Principal payments on senior unsecured notes	(211,250)	—
Proceeds from secured revolving credit facility	50,000	—
Payments on secured revolving credit facility	(23,500)	(92,500)
Proceeds from mortgage notes	46,103	—
Principal payments on mortgage notes	(57,325)	(989)
Payments of deferred financing costs	(9,873)	(72)
Issuance of preferred stock	—	138,983
Issuance of common stock	(648)	(2,534)
Dividends paid on common and preferred stock	(16,597)	(12,716)
Net cash provided by financing activities	126,910	30,172
Net (decrease) increase in cash and cash equivalents	(22)	36,464
Cash and cash equivalents, beginning of period	4,308	17,101
Cash and cash equivalents, end of period	$ 4,286	$ 53,565
Supplemental disclosure of cash flow information:		
Interest paid	$ 7,219	$ 3,064

SABRA HEALTH CARE REIT, INC.
RECONCILIATIONS OF EBITDA, ADJUSTED EBITDA, FUNDS FROM OPERATIONS (FFO), NORMALIZED FFO, ADJUSTED FUNDS FROM OPERATIONS (AFFO) AND NORMALIZED AFFO
(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2014	2013
Net (loss) income	$ (7,321)	$ 9,557
Interest expense	11,134	10,002
Depreciation and amortization	9,350	8,246
EBITDA	$ 13,163	$ 27,805
Loss on extinguishment of debt	22,134	—
Change in fair value of contingent consideration	(300)	(500)
Adjusted EBITDA	$ 34,997	$ 27,305
Net (loss) income attributable to common stockholders	$ (9,864)	$ 9,253
Depreciation of real estate assets	9,350	8,246
Funds from Operations (FFO)	$ (514)	$ 17,499
Loss on extinguishment of debt	22,134	—
Write-off of straight-line rental income	99	—
Normalized FFO	$ 21,719	$ 17,499
FFO	$ (514)	$ 17,499
Acquisition pursuit costs	392	197
Stock-based compensation expense	2,513	2,474
Straight-line rental income adjustments	(4,186)	(3,683)
Amortization of deferred financing costs	945	766
Amortization of debt premiums	(33)	(199)
Change in fair value of contingent consideration	(300)	(500)
Non-cash portion of loss on extinguishment of debt	1,338	—
Non-cash interest income adjustments	70	5
Write-off of straight-line rental income	99	—
Adjusted Funds from Operations (AFFO)	$ 324	$ 16,559
Cash portion of loss on extinguishment of debt	20,796	—
Normalized AFFO	$ 21,120	$ 16,559
Net (loss) income per diluted common share	$ (0.25)	$ 0.25
FFO per diluted common share	$ (0.01)	$ 0.46
Normalized FFO per diluted common share	$ 0.55	$ 0.46
AFFO per diluted common share	$ 0.01	$ 0.43
Normalized AFFO per diluted common share	$ 0.53	$ 0.43
Weighted average number of common shares outstanding, diluted:		
Net (loss) income and FFO	38,968,403	37,739,964

Normalized FFO	39,470,552	37,739,964
AFFO and Normalized AFFO	39,795,847	38,134,659

Adjusted EBITDA. The Company uses EBITDA (defined below), adjusted to exclude losses on extinguishment of debt and changes in fair value of contingent consideration ("Adjusted EBITDA"), a non-GAAP financial measure, as a measure of operating performance. By excluding interest expense and losses on extinguishment of debt, Adjusted EBITDA allows investors to measure the Company's operating performance independent of its capital structure and indebtedness and, therefore, allows for a more meaningful comparison of its operating performance between quarters as well as annual periods and to compare its operating performance to that of other companies, both in the real estate industry and in other industries. The Company believes investors should consider Adjusted EBITDA in conjunction with net income attributable to common stockholders (the primary measure of the Company's performance) and the other required GAAP measures of its performance, to improve their understanding of the Company's operating results, and to make more meaningful comparisons of its performance between periods and against other companies. Adjusted EBITDA has limitations as an analytical tool and should be used in conjunction with the Company's required GAAP presentations. Adjusted EBITDA does not reflect the Company's historical cash expenditures or future cash requirements for capital expenditures or contractual commitments. Adjusted EBITDA does not represent net income, net income attributable to common stockholders or cash flow from operations as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, the Company's computation of Adjusted EBITDA may not be comparable to similar measures reported by other companies.

EBITDA. The real estate industry uses earnings before interest, taxes, depreciation and amortization ("EBITDA"), a non-GAAP financial measure, as a measure of both operating performance and liquidity. The Company uses EBITDA to measure both its operating performance and liquidity. By excluding interest expense, EBITDA allows investors to measure the Company's operating performance independent of its capital structure and indebtedness and, therefore, allows for a more meaningful comparison of its operating performance between quarters as well as annual periods and to compare its operating performance to that of other companies, both in the real estate industry and in other industries. As a liquidity measure, the Company believes that EBITDA helps investors analyze the Company's ability to meet its interest payments on outstanding debt. The Company believes investors should consider EBITDA in conjunction with net income attributable to common stockholders (the primary measure of the Company's performance) and the other required GAAP measures of its performance and liquidity, to improve their understanding of the Company's operating results and liquidity, and to make more meaningful comparisons of its performance between periods and against other companies. EBITDA has limitations as an analytical tool and should be used in conjunction with the Company's required GAAP presentations. EBITDA does not reflect the Company's historical cash expenditures or future cash requirements for capital expenditures or contractual commitments. While EBITDA is a relevant and widely used measure of operating performance and liquidity, it does

not represent net income, net income attributable to common stockholders or cash flow from operations as defined by GAAP and it should not be considered as an alternative to those indicators in evaluating operating performance or liquidity. Further, the Company's computation of EBITDA may not be comparable to similar measures reported by other companies.

EBITDAR. Earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") for a particular facility accruing to the operator/tenant of the property (not the Company) for the period presented. The Company uses EBITDAR in determining EBITDAR Coverage. EBITDAR has limitations as an analytical tool. EBITDAR does not reflect historical cash expenditures or future cash requirements for facility capital expenditures or contractual commitments. In addition, EBITDAR does not represent a property's net income or cash flow from operations and should not be considered an alternative to those indicators. The Company receives EBITDAR and other information from its operators/tenants and relevant guarantors and utilizes EBITDAR as a supplemental measure of their ability to generate sufficient liquidity to meet related obligations to the Company. All facility and tenant financial performance data is derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company and is presented one quarter in arrears. The Company includes EBITDAR with respect to a property if the property was operated at any time during the period presented subject to a lease with the Company. EBITDAR for facilities with new tenants/operators are only included in periods subsequent to the Company's acquisition of the facilities. EBITDAR excludes the impact of strategic disposition candidates, non-stabilized properties and facilities leased to RIDEA-compliant joint venture tenants.

EBITDAR Coverage. EBITDAR for the trailing 3 and 12 month periods prior to and including the period presented divided by the same period cash rent for all of our facilities. EBITDAR Coverage is a supplemental measure of an operator/tenant's ability to meet their cash rent and other obligations to the Company. However, its usefulness is limited by, among other things, the same factors that limit the usefulness of EBITDAR. All facility and tenant data are derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the Company and are only included for stabilized properties. All such data is presented one quarter in arrears and excludes the impact of strategic disposition candidates, non-stabilized properties and facilities leased to RIDEA-compliant joint venture tenants.

EBITDARM. Earnings before interest, taxes, depreciation, amortization, rent and management fees ("EBITDARM") for a particular facility accruing to the operator/tenant of the property (not the Company), for the period presented. The Company uses EBITDARM in determining EBITDARM Coverage. The usefulness of EBITDARM is limited by the same factors that limit the usefulness of EBITDAR. Together with EBITDAR, the Company utilizes EBITDARM to evaluate the core operations of the properties by eliminating management fees, which vary based on operator/tenant and its operating structure. All facility financial performance data is derived solely from information provided by operators/tenants and relevant guarantors without independent verification by the

Company. All such data is presented one quarter in arrears. The Company includes EBITDARM for a property if it was operated at any time during the period presented subject to a lease with the Company. EBITDARM for facilities with new tenants/operators are only included in periods subsequent to our acquisition of the facilities. EBITDARM excludes the impact of strategic disposition candidates, non-stabilized properties and facilities leased to RIDEA-compliant joint venture tenants.

Funds From Operations ("FFO") and Adjusted Funds from Operations ("AFFO"). The Company believes that net income attributable to common stockholders as defined by GAAP is the most appropriate earnings measure. The Company also believes that Funds From Operations, or FFO, as defined in accordance with the definition used by the National Association of Real Estate Investment Trusts ("NAREIT"), and Adjusted Funds from Operations, or AFFO (and related per share amounts) are important non-GAAP supplemental measures of the Company's operating performance. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a real estate investment trust that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for real estate investment trusts that excludes historical cost depreciation and amortization, among other items, from net income attributable to common stockholders, as defined by GAAP. FFO is defined as net income attributable to common stockholders, computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate depreciation and amortization and impairment charges. AFFO is defined as FFO excluding non-cash revenues (including, but not limited to, straight-line rental income adjustments and write-offs, non-cash interest income adjustments and amortization of debt premium), non-cash expenses (including, but not limited to, stock-based compensation expense, amortization of deferred financing costs and amortization of debt discounts) and acquisition pursuit costs. The Company believes that the use of FFO and AFFO (and the related per share amounts), combined with the required GAAP presentations, improves the understanding of the Company's operating results among investors and makes comparisons of operating results among real estate investment trusts more meaningful. The Company considers FFO and AFFO to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions, impairment charges and real estate depreciation and amortization, and, for AFFO, by excluding non-cash revenues (including, but not limited to, straight-line rental income adjustments and write-offs, non-cash interest income adjustments and amortization of debt premium), non-cash expenses (including, but not limited to, stock-based compensation expense, amortization of deferred financing costs and amortization of debt discounts) and acquisition pursuit costs, FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. While FFO and AFFO are relevant and widely used measures of operating performance of real estate investment trusts, they do not represent cash flows from operations or net income attributable to common stockholders as defined by GAAP and should not be considered

an alternative to those measures in evaluating the Company's liquidity or operating performance. FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor do they purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of FFO and AFFO may not be comparable to FFO and AFFO reported by other real estate investment trusts that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define AFFO differently than the Company.

Normalized FFO and AFFO. Normalized FFO represents FFO adjusted for certain income and expense items that the Company does not believe are indicative of its ongoing operating results. Normalized AFFO represents AFFO adjusted for one-time start-up costs and certain income and expense items that the Company does not believe are indicative of its ongoing operating results. The Company considers normalized FFO and AFFO to be a useful measure to evaluate the Company's operating results excluding start-up costs and non-recurring income and expenses. Normalized FFO and AFFO can help investors compare the operating performance of the Company between periods or as compared to other companies. Normalized FFO and AFFO do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating the Company's liquidity or operating performance. Normalized FFO and AFFO also do not consider the costs associated with capital expenditures related to the Company's real estate assets nor does it purport to be indicative of cash available to fund the Company's future cash requirements. Further, the Company's computation of normalized FFO and AFFO may not be comparable to normalized FFO and AFFO reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FFO and AFFO or normalized FFO and normalized AFFO differently from the Company.

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