

EMERITUS CORP\WA\  
Form 425  
February 21, 2014

Filed by Brookdale Senior Living Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Emeritus Corporation

(Commission File No. 001-14012)

On February 20, 2014, Brookdale and Emeritus issued the following presentation in connection with the merger between Brookdale and Emeritus:

Brookdale Merger with Emeritus Senior Living  
February 20, 2014

#### Forward-Looking Statements

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Certain items in this presentation and statements made by or on behalf of Brookdale Senior Living Inc. and Emeritus Corporation are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements are statements that are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "overestimate," "underestimate," "believe," "could," "would," "project," "predict," "continue," "plan" or other similar words or phrases. In any forward-looking statements are based on reasonable assumptions, we can give no assurance that our expectations will be realized or that those projected. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ from those projected in forward-looking statements include, but are not limited to, the risk associated with the current global economic situation and its impact on our business.

governmental reimbursement programs; our inability to extend (or refinance) debt (including our credit and letter of credit facilities); our inability to satisfy the conditions precedent to exercising the extension options associated with certain of our debt agreements; events which affect our monthly resident fees or entrance fees; the conditions of housing markets in certain geographic areas; our ability to generate sufficient long-term operating lease payments; the effect of our indebtedness and long-term operating leases on our liquidity; the risk of loss of our operating lease obligations; the possibilities that changes in the capital markets, including changes in interest rates and/or credit spreads, will be unfavorable or unavailable to us; our determination from time to time to purchase any shares under the repurchase program; our ability to fund our growth; our ability to maintain consistent quality control; delays in obtaining regulatory approvals; the risk that we may not be able to develop communities in accordance with our plans; our ability to complete acquisitions and integrate them into our operations; our ability to raise additional capital on terms acceptable to us; a decrease in the overall demand for senior housing; our vulnerability to economic downturns; early terminations of our resident agreements and vacancies in the living spaces we lease; early terminations or non-renewal of management personnel; increased union activity; departure of our key officers; increases in market interest rates; environmental contamination; changes in environmental laws; an adverse determination or resolution of complaints filed against us; the cost and difficulty of complying with the merger of Brookdale and Emeritus, including with respect to the satisfaction of closing conditions to the merger; unanticipated expenses; the risk that regulatory approvals required for the merger are not obtained or are obtained subject to conditions that are not anticipated; litigation relating to the merger; the impact of the transaction on the Company's relationships with residents, employees and other stakeholders; obtaining cost savings and synergies from the merger; as well as other risks detailed from time to time in our filings with the SEC, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We expressly disclaim any obligation to release publicly any information or statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances.

Additional Information

2

In connection with the merger, the Company plans to file with the SEC a Registration Statement on Form S-4 that will include as well as other relevant documents concerning the proposed transaction. THE COMPANY STOCKHOLDERS ARE URGED STATEMENT/PROSPECTUS REGARDING THE MERGER WHEN IT BECOMES AVAILABLE AND ANY OTHER RE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CO free copy of the joint proxy statement/prospectus and other filings containing information about the Company and Emeritus Co SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents, free of charge, from the Company at heading "About Brookdale/Investor Relations" or from Emeritus Corporation at [www.emeritus.com](http://www.emeritus.com) under the heading "Investo

The Company and Emeritus Corporation and their respective directors and executive officers may be deemed to be participants in the Company's and Emeritus Corporation's stockholders in connection with the merger. Information about the directors and executive officers and their ownership of Company common stock is set forth in the proxy statement for the Company's 2013 annual meeting of stockholders, as filed with the SEC on Schedule 14A on April 30, 2013. Information about the directors and executive officers of Emeritus Corporation and their ownership of common stock is set forth in the proxy statement for Emeritus Corporation's 2013 annual meeting of stockholders, as filed with the SEC on April 9, 2013. Additional information regarding the interests of those participants and other persons who may be deemed participants may be obtained by reading the joint proxy statement regarding the merger when it becomes available. Free copies of this document may be obtained by reading the preceding paragraph. This presentation shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act of 1933, as amended.

Transaction Overview

Exchange Ratio

Each share of ESC will be converted into 0.95 of a share of BKD

Ownership

73.1% BKD / 26.9% ESC

Shares Outstanding

Expect to have 171mm (approx.) shares outstanding following the merger

Expected Close

Expected to close in the third quarter of 2014

Brookdale Senior Living ( BKD ) is merging with Emeritus Corporation ( ESC ) in a 100% stock-for-stock transaction

3



Transaction Rationale

Value of Owned Real Estate

Value of owned real estate increases as EBITDA grows

Unlock up to \$350mm to \$400mm of embedded value in purchase options

Deploy capital in ESC assets ( Program Max 2.0 )

Revenue Synergies

Offer new

products/services to 100K residents with \$4.5bn of annual healthcare spend

Expansion

of  
existing  
products/services

drive  
up  
to  
\$100mm  
of  
synergies  
per  
year

#### Cost Synergies

Significant cost synergies resulting from greater scale

Expect to reduce operating expenses by up to \$45mm annually

1  
2  
3

Combined company will be largest senior living solutions platform  
in the U.S.

create significant shareholder value in evolving post-acute market

4  
(1)

Note: See reconciliations of Non-GAAP measures at the end of the presentation

Combined Company Overview

Merger creates the largest owner-operator of senior housing in the U.S with approximately 1,200 properties and 113,000 units

\$4.9bn

of

combined

revenues

in

2013

over  
80%  
from  
private  
pay  
sources  
Diversified Product Mix  
Diversified Operating Model  
Independent  
Living  
Managed  
Skilled Nursing  
Assisted  
Living  
Owned  
Leased  
Memory  
Care  
5  
(Properties)  
(% of Total)  
(Properties)  
(% of Total)  
59,026  
52%  
14,055  
12%  
34,449  
31%  
5,164  
5%  
38,442  
34%  
55,352  
49%  
18,900  
17%

Residents

Ability to share best practices across two leading care providers

Seamless transition with continuity of community associates

Expanded and better-coordinated services and programs

Associates

Shareholders

Better systems and best practices to support associates

More opportunities to enhance career planning, mobility & training

Strong national brand increases ability to recruit and retain talent

Substantial synergies and potential for upside drives value  
Improved brand and larger market cap. strengthens recognition  
Mix of owned, leased, and managed maximizes upside optionality  
6  
Merger Significantly Benefits All Stakeholders

Grow Real Estate Value

Underlying value of owned real estate increases through organic growth

Significant value embedded in post-merger purchase options

Up

to

\$350

\$400mm

of

embedded  
value,  
or  
\$2.00

\$2.30  
per  
share  
Achieve CFFO

(1)  
accretion by deploying capital in ESC assets ( Program Max 2.0 )

Every  
\$100mm  
of  
capital  
could  
drive  
+\$12

-  
\$15mm,  
or  
+\$0.04

-  
\$0.05  
CFFO  
per  
share

7  
(1)  
Cash  
From  
Facility  
Operations  
(CFFO)

-  
See  
reconciliations  
of  
Non-GAAP  
measures  
at  
the  
end  
of  
the  
presentation

(2)  
Assumes 7% EBITDA growth and 6.5% cap rate.  
(Incremental Value/Share)  
(EBITDA Growth \$mm)



Incremental  
Owned  
Real  
Estate  
Value/Share  
(2)  
Growth  
\$2.91  
\$6.02  
\$9.34  
\$32  
\$67  
\$104  
\$0  
\$20  
\$40  
\$60  
\$80  
\$100  
\$120  
\$0.00  
\$2.00  
\$4.00  
\$6.00  
\$8.00  
\$10.00  
Year 1  
Year 2  
Year 3

Merger strengthens BKD's national presence, supports rate and occupancy growth  
512  
new  
communities;  
6.5  
million  
people  
+80  
years

old  
now  
within  
10  
miles  
of  
a

community

Increases geographic presence to 330 markets in 46 states

Cost-effective ability to drive brand recognition for ESC properties

Leverage BKD's existing national TV & magazine campaign, which was initiated in 2013

Organic

Growth

Brand

Recognition

8

Brand Supports Leading Rate Growth

(1)

NIC Top 100, 2013.

1.0%

2.0%

3.0%

BKD

Industry

(Rate Growth %)

(1)

Revenue Synergies

Healthcare Delivery

A significant portion of healthcare spend occurs in the later years of life

Capture

part

of

\$4.5bn

of

healthcare

spend  
per  
year  
generated  
by  
100K  
residents  
Earning 1% of \$4.5bn would drive \$45mm of revenue  
9

An Integrated  
Post-Acute  
Care  
Spectrum  
(1)  
Senior Living  
Community Services  
Skilled Nursing  
Hospitalization  
Wellness  
Programs  
Geriatric  
Assessment  
Case/Disease  
Management  
Independent  
Living  
Assisted  
Living  
Home Health  
Care  
Palliative  
Care  
Hospice  
Inpatient  
Rehab  
Home Care  
Outpatient  
Therapies  
Current BKD Services  
Potential BKD Services  
(1) Source: The Advisory Board

#### Revenue Synergies

##### Track Record

BKD has a successful track record in capturing resident healthcare spend by offering new products and services, including home health and therapy

Expansion of existing home health and therapy services to ESC markets would generate \$100mm of revenue, or \$0.14 per share of accretion for year 3

##### Historical BKD Ancillary Results

##### Potential Impact of Rollout to ESC

(Revenue \$mm)

(Revenue \$mm)

10  
\$78  
\$103  
\$150  
\$190  
\$206  
\$225  
\$242  
\$0  
\$50  
\$100  
\$150  
\$200  
\$250  
2007  
2008  
2009  
2010  
2011  
2012  
2013  
\$38  
\$63  
\$88  
\$101  
\$0  
\$20  
\$40  
\$60  
\$80  
\$100  
\$120  
2014P  
2015P  
2016P  
2017P

Cost Synergies

Combined company is expected to benefit from scale

Up to \$45mm of G&A and property level operating expense synergies

Nationwide Presence

Estimated Cost Savings

G&A

\$25mm

Property Level OpEx

\$20mm



Total  
\$45mm  
Per Share  
\$0.26  
11

Financial Impact

(1)

Based on 2013 Brookdale and Emeritus public reporting, excludes synergies.

(2)

Note: See reconciliations of Non-GAAP measures at the end of the presentation

Revenues

\$4.9bn

Adj. EBITDA

\$867mm

CFFO

\$401mm

Net Debt to EBITDA

(1)

Strong balance sheet available to capitalize on real estate opportunities

Post-merger leverage consistent with historical levels and BKD target

Pro Forma Acq. Summary

(1)

12

5.6x

6.2x

6.0x

0.0x

2.0x

4.0x

6.0x

8.0x

10.0x

Pre

Acquisition

Post

Acquisition

Target

Transaction Rationale

Value of Owned Real Estate

Value of owned real estate increases as EBITDA grows

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of  
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Significant cost synergies resulting from greater scale

Expect to reduce operating expenses by up to \$45mm annually

Combined company will be largest senior living solutions platform  
in the U.S.

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13

(1)

Note: See reconciliations of Non-GAAP measures at the end of the presentation

1

2

3

Potential for Merger to Drive Upside

Management

Base

Case

Year

3

Accretion

G&A

\$0.14

Property Level OpEx

\$0.12

New Ancillary Services

\$0.14

Total CFFO/Share Accretion

\$0.40

Levered for Potential Upside

Value of purchase options

Program Max 2.0 at ESC properties

Implement innovative products/services

to

capture

residents

healthcare

spend

Additional synergies and cost savings

14

(1)

Note: See reconciliations of Non-GAAP measures at the end of the presentation

Roadmap to Closing

1.  
Customary regulatory and lender approvals
2.  
BKD and ESC shareholder approvals
3.  
Closing expected in the third quarter of 2014

15



#### Brookdale Non-GAAP Financial Measure Definitions

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##### Adjusted EBITDA

Adjusted EBITDA is a measure of operating performance that is not calculated in accordance with U.S. generally accepted accounting principles ( GAAP ). Adjusted EBITDA should not be considered in isolation or as 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) expense items, (gain) loss on sale or acquisition of communities (including gain (loss) on facility lease termination), depreciation and amortization (including non-cash impairment charges), straight-line lease expense (income), amortization of deferred gain, amortization of deferred entrance fees, non-cash stock-based compensation expense, and change in future service obligation and including entrance fee receipts and refunds (excluding (i) first generation entrance fee receipts from the sale of units at a recently opened entrance fee CCRC prior to stabilization and (ii) first generation entrance fee refunds not replaced by second generation entrance fee receipts at the recently opened community prior to stabilization).

#### Cash From Facility Operations

Cash From Facility Operations (CFFO) is a measurement of liquidity that is not calculated in accordance with GAAP and should not be considered in isolation as a substitute for cash flows provided by or used in operations, as determined in accordance with GAAP. We define CFFO as net cash provided by (used in) operating activities adjusted for changes in operating assets and liabilities, deferred interest and fees added to principal, refundable entrance fees received, first generation entrance fee receipts at a recently opened entrance fee CCRC prior to stabilization, entrance fee refunds disbursed adjusted for first generation entrance fee refunds not replaced by second generation entrance fee receipts at the recently opened community prior to stabilization, lease financing debt amortization with fair market value or no purchase options, gain (loss) on facility lease termination, recurring capital expenditures (net), distributions from unconsolidated ventures from cumulative share of net earnings, CFFO from unconsolidated ventures, and other. Recurring capital expenditures include routine expenditures capitalized in accordance with GAAP that are funded from current operations. Amounts excluded from recurring capital expenditures consist primarily of major projects, renovations, community repositionings, expansions, systems projects or other non-recurring or unusual capital items (including integration capital expenditures) or community purchases that are funded using lease or financing proceeds, available cash and/or proceeds from the sale of communities that are held for sale.

Brookdale Adjusted EBITDA Reconciliation

The  
table  
below  
reconciles  
Adjusted  
EBITDA  
from  
net

loss  
for  
the  
three  
months  
and  
years  
ended  
December  
31,  
2013  
and

2012 (*in thousands*):

(1) The calculation of Adjusted EBITDA includes integration, transaction-related and EMR roll-out costs of \$4.1 million and \$14.5 million for the three months and year ended December 31, 2013, respectively. The calculation of Adjusted EBITDA includes integration, transaction-related and EMR roll-out costs of \$7.2 million and \$23.5 million for the three months and year ended December 31, 2012, respectively.

(2) Includes the receipt of refundable and non-refundable entrance fees.

17  
2013  
2012  
2013  
2012  
Net loss  
(975)  
\$  
(24,692)  
\$  
(3,584)  
\$  
(66,467)  
\$  
(Benefit) provision for income taxes

(1,516)  
 (1,040)  
 1,756  
 1,519  
 Equity in (earnings) loss of unconsolidated ventures  
 (493)  
 3,277  
 (1,484)  
 3,488  
 Loss on extinguishment of debt  
 319  
 -  
 1,265  
 221  
 Other non-operating income  
 (1,360)  
 (201)  
 (2,725)  
 (593)  
 Interest expense:  
 Debt  
 24,840  
 24,492  
 96,131  
 98,183  
 Capitalized lease obligation  
 6,029  
 7,103  
 25,194  
 30,155  
 Amortization of deferred financing costs and debt discount  
 4,037  
 4,479  
 17,054  
 18,081  
 Change in fair value of derivatives and amortization  
 (386)  
 (7)  
 (980)  
 364  
 Interest income  
 (312)  
 (1,792)  
 (1,339)  
 (4,012)  
 Income from operations  
 30,183  
 11,619  
 131,288  
 80,939

Gain on facility lease termination

-  
(8,804)

-  
(11,584)

Loss on acquisition

-  
-  
-  
636

Depreciation and amortization

68,200  
62,500  
268,757  
252,281

Asset impairment

10,233  
19,348  
12,891  
27,677

Straight-line lease expense

347  
1,344  
2,597  
6,668

Amortization of deferred gain

(1,093)  
(1,093)  
(4,372)  
(4,372)

Amortization of entrance fees

(7,831)  
(6,527)  
(29,009)  
(25,362)

Non-cash stock-based compensation expense

5,202  
6,335  
25,978  
25,520

Change in future service obligation

(1,917)  
2,188  
(1,917)  
2,188

Entrance

fee  
receipts  
(2)  
32,482

22,890  
92,331  
82,705  
Entrance fee disbursements  
(10,821)  
(7,801)  
(35,325)  
(27,356)  
Adjusted EBITDA  
124,985  
\$  
101,999  
\$  
463,219  
\$  
409,940  
\$  
Three  
Months  
Ended  
December  
31  
(1)  
,  
Years  
Ended  
December  
31  
(1)  
,

Brookdale Cash From Facility Operations Reconciliation

18

2013

2012

2013

2012

Net cash provided by operating activities

117,046

\$



82,991

\$

366,121

\$

290,969

\$

Changes in operating assets and liabilities

(27,473)

(14,772)

(33,198)

(20,698)

18,875

13,088

48,140

42,600

Entrance fee refunds disbursed

(10,821)

(7,801)

(35,325)

(27,356)

Recurring capital expenditures, net

(10,786)

(10,168)

(42,901)

(38,306)

Lease financing debt amortization with fair market value or no purchase options

(3,594)

(3,132)

(13,927)

(12,120)

(602)

(72)

(2,691)

(1,507)

CFFO from unconsolidated ventures

1,825

1,279

7,804

5,376

Cash From Facility Operations

84,470

\$

61,413

\$

294,023

\$

238,958

\$

The table below reconciles CFFO from net cash provided by operating activities for the three months and years ended December 31, 2011 and 2012 (*in thousands*):

(1) The calculation of Cash From Facility Operations includes integration, transaction-related and EMR roll-out costs of \$4.1 million and \$14.5 million for the three months and year ended December 31, 2013, respectively. The calculation of Cash From Facility Operations includes integration, transaction-related and EMR roll-out costs of \$7.2 million and \$23.5 million for the three months and year ended December 31, 2012, respectively.

(2) Total entrance fee receipts for the three months ended December 31, 2013 and 2012 were \$32.5 million and \$22.9 million, respectively, including \$13.6 million and \$9.8 million, respectively, of non-refundable entrance fee receipts included in net cash provided by operating activities. Total entrance fee receipts for the years ended December 31, 2013 and 2012 were \$92.3 million and \$82.7 million, respectively, including \$44.2 million and \$40.1 million, respectively, of non-refundable entrance fee receipts included in net cash provided by operating activities.

Refundable  
entrance  
fees  
received

(2)  
Three  
Months  
Ended  
December  
31

(1)  
,  
Years  
Ended  
December  
31

(1)  
,  
Distributions from unconsolidated ventures from cumulative share of net earnings

**Emeritus Non-GAAP Financial Measure Definitions**

Adjusted EBITDA/EBITDAR and CFFO are financial measures of operating performance that are not calculated in accordance with U.S. generally accepted

accounting  
principles  
( GAAP ).

The  
Company  
believes that these non-GAAP measures are useful in identifying trends in day-to-day performance  
because  
they  
exclude  
items  
that  
are  
of  
little  
or  
no  
significance  
to  
operations  
and  
provide  
indicators  
to  
management  
of  
progress  
in  
achieving  
optimal  
operating  
performance.

In  
addition,  
these  
measures  
are  
used by many research analysts and investors to evaluate the performance and the value of companies  
in the senior living industry.

The Company strongly urges you to review the reconciliation of net loss to  
Adjusted EBITDA/EBITDAR and the reconciliation of net cash provided by operating activities to CFFO,  
provided below, along with the Company's consolidated balance sheets, statements of operations, and  
statements of cash flows.

The Company defines Adjusted EBITDA/EBITDAR and CFFO and provides  
other information about these non-GAAP measures in the Company's Annual Report on Form 10-K for  
the  
year  
ended  
December  
31,  
2013,

to  
be  
filed  
with  
the  
SEC.  
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Emeritus Adjusted EBITDA/EBITDAR Reconciliation

The  
table  
below  
shows  
the  
reconciliation  
of  
net

loss  
 to  
 Adjusted  
 EBITDA/EBITDAR  
 for  
 the  
 three  
 months  
 and  
 year  
 ended  
 December  
 31, 2013 and 2012 (in thousands):  
 20  
 Three Months Ended  
 Year Ended  
 December 31,  
 December 31,  
 2013  
 2012  
 2013  
 2012  
 Net loss  
 \$  
 (49,059)  
 \$  
 (27,525)  
 \$  
 (152,970)  
 \$  
 (85,075)  
 Depreciation and amortization  
 45,869  
 42,605  
 181,483  
 140,629  
 Interest income  
 (116)  
 (105)  
 (462)  
 (408)  
 Interest expense  
 71,659  
 60,862  
 287,389  
 176,945  
 Net equity losses for unconsolidated joint ventures  
 32  
 76  
 125

576  
 Income tax (benefit) provision  
 (1,480)  
 (2,078)  
 639  
 (1,158)  
 Loss from discontinued operations  
 5,878  
  
 11,100  
 7,705  
 Amortization of above/below market rents  
 1,230  
 1,309  
 4,930  
 6,299  
 Amortization of deferred gains  
 (230)  
 (264)  
 (957)  
 (1,046)  
 Loss on early extinguishment of debt  
 207  
 53  
 204  
 186  
 Stock-based compensation  
 4,154  
 2,727  
 14,505  
 11,046  
 Change in fair value of derivative financial  
 instruments  
 83  
 29  
 6  
 948  
 Deferred revenue  
 (30)  
 (620)  
 2,605  
 (1,375)  
 Deferred straight-line rent  
 3,419  
 2,859  
 4,788  
 6,080  
 Impairment of long-lived assets  
 8,227



8,227

2,135

Transaction and financing costs

3,904

3,284

5,737

5,923

Transition costs

1,142

2,189

Self-insurance reserve adjustments, prior years

5,952

3,560

19,376

5,996

Adjusted EBITDA

100,841

86,772

388,914

275,406

Lease expense

45,157

29,446

142,498

114,382

Adjusted EBITDAR

\$

145,998

\$

116,218

\$

531,412

\$

389,788

**Emeritus Cash From Facility Operations Reconciliation**

The following table shows the reconciliation of net cash provided by operating activities to CFFO and Adjusted CFFO (in thousands)

	Three Months Ended	Year Ended
	December 31,	December 31,
	2013	2012

2013	
2012	
Net cash provided by operating activities	
\$	
4,348	
\$	
5,937	
\$	
98,189	
\$	
116,558	
Changes in operating assets and liabilities, net	
25,002	
17,005	
20,092	
(14,735)	
Repayment of capital lease and financing obligations	
(7,664)	
(5,432)	
(27,146)	
(17,882)	
Recurring capital expenditures	
(7,780)	
(9,303)	
(26,473)	
(23,947)	
Distributions from unconsolidated joint ventures (a)	
1	
161	
472	
1,177	
Cash From Facility Operations	
13,907	
8,368	
65,134	
61,171	
Transaction costs	
3,904	
3,030	
5,737	
5,510	
Transition costs	
1,142	
2,189	
Self-insurance reserve adjustments, prior years	
5,952	
3,560	
19,376	

5,996

Unusual income tax items (b)

3,048

3,048

Adjusted Cash From Facility Operations

\$

24,905

\$

18,006

\$

92,436

\$

75,725

CFFO per share

\$

0.30

\$

0.19

\$

1.40

\$

1.37

Adjusted CFFO per share

\$

0.53

\$

0.40

\$

1.99

\$

1.69

(a) Excludes distributions resulting from the Blackstone JV transaction, the sale of communities and refinancing of debt.

(b) Consists of state tax expense related to the taxable gain on the Blackstone JV transaction.