



B R O O K D A L E
SENIOR LIVING

BROOKDALE SENIOR LIVING INC.

Corporate Headquarters • 330 North Wabash, Suite 1400, Chicago, IL 60611 • (312) 977-3700

www.brookdaleliving.com



B R O O K D A L E S E N I O R L I V I N G



FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

As of and for the year ended
December 31, 2006

Selected Operating Data

Total revenue	\$ 1,309,913
Facility operating expense	819,801
General and administrative (including non-cash compensation expense of \$26,612)	117,897
Facility lease expense	228,779
Depreciation and amortization.....	188,129
Loss from operations	(44,693)
Net loss	\$ (108,087)
Net loss per share of common stock, basic and diluted	\$ (1.34)
Adjusted EBITDA ⁽¹⁾	\$ 200,621
Cash from Facility Operations ⁽²⁾	\$ 90,902
Cash from Facility Operations per outstanding common share at December 31, 2006	\$ 0.91
Facility Operating Income ⁽³⁾	\$ 476,346

Selected Balance Sheet Data

Property, plant and equipment and leasehold intangibles, net	\$ 3,658,788
Cash and cash equivalents.....	\$ 68,034
Total assets.....	\$ 4,742,455
Long-term debt obligations	\$ 1,709,843
Stockholders' equity.....	\$ 1,764,012
Common shares outstanding.....	101,261

Stock Performance Data

Closing share price on December 29, 2006	\$ 48.00
Closing share price on December 30, 2005	\$ 29.81
Dividends declared for the year ended December 31, 2006	\$ 1.55
Dividend declared for the quarter ended December 31, 2006, annualized.....	\$ 1.80
Dividend yield ⁽⁴⁾	\$ 3.75%

(1) 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 (loss) items, depreciation and amortization, straight-line lease expense (income), amortization of deferred gain, amortization of deferred entrance fees, and non-cash compensation expense and including entrance fee receipts and refunds.

(2) Cash From Facility Operations 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 Cash From Facility Operations as cash flows provided by (used in) operations adjusted for changes in operating assets and liabilities, refundable entrance fees received, entrance fee refunds disbursed, other and recurring capital expenditures. Recurring capital expenditures include expenditures capitalized in accordance with GAAP that are funded from Cash From Facility Operations. Amounts excluded from recurring capital expenditures consist primarily of unusual or non-recurring capital items, facility purchases and/or major renovations that are funded using financing proceeds and/or proceeds from the sale of facilities.

(3) Facility Operating Income is not a measurement of operating performance calculated in accordance with GAAP and should not be considered in isolation as a substitute for net income, income from operations, or cash flows provided by or used in operations, as determined in accordance with GAAP. We define Facility Operating Income as net income (loss) before provision (benefit) for income taxes, non-operating income (loss) items, depreciation and amortization, facility lease expense, general and administrative expense, including compensation expense, amortization of deferred entrance fee revenue and management fees.

(4) Based on quarter ended December 31, 2006 dividend, annualized, and on December 29, 2006 closing price.

Note: See enclosed Form 10-K for non-GAAP reconciliations.

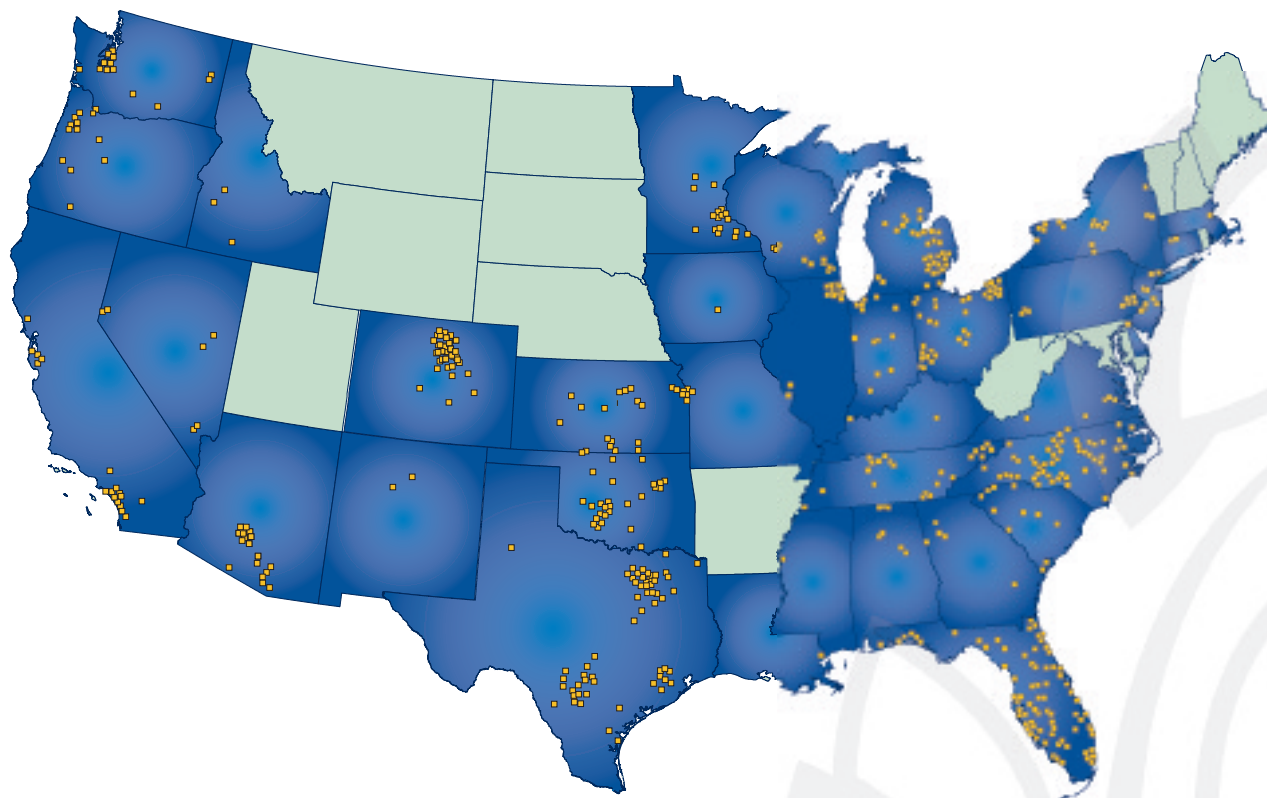


WELCOME TO BROOKDALE SENIOR LIVING

Brookdale Senior Living is the largest owner/operator of senior living communities in the United States and a leading provider of related services throughout the country. We are constantly innovating and evaluating new methods for delivering better services and healthier, more comfortable lifestyles for those who choose our communities as their home.

With extensive experience in hospitality, marketing, health care, finance and real estate, our associates provide a depth of expertise and management that is unparalleled in the industry. Brookdale's products, services and capabilities generate high occupancy, superior growth and strong financial performance with attractive returns for our shareholders.

BROOKDALE OPERATES 549 COMMUNITIES IN 35 STATES*



**Community total is as of April 2007.*



TO OUR SHAREHOLDERS



*Bill Sheriff and Mark Schulte
Co-Chief Executive Officers*

2006 was a year of transformation for Brookdale Senior Living; we doubled our size, added new products and services and integrated multiple companies into the largest senior living provider in the United States. Our strategy of achieving growth internally through revenue expansion and operational improvements and externally as an industry consolidator was proven out through rising cash flow and increasing dividends.

During 2006, Brookdale purchased or committed to purchase \$3.3 billion in senior living assets, including the acquisition of American Retirement Corporation (“ARC”). These acquisitions represent 206 communities with approximately 25,000 units/beds. Since our Initial Public Offering in November of 2005, the Company has purchased or committed to purchase approximately \$3.6 billion of assets, representing \$1.6 billion of equity investment in 222 facilities and 27,500 units/beds.

Rewarding Stakeholders

We think the year 2006 can best be framed by one of our Cornerstones (found on the inside back cover of this report): “Provide meaningful rewards for residents, associates and shareholders.” Let’s take a look at each of those stakeholders:

- Our Residents - 2006 was a year of tremendous growth for Brookdale, and we took the opportunity to expand and enhance the spectrum of service offerings to our residents. In July of 2006, through the ARC acquisition we obtained a leading platform for ancillary services such as therapy and home care, providing more of our residents with these services to enhance their health and well being. We also made a large commitment to resident-focused programs, such as Optimum Life and Celebrations, which strive to improve every aspect of our residents’ lives.
- Our Associates - Brookdale welcomed thousands of new associates during 2006, people that share our passion and commitment to Brookdale’s Mission and Cornerstones. Our growth opened new career path opportunities for numerous Brookdale associates, who saw their hard work, creativity and talent rewarded with additional responsibilities and promotions.
- Our Shareholders - During 2006, Brookdale’s stock price rose 56%, and we paid dividends of \$1.55 per share, strong results for any business. Our current dividend of \$1.80 (annualized) represents an 80% increase from the \$1.00 (annualized) per share dividend at the time of the IPO in November of 2005. Paying dividends is a critical component of our business strategy. We believe that paying

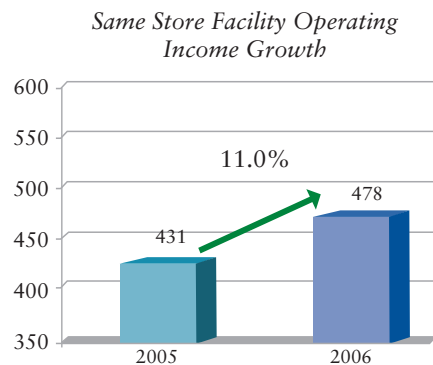
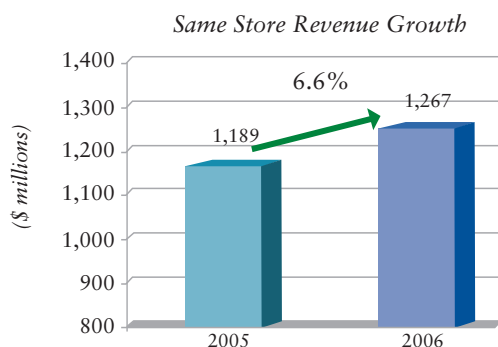
out substantially all of the cash flow we generate not only provides shareholders with greater transparency to Brookdale's financial status, but also imposes good financial discipline on management.

We are pleased with the results of undertaking the biggest challenge of 2006: integrating multiple companies and a large number of communities into Brookdale. Given the level of activity during the year, we took a very deliberate approach to integrating newly acquired communities that allowed us to focus on creating a platform built on best practices and systems. We also made great progress in realizing cost synergies. Using our purchasing power, we produced savings without compromising quality or service.

Brookdale's Growth Strategy

We expect that in 2007 Brookdale will continue to grow, and we expect that growth to come from four areas:

- Organic Growth - We realized same store revenue growth of nearly 7% and double digit growth of 11% in same-store Facility Operating Income over the last year. We expect to continue that trend with continued rate growth, increasing synergies and operating efficiencies, improved performance in some of the communities we acquired over the last 12 months as well as occupancy increases in certain communities.
- Ancillary Services - We expect to grow our revenues by expanding the therapy, home health and other ancillary services we deliver through our Innovative Senior Care ("ISC") program to more of our communities. During the last quarter of 2006, we expanded ISC to cover 4,000 additional units, with plans to reach at least 8,000 more units in each of the next two years. By expanding these services to additional Brookdale communities, we are capturing revenue that, in some cases, is currently going to third party providers while delivering a higher level of service to our residents.





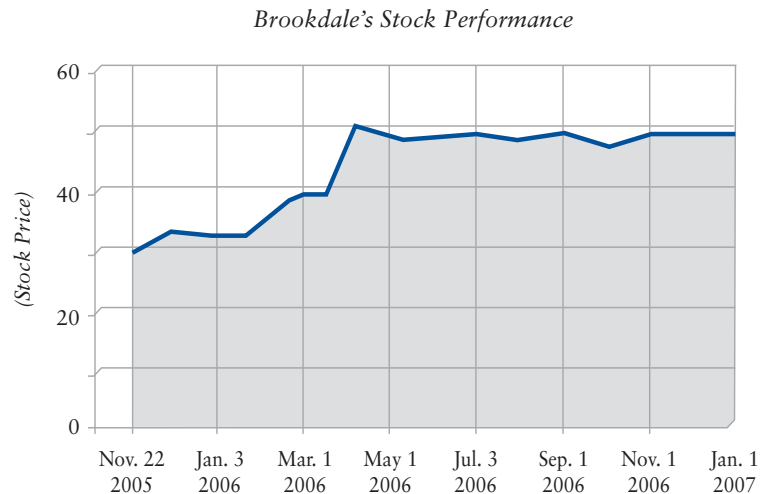
- Acquisitions - We plan to continue to take advantage of the fragmented senior living sector through selectively accretive acquisitions. In 2007, we have already closed on two transactions. Our acquisition strategy will continue to focus primarily on communities where we can improve service delivery, occupancy rates and cash flow or accretively acquire the ownership interest of communities we currently lease or manage.
- Expansion of existing communities - We have currently identified more than 60 of our communities with stabilized occupancies and excess demand in their particular markets which will benefit from increasing capacity, as well as adding levels of service for residents. We expect to begin developing these initial projects over the next three years.

Serving Our Constituencies

With the accomplishments of 2006 serving as the groundwork for the future, we are excited by our outlook for 2007. We have a number of initiatives underway to assure we continue to “provide meaningful rewards” to all of our constituencies:

- The coming year will bring more growth for Brookdale, not only through organic growth and acquisitions, but also through expansions of some of our existing communities.
- We will continue to focus on making Brookdale the premier company in senior living and building a powerful brand in this emerging industry. We will continue to enhance our programs, from associate training to Optimum Life to bringing more health-oriented programs into our communities.
- We will aggressively roll out our ancillary services program (ISC) throughout our portfolio. Brookdale’s ancillary service offerings and infrastructure are unique to the senior living industry. Working with our site operations teams, ISC takes a proactive approach to resident case management, anticipating problems and providing solutions to keep each resident well. During the short period of time that we had this capability within Brookdale, we made great strides in expanding the ISC platform, even going beyond therapy and wellness to include licensed home health care.

- Our investments in information technology will continue throughout 2007, as we integrate our systems and operations, while building the platform needed to accommodate Brookdale's growth and maintain our leadership position in the senior living sector. The systems that gather, collect and report data that help us market our communities, operate, purchase and account for everything that goes on at Brookdale comprise the backbone of our operations.



Note: Brookdale's IPO was on November 22, 2005, at \$19 per share, closing at 26.6 per share.

Committed to Our Mission

We have high expectations for ourselves for 2007, and feel confident that we can achieve them. In the longer term, we believe we have a unique opportunity to “re-invent” senior living, by expanding or enhancing all of our programs and service offerings, by improving the underlying systems and operational effectiveness, and by maintaining state of the art facilities. In other words, by finding more and better ways to fulfill our mission: “Enriching the lives of those we serve.”

Thanks to you, our shareholders, and to our dedicated and talented team of over 30,000 associates across the country for your continued commitment to Brookdale Senior Living. We have many residents and associates who are also shareholders, and we are proud to have those we serve also be investors in Brookdale. We look forward to sharing our 2007 results at this time next year.

Sincerely

W. E. Sheriff

Mark J. Schulte



SERVING A GROWING MARKETPLACE



The country's senior population is the fastest growing and wealthiest demographic segment. Seniors are also living longer and, as they age, their need for assistance grows. Brookdale is in a unique position to meet the diverse needs of our target market with outstanding senior living environments and an array of services. To better serve our residents, we constantly innovate, test and implement new concepts designed to improve their quality of life, their wellness and their sense of fulfillment.

Brookdale communities provide comfortable environments in which all residents have opportunities to improve their lifestyles and to gain and maintain strong social connections. By combining attractive physical features with exceptional amenities, programs, and services our residents have the freedom to enjoy life with any support they may need — and with lifestyle and care accommodations, should their needs change.

Consumer awareness and acceptance of senior living alternatives have risen dramatically in recent years, along with the ability to afford these lifestyles. As seniors and their families become increasingly familiar with Brookdale's high quality standards, and as demand for senior living continues to grow, our communities provide affordable and practical choices for a large segment of the senior population.

Comfort, service, satisfaction and fulfillment: these are the reasons why Brookdale communities are destinations of choice for those seeking exceptional senior living.



BROOKDALE'S GROWTH STRATEGY

Brookdale's four-pronged growth strategy will drive our business growth and scope in the near-term future:

- Organic growth from increasing revenues and Facility Operating Income;
- Increased revenues and cash flow from delivery of ancillary services to residents;
- External growth through a disciplined acquisition program and further consolidation of the senior living sector;
- Longer-term growth from expansions of our existing communities.

The substantial size of our operations also enables Brookdale to pursue added value through centralized procurement programs and economies of scale that cannot be generated by smaller providers.





PROVIDING A FULL RANGE OF CARE AND LIFESTYLE CHOICES



Independent Living

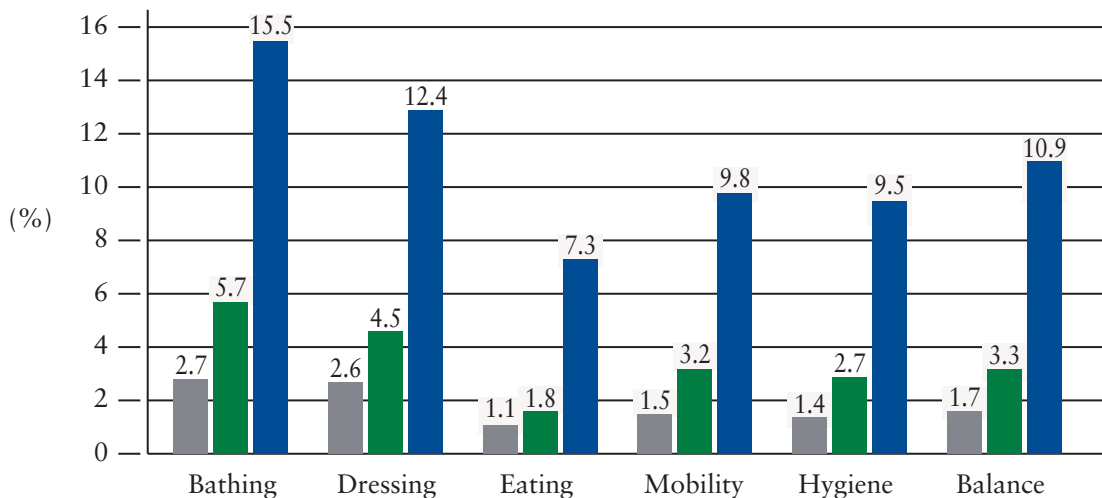
We provide our residents in our independent living communities with spacious apartments, dining services, housekeeping, transportation, activities and emergency call response. Without the burdens of home ownership our residents have opportunities for socialization and participation not available to those who live alone – and they lead active lifestyles both within and outside the communities. At the close of 2006, Brookdale operated 13,157 independent living units located in major metropolitan urban centers such as New York City, Chicago and Denver, as well as in suburban and mid-sized cities.



Assisted Living

Brookdale operates freestanding assisted living communities containing 21,913 units as of December 31, 2006. Typically smaller buildings averaging 50 units, these communities provide special housing and care options for those who require assistance with the activities of daily living, such as dressing, bathing and medication administration. Our assisted living communities offer graduated care levels based upon residents' individual needs and as determined by our continual assessment process, allowing residents and their families to pay for only the services they need when they need them.

Percentage of senior population who need assistance with activities of daily living



Source: University of Michigan; National Center for Health Statistics/National Center on Aging

■ 65 - 74 ■ 75 - 84 ■ 85+



Dementia Care

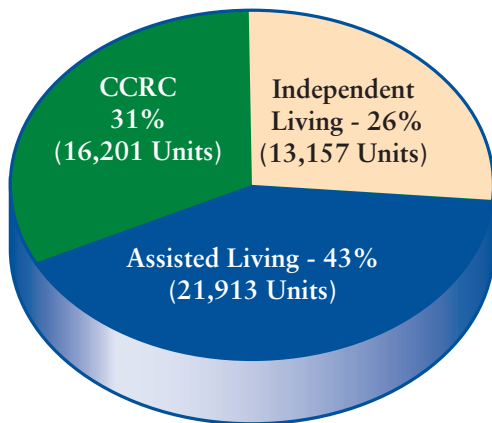
Brookdale is one of the leading providers of dementia care in the United States through our Clare Bridge communities and programs. At the end of 2006 our Clare Bridge communities contained 5,408 units throughout the country. Brookdale’s purpose-built dementia care communities are designed with features to help stimulate recognition, recall and wellness in safe and secure environments. Our staff of trained professionals oversees innovative special care and activities for those with dementia and particularly Alzheimer’s disease. It is estimated that more than six million people in the U.S. suffer from Alzheimer’s disease and other forms of dementia.



Continuing Care Retirement Communities (“CCRC”)

Our CCRCs may be either rental or entry-fee based and offer comfort, care and the security of knowing the precise location and cost of care whenever it is needed. Although independent living is the predominant lifestyle component, CCRCs also offer multiple levels of care, such as assisted living, skilled nursing and dementia care enabling residents to age in place without ever having to relocate due to subsequent health issues. In 2006, Brookdale operated 31 of these large, campus-type communities containing a total of 16,201 units.

Brookdale’s Product Mix by Capacity
Total Units: 51,271



Brookdale realizes benefits where the company operates multiple product types in some of the wealthiest and most demographically desirable metropolitan areas of the country. Through selective acquisition, the Company hopes to further this market clustering strategy over the next several years.



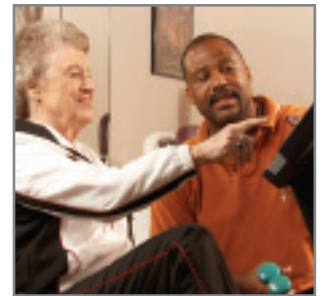
DELIVERING ADDED VALUE WITH ANCILLARY SERVICES



Brookdale residents want access to reliable wellness services delivered in a familiar atmosphere by a provider they know and trust. Brookdale provides a variety of health and wellness offerings and ancillary services that add value to our residents' lives, as well as enhancing the marketability of our communities. These services also represent distinct marketing advantages in a business environment that has become increasingly competitive.



Innovative Senior Care by Brookdale ("ISC") is a fully-integrated organization within our company that emphasizes proactive intervention as a means of minimizing the need for reactive care. We employ more than 1,000 professional therapists in on-site clinics within our communities. Designed to help residents enhance or regain their independence, ISC integrates both proactive and reactive services to improve their health and fitness with comprehensive rehabilitation, exercise and education programs. These programs include Medicare-certified, outpatient physical, occupational and speech therapy. ISC professionals help our residents to be safer, more mobile, healthier and more vibrant as they age.





Brookdale residents often need intermittent skilled nursing, therapy or other care services to improve or maintain their current level of health, yet desire to remain in their own apartments. Innovative Senior Care



by Brookdale also offers licensed home care services for residents who require personalized assistance on either a short- or long-term basis. With orders from a licensed physician, ISC professionals can provide a full range of our care, including skilled nursing services, physical therapy, occupational therapy, speech therapy and home health aides.



Delivered in the home by Innovative Senior Care professionals, these services include the full range of therapies and episodic nursing care, as well as help with the activities of daily living that are typically available in assisted living environments. Home Health services are both clinically effective and cost efficient – and because they are provided in the patient’s own residence they are convenient for those who receive them. Among Brookdale’s recent acquisitions, we acquired a Home Health Agency in Florida and we expect to significantly grow our home health business in the future.





IMPROVING LIFE QUALITY WITH SIGNATURE PROGRAMS



Choosing a senior living community represents a lifestyle choice on the part of the resident and their family members. Those who choose a Brookdale community understand that they are purchasing much more than a comfortable living environment to call home. In fact, they have made a conscious lifestyle decision to choose a community designed to deliver enhanced opportunities for pursuing health and life fulfillment through our signature programs.



Optimum Life is a company-wide initiative and an all-encompassing way of life that touches residents, their families and our associates. A natural extension of our culture of gracious living, Optimum Life is intended as a journey of self examination and discovery. It includes a comprehensive package of services, features and benefits that allow each resident to pursue their peak level of health, wholeness and fulfillment possible, whatever their real or perceived limitations may be. Optimum Life provides guidance and helps residents to balance their lives in six key dimensions of wellness: emotional, intellectual, physical, social, spiritual and purposeful.





We encourage our residents to celebrate life each day. Inspired dining, vibrant lifestyle activities and our marketing efforts come together in our Celebrations program, which fills each month with themed experiences, special events and group activities that spotlight different cultures and cuisines. Each year begins a brand new Celebrations theme and program that brings together exquisite flavors, well conceived activities planning and residents in a common venue of camaraderie. This program provides joy and sensory fulfillment as it educates, entertains and delights our residents – and it is consistent in all of our Brookdale locations.



Dining is a daily special event for each and every resident. Brookdale has made substantial investments in culinary systems, staffing and training that enable us to provide mealtime experiences which set our company apart from our competition.

In 2007, our dining services staff will serve more than 50 million meals from Brookdale kitchens, more than a number of publicly-traded restaurant companies. From our culinary arts training programs for chefs, to our Select Seasonings and Bakery programs, Brookdale has created one of the industry's leading dining services organizations. We continue to enhance and fine tune these services to satisfy the preferences, nutritional needs and dietary requirements of our residents, along with dining choices that offer mealtime fulfillment.





ANTICIPATING THE COMING MARKETPLACE

Senior living community occupancy rates are increasing steadily as available inventory in existing communities shrinks. As waiting lists grow longer, the value of well located, high quality communities will continue to accelerate. At the same time, the industry is on the cusp of the fabled “baby boom” generation’s coming of retirement age. This presents a new wave of customers with both the propensity and the resources for enjoying retirement living and the service levels and amenities that Brookdale communities offer.

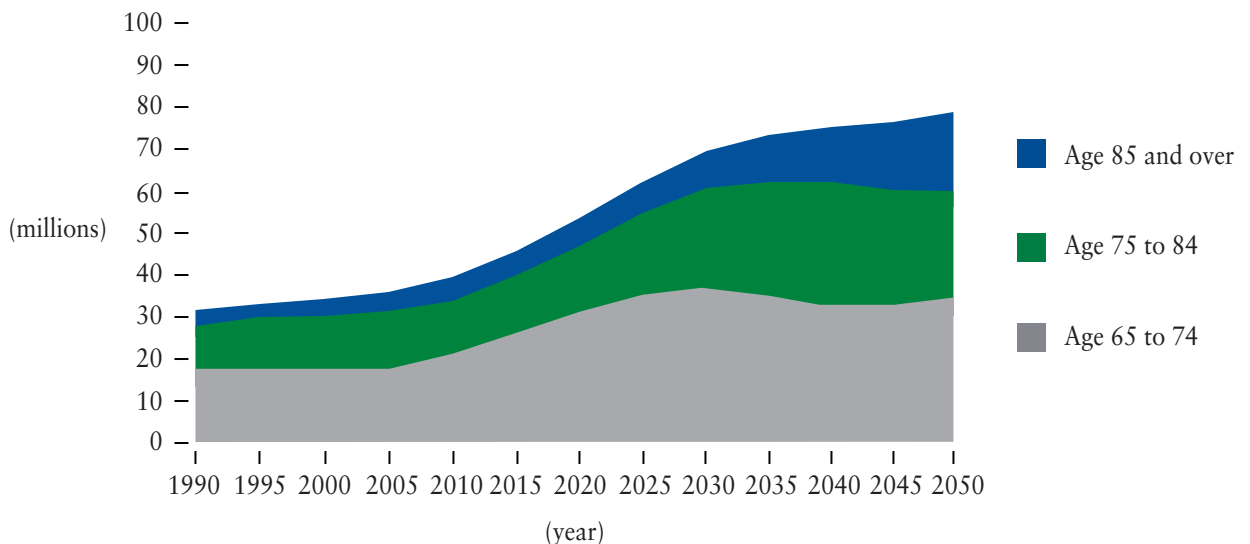


Brookdale is uniquely positioned to benefit from the growing marketplace for senior living and the new opportunities it will hold. With vision, commitment and keen attention to detail in providing healthy living, wellness services and lifestyle choices, Brookdale has experienced dramatic growth. Our continuing quest for quality within a resident-centered operating philosophy presents Brookdale Senior Living as the recognized national brand of choice.



For Brookdale shareholders, all this means favorable opportunities to increase the return on their investment. For our company and associates, it means greater opportunities for growth. And for our residents, it assures superb environments of comfort, security and care all the days of their lives.

U.S. Population of persons age 65 and over: 1990 to 2050



Source: U.S. Department of Commerce

CORPORATE DATA

Corporate Office

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Transfer Agent

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800.937.5449

Stock Listing

NYSE: BKD

Investor Relations Contact

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Brentwood, TN 37027
615.376.2412
rroadman@arclp.com

Independent Auditors

Ernst & Young LLP
233 S. Wacker Drive
Chicago, IL 60606

2006 Annual Meeting

June 5, 2007 • 11:00 a.m. CDT
Renaissance Chicago Hotel
One W. Wacker Drive
Chicago, IL 60601
312.372.7200

Governance & Certifications

The corporate governance principles, code of business conduct, the charters of the principal board committees and other governance information can be accessed through the Investors Relations portion of our website, www.brookdaleliving.com.

Certifications by the Chief Executive Officers and the Chief Financial Officer of Brookdale Senior Living pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been filed as exhibits to the Company's 2006 Annual Report on Form 10-K. We also have submitted to the New York Stock Exchange (NYSE) the annual CEO Certification for 2006 regarding the Company's compliance with the NYSE's corporate governance listing standards.

Forward-Looking Statements

Certain statements in this Annual Report are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 including, but not necessarily limited to, statements relating to Brookdale's growth strategy, Brookdale's operational plans and objectives and Brookdale's expectations regarding changes in the senior living marketplace. Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "target(s)," "project(s)," "believe(s)," "will," "would," "seek(s)," "estimate(s)" and similar expressions are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results materially different from those projected. Brookdale can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Brookdale's expectations include, but are not limited to, Brookdale's ability to find and consummate accretive acquisitions and integrate them into the Company's operations; Brookdale's ability to repurchase facilities that it currently leases at attractive valuations; Brookdale's ability to successfully expand existing facilities; Brookdale's ability to achieve anticipated operational efficiencies; Brookdale's ability to obtain additional capital on acceptable terms; the occurrence of events which adversely affect the ability of seniors to afford Brookdale's monthly resident fees; and the other risks detailed from time to time in Brookdale's filings with the SEC, including those listed under "Risk Factors" in the accompanying Annual Report on Form 10-K. Such forward-looking statements speak only as of the date of this Annual Report. Brookdale expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.



BOARD OF DIRECTORS

Wesley R. Edens, *Chairman;*
Chief Executive Officer &
Chairman of the Board,
Fortress Investment Group LLC

William B. Doniger, *Vice Chairman;*
Managing Director,
Fortress Investment Group LLC

Frank M. Bumstead², *Director;*
Chairman and Principal Shareholder,
Flood, Bumstead, McCready and McCarthy

Jackie M. Clegg^{1,3}, *Director;*
Managing Partner,
Clegg International Consultants, LLC

Jeffrey G. Edwards^{1,2}, *Director;*
Founder and Managing General Partner,
JGE Capital Management, LLC

Jeffrey R. Leeds^{1,2,3}, *Director;*
Self-Employed Consultant

Dr. Samuel Waxman^{2,3}, *Director;*
The Albert A. and Vera G. List Professor,
Mount Sinai School of Medicine

(1) *Audit Committee*
(2) *Compensation Committee*
(3) *Nominating and Corporate Governance
Committee*

EXECUTIVE OFFICERS

Mark J. Schulte
Co-Chief Executive Officer

W.E. Sheriff
Co-Chief Executive Officer

Mark W. Ohlendorf
Co-President and Chief Financial Officer

John P. Rijos
Co-President

Kristin A. Ferge
Executive Vice President,
Chief Administrative Officer & Treasurer

Paul A. Froning
Executive Vice President & Chief Investment Officer

George T. Hicks
Executive Vice President – Finance

H. Todd Kaestner
Executive Vice President – Development

Mark A. Kultgen
Executive Vice President – Finance

Gregory B. Richard
Executive Vice President – Operations

Bryan D. Richardson
Executive Vice President & Chief Accounting Officer

T. Andrew Smith
Executive Vice President, General Counsel & Secretary

Our Mission:

Enriching the lives of those we serve
with compassion, respect, excellence and integrity.

Our Cornerstones:

- *Take ownership and pride in everything we do.*
- *Recognize that good people make the difference and are the key to our success.*
- *Work together as one team.*
- *Provide meaningful rewards for residents, associates and shareholders.*
- *Respect others through honesty, understanding and trust.*
- *Put the resident first and the “bottom line” will take care of itself.*
- *Have fun and celebrate life every day.*