BEVERLY ENTERPRISES INC
Form PREM14A
December 13, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

BEVERLY ENTERPRISES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Beverly Enterprises, Inc. (BEI) common stock, par value $.10 per share

(2) Aggregate number of securities to which transaction applies:
109,636,897 shares of BEI common stock (including 2,407,623 shares of restricted stock issued pursuant to the 1997 Long-Term Incentive Plan)
5,761,184 options to purchase shares of BEI common stock with exercise prices less than $12.50 per share
1,463,709 shares of BEI common stock issuable upon vesting of performance units, director deferred units and director phantom stock
(including an estimated 5,500 director deferred units issuable between the date of this filing and the closing of the merger)
15,382,161 shares of BEI common stock issuable upon conversion of BEI s 2.75% convertible subordinated notes

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee was determined based upon the sum of (A) 109,636,897 shares of BEI common stock (including 2,407,623 shares of restricted stock issued pursuant to the 1997 Long-Term Incentive Plan) multiplied by $12.50 per share, (B) 1,463,709 shares of BEI common stock issuable upon vesting of performance units, director deferred units and director phantom stock (including an estimated 5,500 director deferred units issuable between the date of this filing and the closing of the merger) multiplied by $12.50 per share, (C) options to purchase 5,761,184 shares of BEI common stock with exercise prices less than $12.50 per share, multiplied by $5.7327 per share (which is the difference

between $12.50 and the weighted average exercise price per share) and (D) 15,382,161 shares of BEI common stock issuable upon conversion of BEI s 2.75% convertible subordinated notes, multiplied by $12.50 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, the filing fee was determined by multiplying $0.000107 by the sum of the preceding sentence.

(4) Proposed maximum aggregate value of transaction:
$1,614,061,727

(5) Total fee paid:
$172,704.60

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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[ ], 2005

Dear Fellow BEI Stockholder:

I am pleased to invite you to a special meeting of stockholders of BEI to be held on [ ], 2006, at [ ] a.m., local time, at [ ]. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of August 16, 2005, as amended as of August 23, 2005, September 22, 2005 and November 20, 2005, by and among BEI, Pearl Senior Care, Inc., PSC Sub, Inc. and Geary Property Holdings, LLC. A composite copy of the merger agreement, reflecting all of the prior amendments, is attached as Annex A to the enclosed proxy statement. Please read it carefully.

The BEI Board of Directors, upon the recommendation of the independent members of the Board, unanimously approved the merger agreement, which provides for the acquisition of BEI by Pearl Senior Care, Inc., a Delaware corporation formed by Fillmore Capital Partners, LLC. If the merger is completed, you will be entitled to receive $12.50 in cash, without interest, for each share of BEI common stock you own.

Following the completion of the merger, Pearl Senior Care, Inc. will own all of BEI s issued and outstanding capital stock. As a result, our common stock will no longer be listed on any exchange and we will no longer be required to file periodic and other reports with the Securities and Exchange Commission. After the merger, you will no longer have an equity interest in BEI and will not participate in any potential future earnings and growth of BEI.

The Board of Directors has determined that the merger agreement is advisable, fair to and in the best interests of BEI and its stockholders. Accordingly, the Board has approved the merger agreement and recommends that you vote FOR the approval and adoption of the merger agreement at the special meeting; FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and FOR the authorization of the proxies to vote on such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

We cannot complete the merger unless holders of a majority of our outstanding common stock vote to adopt the merger agreement. Failure to submit a properly executed proxy will have the same effect as a vote against the merger agreement. Whether or not you plan to be present at the special meeting, we urge you to vote by completing and returning the enclosed proxy card as promptly as possible. By voting your proxy now, you will not be precluded from attending the meeting and voting in person.

If you have any questions or need any assistance in voting your shares, please feel free to call our proxy solicitors, Georgeson Shareholder Communications Inc., at one of the telephone numbers set forth below.

Sincerely,

William R. Floyd
Chairman, President and Chief Executive Officer

If your shares are registered in the name of a broker or other nominee, only your broker or such nominee can execute a proxy and vote your shares and only after receiving your specific instructions. Please sign, date and promptly mail the voting instruction card in the envelope provided by your broker or other nominee. Remember, your shares cannot be voted unless you return a signed and executed voting instruction card to your broker or such nominee.

Stockholders call (877) 278-4793 (toll-free in the United States and Canada)
Banks and Brokers call (212) 440-9800 (collect)

The Proxy Statement is dated [ ], 2005 and is first being mailed to stockholders on or about [ ], 2005.

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Beverly Enterprises, Inc.
One Thousand Beverly Way
Fort Smith, Arkansas 72919
(479) 201-2000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TIME AND DATE	[ ] a.m., CST, on , [ ], 2006
PLACE	[ ]
ITEMS OF BUSINESS	(1) To consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of August 16, 2005, as amended as of August 23, 2005, September 22, 2005 and November 20, 2005, by and among BEI, Pearl Senior Care, Inc., PSC Sub, Inc. and Geary Property Holdings, LLC (Item 1 on the enclosed proxy card); (2) To grant to the proxy holders the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting (Item 2 on the enclosed proxy card); and (3) To consider and vote upon such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting (Item 3 or the enclosed proxy card).
RECORD DATE	If you were a stockholder as of the close of business on [ ], 2005 (the record date), you are entitled to vote and attend the special meeting. A list of stockholders entitled to vote at the special meeting may be examined at [ ] beginning on [ ] and at the special meeting.
VOTING	The adoption of the merger agreement requires the approval of the holders of a majority of the outstanding shares of our common stock. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy card prior to the special meeting to ensure that your shares will be represented if you are unable to attend. If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the merger agreement and in favor of adjournment or postponement of the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote against the adoption of the merger agreement. If you are a stockholder of record and attend the special meeting and wish to vote in person, you may revoke your proxy and vote in person. You may revoke your proxy at any time before the meeting by written notice to such effect, by submitting a subsequently dated proxy or by attending the meeting and voting in person.

DOUGLAS J. BABB
Secretary

[ ], 2005

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PROXY STATEMENT FOR
BEVERLY ENTERPRISES, INC.
SPECIAL STOCKHOLDERS MEETING
ANSWERS TO FREQUENTLY ASKED QUESTIONS

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed merger. These questions and answers may not address all questions that may be important to you as a stockholder of Beverly Enterprises, Inc. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement. In this proxy statement, unless the context requires otherwise, the terms BEI, Company, we, our, ours, and us refer t Enterprises, Inc. and our consolidated subsidiaries. The term PSC refers to Pearl Senior Care, Inc.

1. Q. What is the proposed transaction?

A. The proposed transaction is the acquisition of the Company by Pearl Senior Care, Inc., an entity formed by Fillmore Capital Partners, LLC, pursuant to an Agreement and Plan of Merger dated as of August 16, 2005, as amended as of August 23, 2005, September 22, 2005 and November 20, 2005, among BEI, PSC, PSC Sub, Inc. and Geary Property Holdings, LLC. A composite copy of the merger agreement, reflecting all of the prior amendments, is attached as Annex A to the enclosed proxy statement. Please read it carefully.

2. Q. For what am I being asked to vote?

A. You are being asked to approve and adopt the merger agreement, which provides for the acquisition of BEI by PSC, and to approve the adjournment of the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting. After the merger, BEI will become a privately held company and a wholly owned subsidiary of PSC.

3. Q. How does the BEI Board of Directors recommend I vote?

A. The Board of Directors, acting upon the recommendation of the independent Board members, unanimously approved the merger agreement and the merger. The Board of Directors believes that the terms of the merger agreement and the merger are advisable and fair to, and in the best interests of, the stockholders of BEI. The Board of Directors recommends that you vote FOR the approval and adoption of the merger agreement at the special meeting and FOR the grant to the proxy holders of the authority to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting.

4. Q. If BEI completes the merger, what will I receive for my common stock?

A. Upon completion of the merger, you will have the right to receive $12.50 in cash, without interest, for each share of our common stock that you own immediately prior to the time the merger is completed. For example, if you own 100 shares of our common stock, you will have the right to receive $1,250.00 in cash in exchange for your BEI shares. We refer to the amount of consideration to be received by stockholders pursuant to the merger as the merger consideration.

5. Q. If BEI completes the merger, what will I receive for my stock options?

A.

In general, your options will be cancelled and you will receive a payment equal to the excess, if any, of $12.50 over the applicable exercise price per share specified on your stock options multiplied by the total number of shares of BEI common stock subject to your stock options. We refer to the amount of consideration to be received by option holders pursuant to the merger as the option consideration.

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6. Q. Where and when is the special meeting?

A. The special meeting will take place at [ ] on [ ], 2006, at [ ] a.m. Central Standard Time.

7. Q. What vote of our stockholders is required to adopt the merger agreement?

A. In order to adopt the merger agreement, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the approval and adoption of the merger agreement at the special meeting. Accordingly, failure to vote or an abstention will have the same effect as a vote against adoption of the merger agreement.

8. Q. Who may vote at the special meeting?

A. All stockholders of BEI who owned shares as of the close of business on [ ], 2005, the record date for the special meeting, are entitled to vote in person or by proxy at the special meeting. On the record date, [ ] shares of common stock were outstanding and eligible to vote, and there were approximately [ ] record holders. A list of stockholders eligible to vote will be available at [ ] beginning on [ ], 200[ ] and at the special meeting. Stockholders may examine this list during normal business hours for any proper purpose relating to the special meeting.

9. Q. How many votes do I have?

A. You have one vote for each share of BEI common stock that you owned at the close of business on [ ], 2005, the record date for the special meeting.

10. Q. What does it mean if I get more than one proxy card or vote instruction card?

A. If your shares are registered in more than one account with one or more brokers and/or BEI s transfer agent, you will receive more than one card. Please complete and return all of the proxy cards or vote instruction cards you receive to ensure that all of your shares are voted.

11. Q. Will my shares be voted if I do not provide my proxy or vote instruction card?

A. Under rules currently in effect, brokerage firms and nominees that are members of the NYSE have the authority under the NYSE s rules to vote their customers unvoted shares only on some routine matters if the customers have not furnished voting instructions within a specified period prior to the meeting. Adoption of the merger agreement is not considered a routine matter and, therefore, brokerage firms and nominees will not be able to vote their customers shares as to which no instruction has been received.

With respect to the proposal to adopt the merger agreement, the shares represented by a broker non-vote will be considered present at the special meeting for the purposes of determining a quorum, and will have the same effect as a vote AGAINST the proposal to adopt the merger agreement. If you hold your shares directly in your own name and attend the special meeting, your shares will be counted as shares present for the purposes of establishing a quorum but will not be voted if you do not provide a proxy or vote the shares yourself.

12. Q. What happens if I do not vote?

A. Because the required vote of our stockholders is based upon the number of outstanding shares of BEI common stock entitled to vote rather than upon the numbers of shares actually voted, the failure to return your proxy card or to vote in person at the special meeting, or the submission of a proxy card that is expressly marked ABSTAIN, will have the same effect as a vote AGAINST the merger.

13. Q. May I vote in person?

A. Yes. If you owned shares of BEI as of the close of business on [ ], 2005, the record date for the special meeting, you may attend the special meeting and vote your shares in person, regardless of whether you sign and return your proxy card prior to the special meeting. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy from the record holder.

14. Q. May I change my vote after I have mailed my signed proxy card or otherwise submitted my vote?

A. Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice revoking your proxy. Second, you can complete and submit a new proxy card bearing a later date. Third, you can attend the special meeting and vote in person. Your attendance at the special meeting will not in and of itself constitute a revocation of the proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions. See The Special Meeting Revocation of Proxies beginning on page [ ].

15. Q. How will my proxy be voted?

A. If your proxy in the accompanying form is properly executed, returned to and received by the Company (or its designated solicitation agent) prior to the special meeting and is not revoked, it will be voted in accordance with your instructions. If you return your signed proxy but do not mark the boxes to show how you wish to vote on the proposal, the shares for which you have given your proxy will, in the absence of your instructions to the contrary, be voted FOR the approval and adoption of the merger agreement at the special meeting; FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and FOR the authorization of the proxies to vote on such other matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

16. Q. If my shares are held in street name by my broker, will my broker vote my shares for me?

A. Yes, but your broker will only be permitted to vote your shares of BEI common stock if you instruct your broker how to vote. You should follow the procedures provided to you by your broker regarding how to instruct your broker to vote your shares.

17. Q. Who will count the votes?

A. Representatives of IVS Associates, Inc., an independent tabulator appointed by the Board of Directors, will count the votes and act as inspectors of election. The inspectors of election shall have the authority to receive, inspect, electronically tally and determine the validity of proxies received.

18. Q. What happens if I sell my shares of BEI common stock before the special meeting?

A. The record date for the special meeting is [ ], 2005, which is earlier than the date of the special meeting. If you held your shares of BEI common stock on the record date for the special meeting, you will retain your right to vote at the special meeting. If you transfer your shares of BEI common stock after the record date for the special meeting but prior to the date on which the merger is completed, you will lose the right to receive the merger consideration for the shares of BEI common stock you have sold. The right to receive the merger consideration will pass to the person who owns your shares of BEI common stock when the merger is completed.

19. Q. How do I vote if I participate in the Employee Stock Purchase Plan or the Beverly Enterprises, Inc. 401(k) SavingsPlus Plan?

A. Computershare, as administrator of the Employee Stock Purchase Plan, is the record holder of the shares held in BEI s Employee Stock Purchase Plan. If you are a participant in the Employee Stock Purchase Plan, your shares are held in a nominee position with Computershare s broker dealer, Merrill Lynch. Computershare will seek instructions from you on how to vote and convey those instructions to Merrill Lynch, who in turn will vote your shares.

Similarly, Diversified Investment Advisors, as recordkeeper of the Beverly Enterprises, Inc. 401(k) SavingsPlus Plan, is the record holder of the shares held in the plan. If you are a participant in the Beverly Enterprises, Inc. 401(k) SavingsPlus Plan, your shares are held in a nominee position with Investors Bank and Trust, the 401(k) SavingsPlus Plan trustee. Diversified Investment Advisors will seek instructions from you on how to vote and convey those instructions to Investors Bank and Trust, who in turn will vote your shares.

20. Q. When do you expect to complete the merger?

A. The parties to the merger agreement are working toward completing the merger as quickly as possible. We currently expect to complete the merger as soon as possible after all the conditions to the merger, including regulatory approval, are satisfied or waived. In order to complete the merger, we must obtain stockholder approval and satisfy all other closing conditions under the merger agreement. See The Merger Agreement Conditions to the Consummation of the Merger beginning on page [ ].

21. Q. Should I send in my stock certificates now?

A. No. After we complete the merger, the paying agent for the merger will send you a letter of transmittal and written instructions for exchanging your shares of BEI common stock for the merger consideration, without interest. You will receive your cash payment as soon as practicable after receipt of your BEI stock certificates, together with the completed documents requested in the instructions. **PLEASE DO NOT SEND IN YOUR STOCK CERTIFICATES WITH YOUR PROXY CARD.** See The Merger Agreement Payment Procedures beginning on page [ ].

22. Q. Will I owe taxes as a result of the receipt of the merger consideration?

A. Generally, yes. Your receipt of the merger consideration for each share of BEI common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes and may also be taxable under applicable state, local, foreign and other tax laws. See The Merger Material Federal Income Tax Consequences beginning on page [ ] for a more complete discussion of the U.S. federal income tax consequences of the merger. You are urged to consult your tax advisor about the specific tax consequences to you of the merger.

23. Q. Will I have appraisal rights if I dissent from the merger?

A. Yes. Stockholders of BEI who do not vote in favor of approval and adoption of the merger agreement will, under Section 262 of the Delaware General Corporation Law (the DGCL), have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal to BEI prior to the vote on the merger agreement and they comply with Delaware law as explained in the accompanying proxy statement. See Appraisal Rights beginning on page [ ] and see Annex E.

24. Q. Where can I find more information about BEI?

A. We file periodic reports and other information with the Securities and Exchange Commission, which we refer to as the SEC. This information is available at the SEC s public reference facilities, and at the Internet site maintained by the SEC at *http://www.sec.gov*. For a more detailed description of the information available, please see Where You Can Find More Information beginning on page [ ].

25. Q. Who can help answer my questions?

A. The information provided above in the question-and-answer format is for your convenience only and is merely a summary of some of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the information in the annexes. If you would like additional copies of this proxy statement, without charge, or if you have questions about the merger, including the procedures for voting your shares, you should contact: Georgeson Shareholder Communications Inc. at (877) 278-4793.

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SUMMARY TERM SHEET

This summary, together with the preceding question and answer section, highlights selected information from this proxy statement about the proposed merger and our special meeting. It does not contain all of the information that is important to you. Accordingly, we encourage you to read this proxy statement and the other documents to which we refer you carefully, and in their entirety, for a complete understanding of the matters being considered at the special meeting.

References in this proxy statement, unless the context requires otherwise, to BEI, the Company, we, our, ours, and us refer to Beverly Enterprises, Inc. and our consolidated subsidiaries. The term PSC refers to Pearl Senior Care, Inc. The term PSC Sub refers to PSC Sub, Inc. The term GPH refers to Geary Property Holdings, LLC. The term Fillmore Capital Partners refers to Fillmore Capital Partners, LLC.

The Parties to the Merger

Beverly Enterprises, Inc.

BEI is one of the largest providers of long-term healthcare services in the United States, including the operation of nursing facilities, assisted living centers, hospice and home care centers and rehabilitation therapy services. As of September 30, 2005, BEI operated 345 nursing facilities with a total of approximately 36,189 licensed beds. BEI s nursing facilities are located in 22 states and the District of Columbia and range in capacity from 34 to 355 licensed beds. As of September 30, 2005, we also operated 18 assisted living centers containing 480 units, 66 hospice and home care centers and we provided rehabilitation therapy services in 36 states and the District of Columbia. BEI is incorporated in the state of Delaware with its principal executive offices at One Thousand Beverly Way, Fort Smith, Arkansas 72919. The Company s telephone number is (479) 201-2000.

Pearl Senior Care, Inc.

PSC is a Delaware corporation with its principal executive office at 140 Pacific Avenue, San Francisco, California 94111. PSC s telephone number is (415) 834-1477. PSC is a wholly owned indirect subsidiary of Fillmore Capital Partners. PSC was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

PSC Sub, Inc.

PSC Sub is a Delaware corporation and a wholly owned subsidiary of PSC. PSC Sub s principal executive offices are located at 140 Pacific Avenue, San Francisco, California 94111 and its telephone number is (415) 834-1477. PSC Sub was organized solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement. Under the terms of the merger agreement, PSC Sub will merge with and into the Company. The Company will survive the merger and PSC Sub will cease to exist.

Geary Property Holdings, LLC

GPH is a Delaware limited liability company and is a wholly owned indirect subsidiary of Fillmore Strategic Investors, L.L.C., an affiliate of Fillmore Capital Partners. GPH s principal executive offices are located at 140 Pacific Avenue, San Francisco, California 94111 and its telephone number is (415) 834-1477. GPH was organized for the purpose of entering into the merger agreement, consummating the transactions contemplated by the merger agreement and owning the real estate and certain other assets of the Company

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following the consummation of the merger. It has not conducted any activities to date other than activities incidental to its formation and in connection with the transactions contemplated by the merger agreement.

The Special Meeting

Time, Place and Date (Page [ ])

The special meeting will be held on [ ], 2006, starting at [ ] a.m., local time, at [ ].

Purpose (Page [ ])

You will be asked to consider and vote upon adoption of the merger agreement. The merger agreement provides that PSC Sub will be merged with and into BEI, and each outstanding share of BEI s common stock (other than shares held in the treasury of BEI or owned by PSC, PSC Sub or any subsidiary of PSC, PSC Sub or BEI and other than shares held by stockholders who properly demand statutory appraisal rights) will be converted into the right to receive $12.50 in cash, without interest.

The persons named in the accompanying proxy card will also have discretionary authority to vote upon other business, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting.

Adjournments (Page [ ])

If the requisite stockholder vote approving and adopting the merger agreement has not been received at the time of the special meeting, holders of BEI common stock may be asked to vote on a proposal to adjourn or postpone the special meeting in order to solicit additional proxies in favor of the merger proposal.

Record Date and Quorum (Page [ ])

You are entitled to vote at the special meeting if you owned shares of BEI s common stock at the close of business on [ ], 2005, the record date for the special meeting. You will have one vote for each share of BEI s common stock that you owned on the record date. As of the record date, there were [ ] shares of BEI s common stock entitled to be voted.

Required Vote (Page [ ])

For us to complete the merger, stockholders holding at least a majority of our common stock outstanding at the close of business on the record date must vote FOR the approval and adoption of the merger agreement at the special meeting. All of our stockholders are entitled to one vote per share. A failure to vote your shares of BEI common stock or an abstention will have the same effect as a vote against the merger.

Voting of Proxies (Page [ ])

Any BEI stockholder of record entitled to vote may submit a proxy by returning the enclosed proxy card by mail, or may vote in person by appearing at the special meeting. If your shares are held in street name by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not provide your broker with instructions, your shares will not be voted and that will have the same effect as a vote against the merger.

Revocability of Proxy (Page [ ])

Any BEI stockholder of record who executes and returns a proxy card may revoke the proxy at any time before it is voted in any one of the following ways:

- filing with the Company s Corporate Secretary, at or before the special meeting, a written notice of revocation that is dated a later date than the proxy;

- sending a later-dated proxy relating to the same shares to the Company s Corporate Secretary, at or before the special meeting; or

- attending the special meeting and voting in person by ballot.

Simply attending the special meeting will not constitute revocation of a proxy. If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply and instead you must follow the directions provided by your broker to change these instructions.

The Merger

Structure of the Merger

Subject to the terms and conditions of the merger agreement, PSC Sub will be merged with and into BEI and BEI will continue as the surviving corporation. As a result of the merger, BEI, as the surviving corporation, will cease to be a publicly traded company and will be owned by PSC.

What You Will Receive in the Merger (page [ ])

If we complete the merger, holders of our common stock will be entitled to receive $12.50 per share in cash, without interest, in exchange for each share of common stock that they own (other than shares for which appraisal rights are properly being sought) at the time the merger is completed.

Appraisal Rights (page [ ])

Holders of our common stock who do not wish to accept the $12.50 per share cash consideration payable pursuant to the merger may seek, under Delaware law, appraisal of the fair value of their shares by the Delaware Court of Chancery. The fair value, which would be exclusive of any value arising from the accomplishment or expectation of the merger, could be more or less than, or the same as, the merger consideration of $12.50 per share. This right of appraisal is subject to a number of restrictions and requirements. Generally, in order to exercise appraisal rights, among other things you:

- must not vote your shares in favor of adoption of the merger agreement;

- must make and deliver to us a written demand for appraisal in compliance with Delaware law before the vote on the adoption of the merger agreement; and

- must continuously hold your shares of record from the date of making the written demand for appraisal through the effectiveness of the merger and otherwise comply with the procedures under Delaware law for exercising appraisal rights.

Because a signed proxy card not marked AGAINST or ABSTAIN will, unless revoked, be voted for the adoption of the merger agreement, the submission of a signed proxy card not marked AGAINST or ABSTAIN will result in the loss of your appraisal rights. However, simply submitting a signed proxy card marked AGAINST or ABSTAIN, or failing to submit a proxy card, will not constitute a demand for appraisal under Delaware Law. If you hold shares in the name of a broker or other nominee, you must instruct your broker or nominee to take the steps necessary to enable you to exercise your appraisal rights. If you or your nominee fails to follow all of the steps required by the Delaware appraisal statute, you will lose your right of appraisal.

Annex E to this proxy statement sets forth the Delaware statute relating to your right of appraisal. This proxy statement constitutes the notice required by Delaware law concerning the appraisal rights of our common stockholders.

Under the merger agreement, PSC is not required to complete the merger if holders of more than 10% of our outstanding common stock have perfected appraisal rights in accordance with Delaware law.

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Recommendation of our Board of Directors (page [ ])

Our Board of Directors has determined that the merger is advisable and is fair to, and in the best interests of, our stockholders. **Accordingly, our Board of Directors unanimously recommends that you vote FOR the approval and adoption of the merger agreement at the special meeting; FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and FOR the authorization of the proxies to vote on such matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.**

Our Reasons for the Merger (page [ ])

Our Board of Directors determined to unanimously recommend approval of the adoption of the merger agreement based on its consideration of a number of factors, which are described in the section of this proxy statement entitled The Merger Recommendation and Reasons.

Financing; Source of Funds (page [ ])

PSC has obtained commitment letters from Column Financial, Inc. and CapitalSource Financial, LLC. Under these commitment letters, Column Financial and CapitalSource Financial agreed to provide PSC with up to $1.875 billion in debt financing to fund the consideration to be paid in connection with the merger. We refer to these letters as the debt commitment letters. The obligations of the lenders under these debt commitment letters are subject to various conditions described under The Merger Financing; Source of Funds.

In addition, Fillmore Strategic Investors, an affiliate of Fillmore Capital Partners, has delivered an equity commitment letter to PSC. We refer to this letter as the equity commitment letter. Under the equity commitment letter, Fillmore Strategic Investors has agreed to make an equity contribution to PSC or GPH in the aggregate amount of $350 million (less the $10 million deposit described below). The obligations of Fillmore Strategic Investors under the equity commitment letter are subject to the satisfaction of the conditions to the merger contained in the merger agreement and the consummation of the financing contemplated by the debt commitment letters.

Deposit and Letter of Credit (page [ ])

In connection with the execution of the merger agreement, a $10 million deposit was placed in escrow pursuant to an escrow agreement with PSC, as the assignee of North American Senior Care (NASC), and we received a letter of credit issued by Morgan Stanley Asset Funding, Inc. from Fillmore Strategic Investors in an amount of $50 million. If the merger agreement is terminated (i) by us or PSC because the merger agreement has not been consummated by March 1, 2006 (or June 30, 2006, in the case of an extension of the termination date in order to obtain regulatory approval) or (ii) by us because PSC or PSC Sub breaches any representations, warranties, covenants or agreements that would result in a closing condition to the merger not being satisfied, then we will be able to draw under this letter for the amount of $50 million and collect the $10 million that is held in escrow, subject to limitations specified in the merger agreement. We are entitled to retain $7 million of the deposit if the merger agreement is terminated by PSC if (i) a reduction in the amount of loans provided under the debt commitment letters occurs for specified reasons or (ii) PSC is unable to obtain a necessary health care license required for consummation of the merger or to implement an alternative transaction structure which would allow for the consummation of the merger as a result of an action or omission by us or a current practice of ours that does not comply with applicable legal requirements.

Interests of Certain Persons (page [ ])

Some of our directors and officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally, including the following:

- our directors and executive officers, as applicable, will have their vested and unvested stock options, restricted stock, performance units, director deferred units and director phantom shares vested, cashed out and canceled in connection with the merger, meaning that they will receive cash payments for each share of common stock subject to such option equal to the excess, if any, of $12.50 per share over the exercise price per share of their options, without interest and less applicable withholding taxes, and they will receive $12.50 per share for their restricted stock, performance units, director deferred units and director phantom shares;

- certain of our executive officers have employment offer letters or employment, change in control, severance and/or retention agreements with BEI that provide certain severance and payment benefits under certain circumstances in connection with the merger and, in addition, the employment agreements for certain executive officers also contain a provision whereby if he or she incurs an excise tax by reason of certain payments in connection with the merger, the executive officer will receive a payment that puts the executive in the same after-tax position that he or she would have been in if no excise tax had applied;

- in connection with the merger, all long-term cash incentive awards, whether or not then vested, will become fully vested and all payments under those plans that have not yet been made will be accelerated and made;

- in connection with the merger, BEI will terminate all of its non-qualified deferred compensation plans, consisting of the supplemental executive retirement plan, the enhanced supplemental executive retirement plan and the executive deferred compensation plan, the last of which includes the retention enhancement plan, and cause all benefits accrued under these plans to be distributed to participants; and

- the merger agreement provides that indemnification arrangements and insurance coverage for our executive officers and directors will continue for six years following the effective time of the merger.

PSC has had discussions with certain executive officers regarding PSC s plans for management following the closing of the merger. As of the date of this proxy statement, however, none of our executive officers has entered into any agreements with PSC or its affiliates regarding employment with the surviving corporation. Although no such agreement, arrangement or understanding currently exists, it is generally expected that a number of our executive officers will remain after the merger is completed, which means that such executive officers may, prior to the closing of the merger, enter into new arrangements with PSC or its affiliates regarding employment with the surviving corporation.

Opinions of BEI s Financial Advisors (page [ ])

Lehman Brothers Inc. In connection with the merger, the BEI Board of Directors received a written opinion, dated November 20, 2005, of Lehman Brothers Inc. as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be offered to the by holders of BEI common stock. The full text of Lehman Brothers written opinion is attached to this proxy statement as Annex B. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and relied upon and limitations and qualifications on the review undertaken. **Lehman Brothers opinion was provided to the BEI Board of Directors in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration offered to the holders of BEI common stock. The opinion does not address any other term or aspect of the merger and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the merger.**

J.P. Morgan Securities Inc. In connection with the merger, the BEI Board of Directors received a written opinion, dated November 20, 2005, of J.P. Morgan Securities Inc. as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of BEI common stock. The full text of JPMorgan s written opinion is attached to this proxy statement as Annex C. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and relied upon and limitations and qualifications on the review undertaken. **JPMorgan s opinion was provided to the BEI Board of Directors in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration to be received by the holders of BEI common stock. The opinion does not address any other term or aspect of the merger and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the merger.**

CIBC World Markets Corp. In connection with the merger, the BEI Board of Directors received a written opinion, dated November 20, 2005, of CIBC World Markets Corp. as to the fairness, from a financial point of view and as of the date of the opinion, of the merger consideration to be received by holders of BEI common stock. The full text of CIBC World Markets written opinion is attached to this proxy statement as Annex D. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and relied on and limitations on the review undertaken. **CIBC World Markets opinion was provided to the BEI Board of Directors in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration. The opinion does not address any other term or aspect of the merger and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the merger.**

Material Federal Income Tax Consequences (page [ ])

The exchange of BEI common stock for cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes and may also be taxable under applicable state, local, foreign and other tax laws. For U.S. federal income tax purposes, a stockholder who receives cash as a result of the merger will generally recognize gain or loss equal to the difference between the adjusted basis of the shares exchanged and the amount of cash received therefor. Any such recognized gain or loss will be capital gain or loss if the shares are held as capital assets by the stockholder, and will generally be long-term capital gain or loss if the stockholder has held the shares for more than one year. Long-term capital gain of a non-corporate stockholder is generally subject to a maximum U.S. federal income tax rate of 15%.

The income tax discussion set forth above may not be applicable to stockholders in special situations such as stockholders who will own, actually or constructively, an interest in the surviving corporation following the merger, stockholders who received their shares upon the exercise of stock options or otherwise as compensation, stockholders who are traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, stockholders who are not U.S. persons and stockholders who are partnerships. Stockholders are urged to consult their own tax advisors with respect to the specific tax consequences to them of the merger, including the application and effect of federal, state, local, foreign or other tax laws.

Conditions to the Merger (page [ ])

BEI and PSC are not required to consummate the merger unless a number of conditions are satisfied or waived, including:

- adoption of the merger agreement by our stockholders;
- the waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (referred to herein as the HSR Act) have expired or been terminated;
- no statute, rule, regulation or similar action of a governmental entity exists which would prohibit, restrict or delay consummation of the merger;

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PSC has (i) obtained the government consents necessary to operate 100% of our business as currently operated or (ii) obtained the government consents necessary to operate at least 95% of our business as currently operated and has implemented an alternative transaction structure which would allow for the consummation of the merger; and

no law or court order is in effect prohibiting the consummation of the merger.

Furthermore, PSC and PSC Sub are not required to consummate the merger unless the following additional conditions are satisfied or waived:

our representations and warranties in the merger agreement shall be true and correct, generally subject to such exceptions as would not result in a material adverse effect on BEI;

we shall have complied in all material respects with all of our agreements and covenants under the merger agreement;

no institutional lender providing financing pursuant to the debt commitment letters shall have reduced its loan amount by $75 million or more due to property restrictions or liens materially impairing the use of any of our properties;

no institutional lender providing financing pursuant to the debt commitment letters shall have reduced its loan amount by $125 million or more due to violations of land use requirements or environmental law;

PSC shall have been able to (i) obtain all necessary health care licenses required for consummation of the merger or (ii) implement an alternative structure which would allow for consummation of the merger, in each case as a result of an action or omission by us or a current practice of ours that does not comply with applicable legal requirements;

holders of more than 10% of our common stock shall not have perfected appraisal rights in accordance with Delaware law;

no health care permit necessary to the operation of BEI shall have been suspended, revoked or terminated, and BEI shall not have been excluded, debarred or disqualified from any health care program;

BEI shall have given a redemption notice to the holders of its outstanding 7^{7}/8% Senior Subordinated Notes due 2014 and the trustee under the related indenture, and any liens securing the 7^{7}/8% Notes shall have been released;

Land America Title Insurance Company shall have issued title insurance for all of our owned properties and leased health care facilities; and

specified leasehold consents shall have been obtained, subject to such exceptions as would not result in a material adverse effect on BEI.

Our obligation to complete the merger is subject to the satisfaction or waiver of additional conditions, including:

PSC s and PSC Sub s representations and warranties in the merger agreement shall be true and correct, generally subject to such exceptions as would not result in a material adverse effect on PSC s or PSC Sub s ability to complete the merger or perform its obligations under the merger agreement;

PSC and PSC Sub shall have complied in all material respects with all of their agreements and covenants under the merger agreement; and

BEI shall have received a bring down solvency opinion from Houlihan Lokey Howard & Zukin addressed to BEI and our Board.

A party to the merger agreement could choose to complete the merger even though a condition has not been satisfied, so long as the law allows it to do so. Some of these conditions are beyond our control. We cannot assure you that any of these conditions, including the conditions within our control, will be satisfied or waived, or that the merger will be completed.

No Solicitation (page [ ])

The merger agreement contains restrictions on the ability of BEI and its affiliates to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire BEI or a significant interest in BEI after December 12, 2005. Notwithstanding these restrictions, under certain limited circumstances before the approval of our stockholders is obtained, our Board may respond to a *bona fide* unsolicited written takeover proposal that it concludes constitutes, or could be reasonably expected to result in, a superior proposal. In addition, before our stockholders adopt the merger agreement, we may terminate the merger agreement to enter into an agreement with respect to a superior proposal. See The Merger Agreement No Solicitation for a further description of these restrictions.

Termination of the Merger Agreement (page [ ])

The merger agreement may be terminated:

- if both we and PSC agree in writing to do so;
- by either us or PSC, if:
  - our stockholders fail to approve the merger at the special meeting or any adjournment of the special meeting;
  - the merger is not completed on or before March 1, 2006 (we refer to this date, including any extensions thereof, as the termination date), except that either we or PSC may extend this date until June 30, 2006, if necessary for satisfaction of the closing condition relating to obtaining government consents and approvals; or
  - there is any final and nonappealable governmental order, decree or ruling that prevents completion of the merger;
- by us if:
  - PSC or PSC Sub breaches any representation, warranty, covenant or agreement that would result in the failure of a condition to the merger agreement to be satisfied which is not capable of being cured by the termination date or is not cured within 20 business days after PSC or PSC Sub receives written notice of the breach;
  - Fillmore Strategic Investors fails to make its equity contribution to PSC or GPH in accordance with the terms of the equity commitment letter and the breach is not capable of being cured by the termination date or is not cured within 10 business days after PSC receives written notice of the breach. See The Merger Financing; Source of Funds; or
  - prior to adoption of the merger agreement by our stockholders, (i) we have received an alternative takeover proposal, (ii) our Board of Directors has determined in good faith, after consultation with its financial advisors and outside legal counsel, that the takeover proposal is a superior proposal, (iii) our Board of Directors has authorized us to enter into a binding agreement to consummate the alternative transaction, (iv) our Board of Directors has concluded that such action is necessary for the members of our Board of Directors to comply with their fiduciary duties under applicable law and (v) we have complied with specified procedures described under The Merger Agreement No Solicitation and pay the termination fee described under The Merger Agreement Termination Fee if Merger is not Consummated; or

by PSC if:

we breach any representation, warranty, covenant or agreement that would result in the failure of a condition to the merger agreement to be satisfied which is not capable of being cured by the termination date or is not cured within 20 business days after we receive written notice of the breach;

our Board withdraws or modifies in a manner adverse to PSC its recommendation that BEI s stockholders adopt the merger agreement or recommends, approves or adopts a takeover proposal;

we fail to include in this proxy statement (or any amendment) the recommendation of our Board that you vote in favor of the merger;

our Board approves or recommends a takeover proposal or approves or recommends that our stockholders tender their shares in any tender or exchange offer; or

the conditions to the merger relating to the reduction in loan amounts under the debt commitment letters or failure of PSC to obtain required consents as a result of our actions, omissions or failure to comply with applicable law have not been satisfied, and the termination date has occurred.

Termination Fee and Reimbursement of Expenses if Merger is Not Consummated (page [ ])

We agreed to reimburse PSC for its expenses, as well as the expenses incurred by NASC, NASC Acquisition Corp., which we refer to as NASC Acquisition, and SBEV Property Holdings LLC, which we refer to as SBEV, with respect to the merger prior to November 20, 2005 (the NASC expenses), not to exceed $30 million in the aggregate, if the merger agreement is terminated by us or PSC because our stockholders fail to approve the merger at the special meeting or any adjournment of the special meeting, and no third party has made a takeover proposal after November 20, 2005.

If we terminate the merger agreement when our Board has received a superior proposal and authorized BEI to enter into an agreement to consummate the transaction pursuant to the superior proposal, then we agreed to pay PSC a termination fee of $60 million.

If (i) the merger agreement is terminated because our stockholders fail to approve the merger at the special meeting or any adjournment of the special meeting, or because we have breached any covenant, representation or warranty in the merger agreement and (ii) a third party has made a takeover proposal after December 12, 2005 and (iii) we enter into a definitive agreement with respect to, or consummate, an alternative takeover proposal within nine months after the termination of the merger agreement, then we have agreed to pay PSC a termination fee of $60 million.

We agreed to reimburse PSC for its expenses and the NASC expenses, not to exceed $30 million in the aggregate, if PSC terminates the merger agreement, in circumstances unrelated to a takeover proposal, because, prior to obtaining BEI stockholder approval, our Board withdraws or modifies in a manner adverse to PSC its recommendation that BEI s stockholders adopt the merger agreement.

We agreed to pay PSC a termination fee of $60 million if PSC terminates the merger agreement, in circumstances related to another takeover proposal, because, prior to obtaining BEI stockholder approval:

our Board withdraws or modifies in a manner adverse to PSC its recommendation that BEI s stockholders adopt the merger agreement;

we fail to include in this proxy statement (or any amendment) the recommendation of our Board that you vote in favor of the merger; or

our Board approves, recommends or adopts a takeover proposal or approves or recommends that our stockholders tender their shares in any tender or exchange offer.

Business Interruption Fee if Merger Agreement is Terminated (page [ ])

If the merger agreement is terminated (i) by us or PSC because the merger has not been consummated by the termination date or (ii) by us because PSC or PSC Sub breaches any representations, warranties, covenants or agreements that would result in a closing condition not being satisfied, then, so long as specified conditions to the merger are otherwise reasonably capable of being satisfied, PSC has agreed to pay BEI a business interruption fee of $60 million.

PSC also agreed that it will pay us a $7 million business interruption fee if PSC terminates the merger agreement because, by the termination date:

any institutional lender providing financing pursuant to the debt commitment letters reduces its loan amount by $75 million or more due to property restrictions or liens materially impairing the use of any of our properties;

any institutional lender providing financing pursuant to the debt commitment letters reduces its loan amount by $125 million or more due to violations of land use requirements or environmental law; or

PSC is unable to (i) obtain a necessary health care license required for consummation of the merger or (ii) implement an alternative transaction structure which would allow for consummation of the merger, in each case as a result of an action or omission by us or a current practice of ours that does not comply with applicable legal requirements.

The amount of the business interruption fee will be offset by any portion of the $10 million deposit previously received by BEI and any amounts drawn under the letter of credit provided by Fillmore Strategic Investors.

THE SPECIAL MEETING

General

The enclosed proxy is solicited by BEI on behalf of the Board of Directors of BEI for use at a special meeting of stockholders to be held on [ ], 2006, at [ ] a.m., Central Standard Time, at [ ], or at any adjournments or postponements thereof, for the purposes set forth in this proxy statement and in the accompanying notice of special meeting. BEI intends to mail this proxy statement and accompanying proxy card on or about [ ], 2005, to all stockholders entitled to vote at the special meeting. At the special meeting, you will be asked to consider and vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of August 16, 2005, as amended as of August 23, 2005, September 22, 2005 and November 20, 2005, by and among BEI, PSC, PSC Sub and GPH. You also will be asked to vote on a proposal to approve the adjournment or postponement of the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting.

The Board of Directors, following the unanimous recommendation of the independent members of the Board, unanimously approved the merger agreement and the merger. **The Board of Directors unanimously recommends that you vote FOR the approval and adoption of the merger agreement at the special meeting; FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and FOR the authorization of the proxies to vote on such matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.**

Record Date, Shares Entitled to Vote and Quorum

Only holders of record of BEI common stock at the close of business on [ ], 2005, the record date for the special meeting, will be entitled to notice of and to vote at the special meeting. At the close of business on the record date, [ ] shares of BEI common stock were outstanding and entitled to vote and held by approximately [ ] holders of record. A list of the BEI stockholders entitled to vote at the special meeting will be available for review, for any proper purpose relating to the special meeting, at BEI s

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executive offices during regular business hours for a period of 10 days prior to the special meeting and at the special meeting. Each holder of record of BEI common stock on the record date will be entitled to one vote for each share held. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is necessary to constitute a quorum for the transaction of business at the special meeting.

Voting Information

All votes will be tabulated by IVS Associates, Inc., the inspector of election appointed for the special meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Brokers who hold shares in street name for clients typically have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, absent specific instructions from the beneficial owner of the shares, brokers are not allowed to exercise their voting discretion with respect to the approval and adoption of non-routine matters, such as the merger agreement. Proxies submitted without a vote by the brokers on these matters are referred to as broker non-votes. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the special meeting.

Vote Required for Adoption of the Merger Agreement

The affirmative vote of the holders of a majority of the outstanding shares of common stock entitled to vote is required to approve and adopt the merger agreement. Accordingly, proxies that reflect abstentions and broker non-votes, as well as proxies that are not returned, will have the same effect as a vote against approval and adoption of the merger agreement. The Board of Directors urges the stockholders to complete, sign, date and return the enclosed proxy card in the accompanying self-addressed postage prepaid envelope as soon as possible.

Stockholders who do not vote in favor of approval and adoption of the merger agreement, and who otherwise comply with the applicable statutory procedures and requirements of the DGCL summarized elsewhere in this proxy statement, will be entitled to seek appraisal of the value of their shares as set forth in Section 262 of DGCL. See Appraisal Rights beginning on page [ ] and see Annex E.

Your shares can be voted at the special meeting only if you are present or represented by proxy. Whether or not you plan to attend the special meeting, you are encouraged to vote by proxy to ensure that your shares will be represented. Unless your shares are represented in the name of a broker, bank or other nominee, you may vote by completing and mailing a proxy card in the postage-paid envelope provided.

Voting by Directors, Executive Officers and Principal Stockholders

As of the record date, our directors and executive officers as a group owned and were entitled to vote [ ] shares of our common stock, which represents approximately [ ]% of the total common stock outstanding on that date. Each of our directors and executive officers has indicated that he or she intends to vote in favor of adoption of the merger agreement but has no obligation to do so.

Voting of Proxies

All shares represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holders. Properly executed proxies that do not contain voting instructions will be voted FOR the approval and adoption of the merger agreement at the special meeting; FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit additional proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and FOR the authorization of the proxies to vote on such matters as may properly come before the special meeting or any adjournment or postponement of the special meeting.

We do not expect that any matter other than the proposal to approve the merger agreement will be brought before the special meeting. If, however, our Board of Directors properly presents other matters, the person named as proxy will vote in accordance with his judgment as to matters that he believes to be in the best interests of the stockholders. A proxy in the accompanying form will give authority to Douglas J. Babb, William R. Floyd and Jeffrey P. Freimark to vote on such matters at their respective discretion and they intend to do so in accordance with their respective best judgment on any such matter.

Revocation of Proxies

You may revoke your proxy at any time before it is voted at the special meeting. A proxy may be revoked by filing, with the Secretary of BEI at BEI s executive offices located at One Thousand Beverly Way, Fort Smith, Arkansas 72919, a written notice of revocation or a duly executed proxy bearing a later date, or by attending the special meeting and voting in person. Attendance at the special meeting will not, by itself, revoke a proxy. Furthermore, if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in the stockholder s name. If you have instructed a broker to vote your shares, you must follow your broker s directions to change such instructions.

Expenses of Proxy Solicitation

BEI will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders in connection with their proxy. BEI has retained Georgeson Shareholder Communications to assist in the solicitation of proxies for a fee of $25,000, plus reimbursement of out-of-pocket expenses. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of BEI common stock beneficially owned by others to forward to the beneficial owners. BEI will reimburse persons representing beneficial owners of its common stock for their costs of forwarding solicitation materials to the beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or other electronic means, or by personal solicitation by directors, officers or other regular employees of BEI or by representatives of Georgeson Shareholder Communications. No additional compensation will be paid to directors, officers or other regular employees of BEI for their services in connection with the solicitation of proxies.

Adjournments

If the requisite stockholder vote approving the adoption of the merger agreement has not been received at the time of the special meeting, holders of BEI common stock may be asked to vote on a proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the merger proposal. **The Board of Directors unanimously recommends that you vote FOR the approval of any such adjournment or postponement of the meeting, if necessary.**

Stock Certificates

Please do not send us your stock certificates at this time. If the merger is completed, the paying agent for the merger will distribute instructions regarding the procedures for exchanging BEI stock certificates for the merger consideration. See The Merger Agreement Payment Procedures beginning on page [ ].

THE MERGER

Background

On December 16, 2004, Arnold M. Whitman, the Chief Executive Officer of Formation Capital LLC, called William R. Floyd, the Chairman, President and Chief Executive Officer of BEI, and expressed an interest in a possible transaction involving BEI. During this conversation, Mr. Whitman did not propose any

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prices or terms for such a possible transaction. Mr. Floyd informed Mr. Whitman that BEI was not currently considering a sale of the Company or any of its divisions.

On December 27, Mr. Floyd received a letter, dated December 22, 2004, from Formation Capital expressing an interest by a group consisting of Formation, Appaloosa Management L.P. and Franklin Mutual Advisers, LLC, in acquiring BEI for $11.50 per share. The letter also suggested that this group would be prepared to discuss an alternative transaction involving the purchase of BEI s real estate assets and nursing facilities operations, leaving BEI with its ancillary service businesses. In its December 22 letter, Formation indicated that this group owned approximately 4.5% of BEI s outstanding common stock. The December 22 letter also indicated that the proposal was being provided to BEI on a confidential basis and that Formation Capital expected that BEI would not disclose the proposal to anyone other than BEI s Board and advisors.

Mr. Floyd promptly forwarded the letter to the entire Board and convened a Board meeting on December 30 to discuss the December 22 letter. Following that meeting, BEI formally retained Latham & Watkins LLP as its legal advisor to assist the Board of Directors of BEI in fully evaluating the December 22 letter. Representatives of BEI also contacted Lehman Brothers to discuss retaining Lehman Brothers as BEI s financial advisor. Lehman Brothers was officially retained by BEI as its financial advisor pursuant to an engagement letter dated as of January 5, 2005.

On January 5, 2005, and in subsequent telephone conversations, Mr. Floyd advised Mr. Whitman that consistent with its fiduciary obligations and acting in good faith the BEI Board would meet to carefully consider the Formation group s expression of interest in an acquisition of BEI at a special meeting in late January.

Our Board met again on January 21, 2005 to consider the Formation group s December 22 letter. At the meeting, the Board adopted a policy to hold BEI s annual meeting of stockholders as early as practicable in each calendar year and, in particular, to hold our 2005 annual meeting on April 21, 2005. Although the Formation group s proposal was considered, the Board made no formal decision with regard to the Formation group s December 22 letter at the January 21 Board meeting.

When Mr. Floyd returned from the Board meeting on the afternoon of January 21, 2005, he received a second letter from Mr. Whitman dated January 19, 2005. The January 19 letter reiterated the Formation group s interest in acquiring BEI for $11.50 per share, subject to the terms and conditions contained in Mr. Whitman s earlier letter. The January 19 letter also indicated that the Formation group would be prepared to discuss the alternative transaction in which the Formation group would acquire BEI s real estate assets and nursing facilities operations, leaving BEI with its ancillary service businesses. Specifically, the January 19 letter indicated that, subject to completion of business, regulatory, legal and accounting due diligence, the Formation group was prepared to pay $9.00 per share in cash for BEI s nursing facilities operations and assume all liabilities not related to BEI s ancillary service businesses. The January 19 letter also suggested that the Formation group believed the remaining company comprised of the ancillary service businesses would trade at approximately a valuation of $4.00 per share.

The January 19 letter required that our Board, together with its outside legal advisors and Lehman Brothers, evaluate the additional information and the alternative acquisition structure described in the letter. On January 24, Mr. Floyd sent Mr. Whitman a letter informing him that the Board would meet again to consider the January 19 letter and that the Formation group could expect a response during the first week of February.

Following the close of business on January 24, Mr. Whitman, Appaloosa, Formation Capital, Franklin Mutual and Northbrook NBV, LLC, among others, filed a Schedule 13D with the SEC explaining that they had acquired over 8% of our common stock and disclosing the December 22 letter and January 19 letter as well as their intent to acquire BEI. The Schedule 13D filing was triggered by the Formation group s accumulation of more than 5% of the BEI common stock the open market on or about January 14, 2005.

On January 25, 2005, in light of the rapid accumulation of our shares by the Formation group, our Board adopted a Share Purchase Rights Plan to protect our stockholders from the threat of additional stock accumulations before the Board could meet to fully consider the Formation group s proposals and make a recommendation to our stockholders.

On January 27, 2005, we received a letter from a lawyer for the Formation group indicating that Mr. Whitman might propose a slate of directors for election at our 2005 annual meeting.

Our Board met again on the evening of February 2, 2005 to consider the transactions described in the Formation group s January 19 letter. After consultation with its legal advisors and Lehman Brothers, the Board unanimously concluded that the transactions described in the Formation group s letters of December 22 and January 19 were not in the best interests of BEI s stockholders. In reaching this conclusion, the Board took into account, among other things, BEI s strategic plan and growth initiatives, BEI s operating and financial progress in recent years and the contingent nature of the Formation group s proposals. The Board determined that both of the Formation group s proposals undervalued BEI, after consulting with Lehman Brothers which provided guidance and assistance to the Board in analyzing BEI s historical financial statements, its stock market prices over the past several years and other financial measures of performance, including, but not limited to, cash flows and comparisons with comparable companies. On February 3, 2005, Mr. Floyd sent Mr. Whitman a letter describing the Board s decision.

On February 4, 2005, the Formation group announced that it had submitted a slate of six independent nominees for election to the Board at the 2005 annual meeting as well as its intention to file a proxy statement with the SEC for the solicitation of BEI s stockholders for the election of the alternative slate of directors. The Formation group also sent a letter to Mr. Floyd reiterating its interest in acquiring BEI in a transaction under the terms disclosed in the December 22 and January 19 letters and its ability to finance such an acquisition. The Formation group also indicated that it might raise its offer price if such an increase was justified by further due diligence.

On February 17, 2005, BEI formally engaged JPMorgan as a second financial advisor to offer additional analysis and to further the Board s pursuit of strategic alternatives.

On February 18, 2005, BEI filed its preliminary proxy statement in connection with the 2005 annual meeting. The proxy statement contained a summary of the events leading up to the Formation group s proposal and detailed the reasons that the Board chose not to pursue the proposal. The proxy statement urged BEI s stockholders to support the Board s slate of directors at the 2005 annual meeting.

On February 18, 2005, the Formation group filed a preliminary proxy statement in which it stressed the merits of its proposal for acquiring BEI and urged stockholders to elect the group s alternative slate of directors at the annual meeting. The Formation group s preliminary proxy statement also contained several other proposals for stockholders, including a restriction on increasing the size of the Board and a prohibition on the Board amending the Company by-laws. The Formation group also amended its 13D filing to include a statement of the possibility that it would divest BEI s ancillary businesses as a way of financing its proposed acquisition of the Company.

On February 21, 2005, the Board met again to review the developments in the proxy contest with the Formation group and to further consider BEI s strategic alternatives. Lehman Brothers and JPMorgan discussed the changing nature of the Company s stockholder base, additional elements of the Formation group s proposals and the Company s financial and operating results and projections. BEI s legal advisors also discussed the Board s fiduciary duties. The Board authorized these advisors to conduct additional analysis on BEI s strategic and legal options and directed management to work with the advisors to prepare a presentation on the Company s options at a March Board meeting.

On March 14, 2005, the Formation group filed its definitive proxy statement urging the election of its alternative slate of directors at the 2005 annual meeting.

On March 15, 2005, we filed our definitive proxy statement urging the re-election of the current Board at the 2005 annual meeting.

Between March 14 and March 17, 2005, members of BEI s management met with 23 investor groups, which in the aggregate owned approximately 37 million shares as of the record date for the 2005 annual

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meeting, representing approximately 34% of the outstanding shares at that time. The investor groups consisted of a combination of arbitrage, hedge, growth and index funds. Through these meetings, BEI learned that these investors were focused on short-term value and liquidity maximization.

On March 21, 2005, the Board met to consider comprehensively its strategic alternatives in the context of its changing stockholder base, feedback received from stockholders in their meetings with management, the acquisition proposal by the Formation group and the ensuing proxy contest. Lehman Brothers and JPMorgan discussed stockholder composition and potential strategic alternatives. BEI s legal advisors discussed conversations with the Formation group regarding a potential settlement which would resolve the proxy contest should the Board decide to commence an auction process. Following discussion, the Board unanimously adopted resolutions authorizing commencement of an auction process for the sale of BEI to maximize stockholder value. To underscore the Board s commitment to this course of action, the Board also adopted a resolution enabling BEI s stockholders to replace the Board prior to the 2006 annual meeting in the event they were not satisfied with the auction process.

Lehman Brothers and JPMorgan compiled a list of prospective financial and strategic buyers, including combination hybrid buyers and healthcare REITs to be contacted regarding their potential interest in a transaction with BEI. At the direction of BEI, representatives of Lehman Brothers and JPMorgan commenced contacting these potential buyers and identified additional parties which were also contacted as part of the process. Initial contacts were made with representatives of 48 parties and consisted of a brief discussion of BEI s possible interest in engaging in a sale of BEI and an inquiry as to whether the potential party would be interested in receiving further information.

On April 1, 2005, we engaged Covington & Burling on behalf of the independent members of the Board of Directors to be their counsel in connection with the proposed sale of BEI. Latham & Watkins continued to serve as counsel to BEI. References in this proxy statement to BEI s legal advisors refer to Latham & Watkins and Covington & Burling unless the context requires otherwise.

On April 4, 2005, BEI opened an on-line data room, where all bidders interested in pursuing the purchase of BEI which had executed confidentiality agreements could have access to due diligence information regarding BEI.

On April 11, 2005, we entered into a settlement agreement with the Formation group under which the Formation group agreed to discontinue the solicitation of proxies in connection with our 2005 annual meeting of stockholders and withdraw its nominees for election to our Board. In addition, we agreed to reimburse the Formation group for up to $600,000 of out-of-pocket fees and expenses incurred by it in connection with its proxy solicitation. Also on April 11, we signed a confidentiality agreement with the Formation group. The confidentiality agreement permitted the Formation group and its representatives to examine confidential, nonpublic information regarding BEI for the purpose of evaluating a possible transaction with BEI pursuant to the same restrictions imposed on other bidders involved in the auction process. BEI committed in the confidentiality agreement to allow the Formation group to participate in BEI s on-going auction process on an equitable basis with all other potential buyers of BEI.

Between April 12 and April 14, 2005, Lehman Brothers and JPMorgan sent a first round process letter to 24 potential bidders or bidding groups that invited non-binding written indications of interest for a proposed transaction to be submitted no later than 5:00 p.m. (EDT) on May 9, 2005. The letter described, in specific terms, the items to be addressed in a proposal.

During the first phase of the sale process, BEI management accommodated the requests of potential bidders to meet and ask questions about the current legal structure of the Company and potential savings that might be achievable from certain changes to that structure. The management team participated in six such meetings. In advance of these meetings, a set of ground rules for any discussion was prepared, which dictated that there would be no management presentation, and that all questions, topics and a list of attendees must be provided in writing in advance to Lehman Brothers. In addition, bidders were prohibited from discussing with management any plans or proposals regarding management s potential continued role at BEI following a transaction, including terms of employment. These rules were orally communicated to all parties requesting a meeting.

On April 28, 2005, the independent members of the Board of Directors met to consider the advisability of making available to all bidders as part of the bidding process a stapled debt financing package under which the winning bidder would have access to pre-arranged real estate-based debt financing to support the purchase of BEI. Because the auction process required multiple parties to undertake time consuming and expensive due diligence without assurance that they would be the selected bidder, the independent members of the Board, after consultation with Lehman Brothers, JPMorgan and their legal advisors, determined that making a stapled financing package available to all bidders would increase the likelihood of multiple bidders remaining in the auction for the longest possible period, thereby increasing the competitiveness of the auction. In addition, they believed that providing the common real estate due diligence that would be generated as part of the stapled financing package and could be utilized by any potential lender would increase the likelihood that the winning bidder would have a fully committed debt commitment at the time of announcement of any agreement. Accordingly, the Board instructed Lehman Brothers and JPMorgan, together with its legal advisors, to work with management to develop a debt financing package to be offered to all bidders by JPMorgan and Lehman Brothers, and to produce the underlying real estate due diligence necessary to support such debt financing in a manner that could be used by any other provider of the real estate financing to support a bid. In light of the financial interest of JPMorgan and Lehman Brothers as the result of the proposed stapled financing, the independent members of the Board also discussed their desire for independent financial advisory services.

By April 28, 2005, we had executed confidentiality agreements with 23 potential bidders or bidding groups providing access to the online data room and other Company information relevant to a potential transaction.

On May 9, 2005, Mr. Floyd, Jeffrey Freimark, our Chief Financial Officer, and the Finance Committee of our Board of Directors met with representatives of three financial advisory firms, including CIBC World Markets, regarding an engagement to render an independent opinion to the Board in connection with the proposed sale of BEI. The BEI Board subsequently engaged CIBC World Markets for this purpose.

On May 9 and 10, 2005, we received preliminary indications of interest from five bidders or bidding groups for the purchase of the entire Company at prices ranging from $11.00 to $12.50 per share, including two groups which proposed to purchase the Company through separate but related transactions. The preliminary indication of interest submitted by NASC proposed a price of $12.00 per share. We also received indications of interest from four parties interested in purchasing only the rehabilitation and/or hospice components of our business.

At a meeting of the Board of Directors on May 15, 2005, management and representatives of Lehman Brothers and JPMorgan provided the Board with an update regarding the ongoing sale process and the preliminary indications of interest with respect to the purchase of BEI that had been received. After discussion of the preliminary indications of interest, the Board of Directors authorized management to continue discussions with all bidders or bidding groups which had submitted preliminary indications of interest, but to indicate to one bidder that a condition of its further participation in the auction process was to provide additional detail concerning the status of its due diligence review and the sources of its debt and equity financing.

Also at the May 15 Board meeting, in order to maximize the value to be obtained for the whole company, Lehman Brothers and JPMorgan were authorized to share the names of potential bidders for our ancillary businesses with bidders for the whole company which had been invited to participate in the second round of the auction.

On May 16, 2005, Lehman Brothers received a call from a party that had not submitted an indication of interest, inquiring about the status of the auction process and whether the Board was still accepting indications of interest. During this and subsequent phone conversations, the party was informed that while preliminary indications of interest had been due on May 9, as outlined in the process letter it had received, the Board was willing to consider any and all credible proposals. Accordingly, this party was encouraged to submit a proposal.

On May 25, 2005, independent members of the Board of Directors met with representatives of Covington & Burling via teleconference to discuss the existing employment, change of control, severance, and incentive plans and other arrangements of BEI. Because the employment plans and agreements pre-dated (in many cases by several years) the initial December 2004 contact from Formation, the independent directors of BEI sought an evaluation of the impact of the employment plans and agreements and recommendations for addressing the plans and agreements in the context of a merger transaction. The independent members of the Board instructed representatives of Covington & Burling to work with BEI s benefits consultants, Towers Perrin, to develop recommendations to address the operation of the plans and agreements in the context of a change of control of BEI.

During May and June, 2005, nine bidders or bidding groups continued to access the data room for continued due diligence investigations, and BEI and its legal advisors, in consultation with Lehman Brothers and JPMorgan, worked on a draft merger agreement and disclosure schedule to be sent to bidders. In addition, during this period, JPMorgan and Lehman Brothers worked with the Company s management to develop a stapled financing package and organize the common real estate due diligence that would be made available to all bidders at the Company s expense.

During the week of June 6, 2005, the management of BEI hosted formal in-person management presentations at the offices of Latham & Watkins and Lehman Brothers for each of the potential round two bidders. The meetings included a formal presentation by management about the Company, its organization, lines of business, operations, strategies, and historical and projected financial performance, including potential upside opportunities. Potential bidders had the opportunity to ask questions during the presentation. A series of breakout sessions on more specific topics requested by each potential bidder also occurred on the same day or on follow-up telephone calls. However, the bidders were prohibited from discussing with management any plans or proposals regarding management s potential continued role at BEI following a transaction, including terms of employment.

During the weeks of June 13 and June 20, 2005, the management of Aegis and Aseracare, the rehabilitation and hospice business units of BEI, hosted formal in-person management presentations in Milwaukee, Wisconsin for each of the parties interested in partnering with a bidder for the whole Company to acquire one or more of the ancillary businesses. The meetings included a formal presentation by BEI s management about the line or lines of business of interest to the party, operations, strategies and historical and projected financial performance, including potential upside opportunities. However, the bidders were prohibited from discussing with management any plans or proposals regarding management s potential continued role at BEI following a transaction, including terms of employment.

On June 17, 2005, our Board of Directors met via teleconference to review the results of the due diligence presentation meetings with bidders and to provide a status report on the bidders remaining in the process and their levels of interest. Management, Lehman Brothers and JPMorgan provided a full briefing concerning the existing and potential bidders, and made recommendations regarding the procedures to be transmitted to the bidders. The Board of Directors then authorized Lehman Brothers and JPMorgan to transmit bidding instructions to bidders remaining in the process.

In executive session, the independent directors then discussed with Mr. Floyd the ground rules for discussions between management and bidders about the future role of management with BEI following the closing of the merger. After discussion, Mr. Floyd agreed with the independent directors that no discussions between members of the BEI management team and any bidder regarding the future role of the existing BEI management team would take place until after the submission of firm bids, and then only on the basis of a common set of criteria developed by management and approved by the independent members of the Board of Directors.

Following the Board of Directors meeting on June 17, 2005, Lehman Brothers and JPMorgan sent instructions to five final bidders or bidding groups regarding the procedures for submitting firm bids for BEI on July 15, 2005.

On June 21, 2005, we received a letter from another potential bidder indicating an interest in acquiring the Company at $12.50 per share. However, in light of the timing of the letter and its lack of detail regarding the proposal, Lehman Brothers and JPMorgan were instructed to advise this bidder that it would not be invited to continue in the second round of bidding at that time but that it was welcome to develop a more comprehensive proposal, in which case it would be allowed to participate in the second round of the auction.

On June 27, 2005, independent members of our Board of Directors Nominating and Compensation Committee and Finance Committee met with representatives of Covington & Burling via teleconference to review in detail the operation of the legacy employee benefit plans and agreements and their impact on a sale of BEI. Covington & Burling then briefed the directors on the tentative recommendations of Covington & Burling and Towers Perrin to address the change of control payments and other terms required under those legacy agreements in connection with a transaction. The directors instructed Covington & Burling to develop a full presentation for the June 29 meeting of our Board of Directors.

On June 29, 2005, our Board of Directors met via teleconference with management, BEI s legal advisors, Lehman Brothers and JPMorgan to discuss the proposed draft merger agreement. Latham & Watkins and Covington & Burling explained various provisions in the draft merger agreement to the Board. At that meeting, the Board met in executive session without Mr. Floyd and without other members of management present. The independent members of the Board discussed the impact of certain provisions in the employment, severance and change of control agreements applicable to a number of BEI employees, and certain employee benefit plans, the terms of which could require BEI to create trusts or other financial security for the payment of certain benefits to employees following a change of control. The Board instructed its legal advisors to work with management to develop, for consideration by the Board, mitigation strategies to minimize the impact on bidders of the change of control costs imposed by the terms of the pre-existing agreements and plans.

On July 8, 2005, John Fowler, the chairman of our Board of Directors Nominating and Compensation Committee, met via teleconference with Mr. Floyd and representatives of Covington & Burling to review the proposed treatment of the legacy employment agreements and employee plans in the context of a change in control of BEI. Mr. Fowler directed that Covington & Burling prepare materials for a full presentation to the Board of Directors at its next meeting.

On July 11, 2005, our Board of Directors met via teleconference and reviewed with Covington & Burling the terms of the legacy employment agreements and plans, their potential costs in a change of control transaction and alternatives for addressing those costs. In executive session without members of management present, the independent members of the Board of Directors discussed alternatives for addressing the costs associated with the legacy agreements and plans, including the possibility of seeking waivers from employees of certain benefits to which employees were entitled under the plans. The independent directors instructed Covington & Burling to explore with senior management whether such waivers might be obtainable and, if not, whether there were other mitigation strategies that we could pursue to minimize the impact of the change of control payments on the bidding process.

On July 13, 2005, representatives of BEI had separate meetings via teleconference with representatives of NASC, the Formation group and one other bidder to discuss proposed changes to BEI s compensation plans and agreements in connection with a sale transaction.

On July 15, 2005, we received separate bids for the purchase of 100% of the equity of BEI from the Formation group and NASC, together with a mark-up, in each case, of the merger agreement. The Formation group proposed to pay $12.00 per share in cash, subject to reduction to $11.75 if BEI did not take actions (including and in addition to those outlined by BEI s representatives on July 13) to reduce the change of control payments to employees under the terms of their existing agreements. The Formation group s proposal was also conditioned on a sale of BEI s ancillary businesses to a third party, as well as significant (but unspecified) reductions in BEI s capital expenditures to make available more cash from BEI for purposes of

the closing. NASC proposed to pay $12.65 per share in cash. Another bidder indicated that it would pay more than $11.50 per share, but did not submit a firm bid or a mark-up of the merger agreement.

On July 18, 2005, the Board of Directors met via teleconference with management and BEI s legal advisors, together with Lehman Brothers and JPMorgan, who briefed the Board of Directors on the proposals received from NASC and the Formation group.

Between July 18 and July 21, 2005, Lehman Brothers and JPMorgan contacted NASC and the Formation group about each of their bids and sought further details concerning the pricing, conditionality and steps needed to complete agreements with each bidder.

On July 20, 2005, the Nominating and Compensation Committee of the Board of Directors met via teleconference with representatives of Covington & Burling and Towers Perrin to discuss different means of addressing the change of control costs associated with BEI s employment, change of control, and severance agreements and employee benefit plans. Towers Perrin confirmed to the Nominating and Compensation Committee that the terms of the plans and agreements left the Board with little discretion to reduce the payments, and that a significant portion of the costs was associated with gross up provisions under which BEI was contractually obligated to pay excise taxes for the benefit of employees receiving severance and/or change of control-related payments. Covington & Burling confirmed that discussions with senior management concerning the possibility of waivers of the change of control benefits had not been fruitful. Covington & Burling reported that because the provisions of the BEI employee benefit plans and agreements (and the associated benefits to employees associated with change of control) were contractual, long-standing and had been adopted at a time when the Company s stock was trading at a fraction of the prices being proposed by the current bidders, senior management had expressed the view, and believed that other covered employees would similarly view, that the change of control benefits were viewed as fully vested for prior performance and that employees would not be willing to relinquish those benefits voluntarily. After extensive discussion, the members of the Nominating and Compensation Committee concluded that the contractual benefits afforded by the change of control plans and agreements would be regarded by the employees as fairly reflecting their past contributions to the business, and that the value of the employees continued cooperation in effecting a sale of the Company was paramount. The members of the committee then concluded that further negotiations with employees seeking voluntary reductions in their contractual change of control benefits would be unproductive and not in the best interests of the Company s stockholders. On the advice of Towers Perrin and Covington & Burling, the Nominating and Compensation Committee considered the possibility of making early payments of certain benefits, including benefits that were either previously earned by the affected employees or would, in the ordinary course, be paid shortly after the beginning of the calendar year (in respect of services rendered and/or Company performance in the prior year) as a potential means of obtaining employee waivers of certain arbitration, security and trust deposit provisions in their agreements that would operate upon a change of control, thereby reducing the out-of-pocket cost and future excise tax obligations faced by BEI upon a change of control. See The Merger Interests of Certain Persons beginning on page [ ].

On July 21, 2005, the Board of Directors met at the New York offices of Lehman Brothers with management, BEI s legal advisors, Lehman Brothers and JPMorgan, who described the proposals received from NASC and the Formation group in detail. After an extensive discussion of the proposals, including an executive session in which neither Mr. Floyd nor any other members of BEI s management participated, the Board instructed management, its legal advisors, Lehman Brothers and JPMorgan to continue negotiations with NASC and the Formation group with the goal of improving both bids, from a financial and legal standpoint. From a legal perspective, the Board was particularly interested in reducing the conditionality of both bids with respect to financing and related real estate matters and with respect to the Formation group s proposed condition that BEI s ancillary businesses contemporaneously be sold to third parties.

Between July 21, 2005 and August 16, 2005, numerous meetings and teleconferences were held between BEI s legal advisors, Lehman Brothers and JPMorgan and representatives of the Formation group and NASC.

On July 29, 2005, NASC sent a letter to BEI in care of Lehman Brothers modifying its proposal by agreeing to increase the consideration offered to $12.70 per share and to post a $5 million letter of credit at the

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signing of the merger agreement which would be forfeited if NASC terminated the merger agreement within a 30-day due diligence period. At the end of the 30-day due diligence period, NASC offered to post an additional $45 million letter of credit, for a total $50 million deposit, to support payment of a business interruption fee in the event the merger agreement were terminated for specified reasons after the initial 30-day due diligence period.

On July 29, 2005, our Board of Directors met via teleconference with BEI s legal advisors, Lehman Brothers and JPMorgan, who briefed the Board on the revised proposal from NASC. After discussing the proposal, the Board instructed management and such advisors to continue negotiations with NASC and the Formation group with the goal of improving both bids, and to also focus on negotiating the detailed terms of a merger agreement with NASC.

On August 5, 2005, our Board of Directors received an update via teleconference from BEI s legal advisors, Lehman Brothers and JPMorgan. Lehman Brothers and JPMorgan reported that NASC had increased its bid to $12.80 per share, agreed to make a $7 million deposit and have a total business interruption fee of $65 million and indicated that this was its best and final offer. The Board instructed management, together with BEI s legal advisors, Lehman Brothers and JPMorgan, to start negotiating on a fast track with NASC based on this latest proposal and simultaneously to continue to try to improve the Formation group s bid, especially with respect to conditionality surrounding the sale of the ancillary businesses.

Between August 5, 2005 and August 16, 2005, representatives of BEI along with our legal advisors, Lehman Brothers and JPMorgan met in person and via teleconference with representatives of NASC, its legal counsel Troutman Sanders LLP, and its financial advisors to discuss and negotiate the merger agreement.

On August 11, 2005, the Board of Directors received an update via teleconference from BEI s legal advisors, Lehman Brothers and JPMorgan on the status of negotiations with NASC and communications with the Formation group.

On August 13, 2005, the Finance Committee of our Board met via teleconference with representatives of Covington & Burling to review the status of the bids and negotiations. The Finance Committee members instructed Covington & Burling to report regularly to Mr. Fowler (and other independent members of the Board) on the progress of negotiations.

From the evening of August 14 through the afternoon of August 15, 2005, BEI s legal advisors, Lehman Brothers and JPMorgan met with Troutman Sanders to negotiate the final terms of a proposed merger agreement, under which NASC would make a $7 million deposit, of which $3.5 million would be refundable during the first seven days in the event that NASC s financial advisors were not satisfied with the progress of due diligence and appraisals on BEI s real property. NASC outlined other terms of its proposed offer, including a 30-day period in which to post the additional $53 million deposit or letter of credit to secure a proposed $60 million business interruption fee. In response to a BEI proposal that the parties delay the execution of a merger agreement until the additional due diligence could be completed, NASC stated that it was unwilling to proceed with further due diligence and negotiations unless BEI signed an agreement with NASC as proposed. However, NASC agreed that during the seven-day period following the execution of an agreement, BEI could accept without payment of a breakup fee (other than the return of NASC s deposit and the payment of up to $3.5 million in NASC s documented out-of-pocket expenses) a superior proposal involving a higher price to shareholders. NASC demanded that it have prior notice of any superior proposals, and a right to submit its own superior proposal in response. After consulting with Mr. Fowler and other independent members of the Board, our legal advisors proceeded to draft provisions for the merger agreement reflecting the latest proposals for consideration by the full Board.

On August 15, 2005, our Board of Directors met at the New York offices of Lehman Brothers with management and BEI s legal advisors, Lehman Brothers, JPMorgan and CIBC World Markets. Representatives of Covington & Burling, Latham & Watkins, JPMorgan and Lehman Brothers reviewed for the Board of Directors in detail the terms of the merger agreement and other aspects of the NASC proposal, including, in particular, the business interruption fee that would be payable by NASC under certain circumstances if NASC terminated the merger agreement and the termination fees that would be payable by BEI under certain circumstances if we terminated the merger agreement. The Board reviewed the NASC agreement as compared to the latest Formation group proposal. The Board noted that the Formation group proposal was at a lower price per share and had significantly greater conditionality involving the minimum cash requirements at closing, the nature of the regulatory approval process for transfer of BEI s health care licenses and more restrictive operating covenants prior to closing. In addition, the Board noted that the Formation group s proposal was dependent on the proceeds from the sale of BEI s ancillary businesses as a source of cash to fund the payment of the purchase price at closing. There was also a discussion surrounding the financing risk and issues involving the ability of NASC to obtain adequate real estate appraisals to obtain debt financing for the transaction. The Board also discussed the relative weakness of the equity commitment being provided by NASC as compared with the equity sources offered by the Formation group. The Board instructed JPMorgan and Lehman Brothers to provide whatever assistance they could to facilitate the financing of the NASC transaction, including the real estate appraisal process. After a full discussion of the proposed NASC agreement and the Formation group s proposal, including an executive session in which neither Mr. Floyd nor any other members of the management team participated, each of JPMorgan, Lehman Brothers and CIBC World Markets separately reviewed with the Board of Directors its financial analysis of the per share consideration as then proposed.

On August 16, 2005 representatives of Lehman Brothers and Latham & Watkins received calls from representatives of Eureka Capital, financial advisor to the Formation group, and Fried, Frank, Harris, Shriver & Jacobson LLP, legal advisor to the Formation group, who reported that the Formation group had revised its offer to remove the requirement that certain ancillary businesses be divested as a condition to closing and to increase the per share merger consideration to $12.80 per share. The Formation group then delivered a letter to Lehman Brothers confirming the offer and requesting that BEI engage in further negotiations with the Formation group. By its terms, that written offer was to expire on August 17 at 5:00 p.m. (EDT).

On August 16, 2005, the Board of Directors met by teleconference with management, BEI s legal advisors and Lehman Brothers, JPMorgan and CIBC World Markets. Representatives of Lehman Brothers reported on the revised proposal from the Formation group. There was then a discussion comparing the two proposals. The Board determined that the NASC proposal remained preferable, considering in particular the fact that a merger agreement was ready to be signed with NASC, while an agreement with the Formation group remained to be negotiated, and also the relatively unprotected nature of the transaction with NASC for a short period following the signing of the merger agreement, which would provide the Formation group the ability to submit a topping bid during that period. Each of JPMorgan, Lehman Brothers and CIBC World Markets then separately delivered to the Board its oral opinion, confirmed by delivery of a written opinion, to the effect that, as of August 16, 2005 and based on and subject to the matters described in its opinion, the $12.80 per share merger consideration was fair, from a financial point of view, to the holders of BEI common stock. Following additional discussion and deliberation, on recommendation of the independent members of the Board of Directors, the Board (with Mr. Floyd abstaining) approved the merger agreement with NASC and the transactions contemplated by the merger agreement and resolved to recommend that our stockholders vote to adopt that merger agreement.

On August 16, 2005, we entered into a merger agreement with NASC, NASC Acquisition and SBEV. Prior to the opening of trading on the New York Stock Exchange on August 17, 2005, BEI issued a press release announcing the execution of the merger agreement with NASC.

On August 18, 2005, the Formation group sent a letter to BEI indicating its disappointment with BEI s execution of the merger agreement with NASC and offering to purchase BEI for $12.90 per share in cash, post a $10 million deposit and not condition the transaction on the sale of the ancillary businesses. The bid was also contingent on no more than $3.5 million being payable to NASC as a termination fee. The letter also attached commitments from the Formation group s sources of financing. As required by the merger agreement, NASC was notified of the Formation group s letter, and NASC responded by expressing its continuing desire to acquire BEI.

At 4:00 p.m. (EDT) on August 18, 2005, a telephonic meeting of the Board of Directors was convened to discuss the proposal from the Formation group. After a discussion of the proposal and the requirements of the merger agreement with NASC, the Board concluded that the proposal from the Formation group was reasonably likely to constitute a superior proposal under the merger agreement and, therefore, satisfied the conditions for BEI to engage in discussions with the Formation group about its proposal. The Board of Directors instructed BEI s management, together with BEI s legal advisors, Lehman Brothers and JPMorgan, to negotiate with the Formation group in order to receive a revised proposal from them later that evening that the Board could consider.

At 10:30 p.m. (EDT) on August 18, 2005 a telephonic meeting of the Board of Directors was convened to discuss a revised proposal from the Formation group. The revised proposal was consistent with the proposal received earlier in the day, with more detail on certain points requested by BEI. After a lengthy discussion of the revised proposal and the requirements of the merger agreement, on the recommendation of the independent directors, the Board of Directors concluded that the revised proposal was a superior proposal under the merger agreement and, in accordance with the merger agreement, that NASC be notified of that determination and BEI s intention to accept the proposal from the Formation group between noon and 5 p.m. on August 23, 2005. That notice was delivered to NASC and the Formation group later that evening. Under the NASC merger agreement, if BEI terminated the merger agreement by 5:00 p.m. (EDT) on August 23, 2005 to accept a superior proposal, the termination fee payable to NASC would be \$3.5 million; after 5:00 p.m. (EDT) on August 23, 2005, the termination fee payable to NASC would have increased to \$20 million (or to \$60 million if NASC had at the time of such termination posted a cash deposit or letter of credit for an additional \$53 million).

From August 19 to August 21, 2005, representatives of BEI and the Formation group met to negotiate a merger agreement reflecting the most recent Formation group proposal. At the instruction of the Board, our legal advisors, Lehman Brothers and JPMorgan had regular calls with Mr. Fowler and other independent members of the Board during the negotiations. At the instruction of the Board, these advisors sought to have the Formation group further improve its most recent bid. The Board believed that NASC would match or top a \$12.90 bid from Formation, and such advisors urged Formation to increase its bid to a level above which NASC was able to bid.

The Formation group s representatives confirmed that the Formation group was not prepared to bid more for BEI. According to the terms of our merger agreement with NASC, a higher bid from Formation would have required a separate notice to NASC, extending the negotiations beyond the period during which a \$3.5 million break up fee would be payable to the point at which a higher \$20 million breakup fee would have been payable to NASC. The Formation group indicated that it was not prepared to acquire BEI if BEI were required to pay an increased termination fee to NASC. Further negotiations with the Formation group s representatives confirmed a continued and significant shortfall between BEI s own projections for cash balances at the likely closing date, and the Formation group s financial model for the sources and uses of cash, and debt and equity financings to support of the purchase price. Continued negotiations with the Formation group over operating covenants to be applied to BEI between the execution of the merger agreement and closing focused on the preservation of cash and BEI s belief that the restrictive nature of the covenants proposed by the Formation group contributed to additional execution risk in the proposed transaction.

On August 21, 2005, BEI s representatives again met with representatives of the Formation group to explain the need for a higher price and for more flexibility in the proposed operating covenants applicable to BEI. BEI s representatives also explained that other elements of the Formation group proposal, particularly those involving the conditions to closing and the structure of the regulatory approval process proposed by the Formation group, would raise concerns with the Board concerning the conditionality of the Formation group proposal. The Formation group s representatives indicated that they believed there was no further flexibility on price terms, but that they would evaluate whether the Formation group could agree to additional flexibility with respect to operating covenants, closing conditions and the proposed regulatory approval process.

On August 22, 2005, the Board of Directors met by teleconference with management, BEI s legal advisors, and Lehman Brothers, JPMorgan and CIBC World Markets. BEI s legal advisors, Lehman Brothers and JPMorgan reported on the progress of negotiations with the Formation group. It was noted that the Formation group was unlikely to bid more than \$12.90 per share, in part because of the Formation group s

refusal to permit BEI to pay to NASC an increased termination fee associated with a new Formation group proposal at a price higher than $12.90 per share. Based on a review of the Formation group s financial model by Lehman Brothers and BEI s management, the Board also expressed continuing concerns over the validity of the Formation group s assumptions regarding the amount of cash in BEI available for use as part of the purchase price. However, the Board believed that the Formation group s recent indications of flexibility with respect to operating covenants and closing conditions suggested that continued negotiations were appropriate, and the Board authorized BEI s legal advisors, Lehman Brothers and JPMorgan to engage in further negotiations with both NASC and the Formation group for a higher price, and to agree to increased deal protection if either party agreed to increase the merger consideration above $12.90 per share.

As a result of those discussions, NASC indicated that it would increase its offer to $13.00 per share in exchange for increased deal protection, but the Formation group indicated it was not willing to increase its offer.

During the evening of August 22 and throughout the day on August 23, 2005, representatives of BEI and NASC continued to negotiate over the terms of an amendment to the original NASC merger agreement providing for a $13.00 price per share and an additional $20 million breakup fee payable to NASC in the event of a termination prior to the receipt of NASC s increased good faith deposit. Mr. Fowler supervised the final negotiations, and, together with directors Donald L. Seeley, James W. McLane and Ivan R. Sabel, participated in multiple calls with our legal advisors, Lehman Brothers and JPMorgan during the night of August 22.

On the afternoon of August 23, 2005, the Formation group repeated its prior offer of $12.90 per share, and submitted a revised markup of the merger agreement based on its original more restrictive operating covenants, including significant restrictions on capital expenditures and other cash-related operating covenants that the Board believed were designed to close the gap between the closing cash balance projections of the Formation group and BEI s own closing cash projections.

On August 23, 2005, the Board of Directors met by teleconference with management, BEI s legal advisors, Lehman Brothers, JPMorgan and CIBC World Markets. BEI s legal advisors, Lehman Brothers and JPMorgan reported on the new proposal received from NASC and the terms of a draft amendment to the merger agreement received from NASC. Among other things, NASC proposed to increase the per share merger consideration to $13.00 per share and also to increase the amount of the termination fee payable to NASC prior to NASC raising its business interruption fee deposit to $40 million from $20 million. NASC also agreed to waive its right to terminate the merger agreement with respect to real estate appraisals. The Board then discussed the latest NASC proposal and compared it to the Formation group s proposal at $12.90 per share. In addition to noting that the terms of its current merger agreement with NASC prohibited the Board from accepting a proposal with a nominal per share value less than that being proposed by NASC, the Board also noted that the Formation group s proposal would have required BEI to agree to substantially more restrictive operating covenants that the Board viewed as unacceptable because they significantly increased the risk that BEI would be unable to comply with the covenants and thus could not satisfy the closing conditions for the merger. Although the Formation group s proposal included a stronger equity commitment, the Board did not believe that, in light of these other concerns, this was sufficient to make the Formation group s proposal superior to NASC s $13.00 per share proposal. Each of JPMorgan, Lehman Brothers and CIBC World Markets then separately delivered to the Board its oral opinion, confirmed by delivery of a written opinion, to the effect that, as of August 23, 2005 and based on and subject to the matters described in its opinion, the $13.00 per share merger consideration was fair, from a financial point of view, to the holders of BEI common stock. Following additional discussion and deliberation, the Board of Directors approved the amendment to the merger agreement with NASC and the transactions contemplated by the amended merger agreement and resolved to recommend that our stockholders vote to adopt the amended merger agreement. Mr. John P. Howe, III, M.D. (who joined the meeting late) and Mr. Floyd abstained from the vote.

On August 23, 2005, the amendment to the merger agreement with NASC was executed by BEI and NASC. Prior to the opening of trading on the New York Stock Exchange on August 24, 2005, BEI issued a press release announcing the execution of the amendment to the merger agreement.

On August 25, 2005, the Formation group filed a statement with the Securities and Exchange Commission indicating that it no longer had any present intention to submit further proposals to acquire BEI.

On September 19, 2005, NASC notified BEI that it would likely be able to provide the debt commitment letters and solvency opinion required to be submitted to BEI by September 22, 2005, as required by the merger agreement. NASC also confirmed that it would be able to provide an equity commitment letter and letter of credit for the additional $53 million good faith deposit or letter of credit by September 22, 2005, but neither would conform to the terms of the merger agreement because both the equity letter and the letter of credit would be subject to certain additional conditions. NASC at that time identified Fillmore Capital Partners as the likely source of the equity financing for the transaction, but NASC confirmed that Fillmore Capital Partners funding would be subject to certain contingencies until mid-November, because Fillmore Capital Partners was working to obtain financing.

On September 20 and 21, 2005, the Board of Directors met by teleconference with management, BEI s legal advisors, Lehman Brothers and JPMorgan to discuss developments regarding NASC s likely failure to satisfy the September 22, 2005 requirements. The Board authorized management and these advisors to continue discussions with NASC regarding potential amendments to the terms of the merger agreement to permit NASC more time to perform.

On September 21 and 22, 2005, BEI s representatives continued negotiations with representatives of NASC concerning the terms of a possible amendment to the merger agreement providing NASC more time to fulfill its obligations and permitting BEI to actively solicit superior offers for the acquisition of BEI. The proposed amendment would also modify the terms of the merger agreement relating to a superior proposal, making it easier for BEI to conclude that a superior proposal had been received and eliminating the breakup fee payable to NASC in the event that BEI was able to secure a superior proposal prior to NASC s fulfillment of its obligations.

On September 22, 2005, the Board of Directors met by teleconference with management, BEI s legal advisors, Lehman Brothers and JPMorgan. The Board discussed various alternatives, including terminating the merger agreement. After extensive discussion, including an executive session in which neither Mr. Floyd nor any other members of the management team participated, the Board (with Mr. Floyd abstaining) approved an amendment to the merger agreement providing that the initial good faith deposit would be increased from $7 million to $10 million, the updated debt commitment letters and solvency opinion would not be required to be delivered until October 21, 2005, BEI would have a right to terminate the merger agreement if a firm letter of credit or deposit for $50 million was not delivered by October 21, 2005 and NASC would be required to deliver a firm equity commitment letter and $50 million deposit or letter of credit by November 18, 2005. In addition, until all of these documents were delivered, BEI would not be limited in its ability to speak with other potential bidders, there would be no termination fee payable to NASC, and, in the event BEI terminated the merger agreement in order to enter into a superior transaction with another bidder, BEI would reimburse NASC for its expenses only to the extent NASC had deposited additional cash as a good faith deposit.

During the night of September 22, 2005, our legal advisors finalized the terms of the second amendment to the merger agreement under the supervision of Mr. Fowler. The second amendment to the merger agreement with NASC was executed by BEI, NASC, NASC Acquisition and SBEV. Prior to the opening of trading on the New York Stock Exchange on September 23, 2005, BEI issued a press release announcing the execution of the second amendment to the merger agreement.

Between September 23 and November 18, 2005, Lehman Brothers and JPMorgan contacted a number of parties which had previously expressed interest in acquiring BEI, including representatives of the former members of the Formation group, to inquire as to whether they were interested in submitting a proposal that would be more favorable to BEI than the merger agreement with NASC. No proposals for the acquisition of BEI were received from any of the parties contacted.

On October 21, 2005, Mr. Fowler contacted a principal of Franklin Mutual Advisors, L.L.C., which had formerly been a member of the Formation group, to see if Franklin Mutual had an interest in reforming the

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Formation group and submitting a competing bid. Franklin Mutual indicated to Mr. Fowler that, at that time, there no longer was a Formation group, and there was no intent to proceed. However, Franklin Mutual indicated it might have a continued interest in making a bid, but not at the pricing levels previously contemplated and not as part of a competitive process with NASC.

Between October 19 and 21, 2005, BEI, our legal advisors, Lehman Brothers and JPMorgan discussed and negotiated with NASC, Fillmore Capital Partners and their respective legal advisors the forms of updated debt commitment letters and solvency opinion to be delivered to BEI on October 21, 2005.

On October 21, 2005, NASC delivered updated debt commitment letters and a solvency opinion, as contemplated by the merger agreement.

During the weeks of November 7 and November 14, 2005, Lehman Brothers and Covington & Burling had regular telephone contact with NASC and Fillmore Capital Partners concerning the status of the equity financing, the updated equity commitment letters and the letter of credit required under the merger agreement for delivery on or before November 18, 2005. NASC expressed Fillmore Capital Partners concerns about litigation and legislative developments relating to BEI in Arkansas, but expressed their confidence to both Lehman Brothers and Covington & Burling that the equity financing for the transaction would be in place and that all required deliveries would be made by the November 18 deadline.

On November 11, 2005, our Board of Directors met with management, BEI s legal advisors, Lehman Brothers and JPMorgan to discuss the status of the merger agreement with NASC and potential alternatives to the NASC transaction if NASC failed to deliver the equity commitment and letter of credit by November 18, 2005 as required under the merger agreement. The alternative transactions discussed included transactions with other parties which had expressed an interest in BEI, a leveraged recapitalization, the separation of BEI s real estate assets from its operating assets, a merger with a strategic partner, growth through acquisitions and the continuation of BEI s strategic plan as an independent company.

Late in the evening on November 16, 2005, Troutman Sanders advised Covington & Burling that NASC was encountering difficulty in meeting certain of its merger agreement obligations, and raised the possibility that NASC might not be able to fulfill its obligation to deliver a firm equity commitment and letter of credit by the November 18 deadline as required under the merger agreement.

On the morning of November 17, 2005, the Board of Directors of BEI met via teleconference with management, BEI s legal advisors, Lehman Brothers and JPMorgan to discuss the range of alternatives that could be pursued in the event that NASC was unable to make the required deliveries. The alternatives considered by the Board included termination of the merger agreement and retention of the NASC deposit, further negotiation with NASC over changed terms, and, in either event, contacting other interested parties, including in particular former members of the Formation group, to see if there was continued interest in bidding for the Company. The Board of Directors instructed Lehman Brothers and JPMorgan to contact parties that had expressed continued interest in acquiring BEI to see if they would be interested in pursuing a transaction if NASC did not satisfy its obligations under the merger agreement. The Board also instructed Covington & Burling to advise NASC that in the event that NASC was ultimately unable to meet its obligations under the merger agreement, NASC should submit a specific proposal for dealing with the default. The Board also instructed Covington & Burling to advise NASC that, in the absence of a specific proposal, the Board would have no alternative but to terminate the NASC merger agreement if NASC failed to perform by the November 18 deadline.

During the afternoon of November 17, 2005, representatives of Dechert LLP and Troutman Sanders LLP, in their capacity as counsel to Fillmore Capital Partners, communicated to Covington & Burling an offer of $12.30 per share for the Company, contingent upon the assignment of the NASC merger agreement (including the $10 million deposit) to Fillmore Capital Partners and certain other changes to the NASC merger agreement. Fillmore Capital Partners counsel stated that Fillmore Capital Partners offer was without prejudice to NASC s rights to perform under the merger agreement, and confirmed that they were not asserting that NASC would not perform.

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On November 17, 2005, Lehman Brothers contacted Eureka Capital, financial advisor to the former Formation group, to see whether any of their clients remained interested in submitting a bid and pursuing a transaction with BEI, in the event that NASC failed to make the required deliveries on November 18, 2005. After checking with its clients, Eureka advised Lehman Brothers that the individual members of the former Formation group would not submit a bid before any agreement with NASC was terminated and that they did not want to be a stalking horse to maintain the pricing with NASC. Lehman Brothers and JPMorgan also contacted other potentially interested parties, but none expressed interest in submitting a bid at that time to acquire BEI.

At 9:00 a.m. (EST) on November 18, 2005, the Board of Directors met via teleconference to hear reports from Covington & Burling and Lehman Brothers concerning the status of discussions with NASC. Representatives of Lehman Brothers, JPMorgan and Covington & Burling reported on the Fillmore Capital Partners proposal, and noted that NASC had not affirmatively declared that it would not perform its obligations under the merger agreement. The Board discussed whether to submit a counter-proposal, and concluded that NASC had not at that time failed to meet the deadline for its required deliveries and had not affirmatively indicated that it was unwilling or unable to do so. Accordingly, the Board instructed Covington & Burling, Lehman Brothers and JPMorgan not to communicate a specific response to the Fillmore Capital Partners proposal until and unless the deadline had passed without performance by NASC.

By 5:00 p.m. (EST) on November 18, 2005, NASC had not delivered the letter of credit or firm equity commitment letter contemplated by the merger agreement. Shortly after the deadline, Troutman Sanders confirmed to Covington & Burling that NASC endorsed the proposal of Fillmore Capital Partners to permit PSC, a newly formed affiliate of Fillmore Capital Partners, to assume NASC s obligations under the merger agreement at the reduced purchase price of $12.30 per share.

On the evening of November 18, 2005, our Board of Directors met via teleconference with management, BEI s legal advisors, Lehman Brothers and JPMorgan to discuss actions that should be taken as a result of NASC s failure to make the required deliveries and Fillmore Capital Partners proposal at a reduced price. The Board of Directors instructed management and such advisors to continue negotiating the terms and price of a revised agreement with Fillmore Capital Partners and they would consider the best and final terms that could be negotiated against other alternatives that had been discussed at previous Board meetings and were again reviewed at the Board meeting. The Board also advised management and such advisors of the Board s view that the reduced price of $12.30 per share was not sufficient to warrant assigning the NASC merger agreement and $10 million deposit to Fillmore Capital Partners. The Board further concluded that any negotiated price reduction with Fillmore Capital Partners would need to involve (i) the delivery of an updated equity commitment letter and an irrevocable letter of credit meeting the requirements set forth in the NASC merger agreement, and (ii) the extension of BEI s ability freely to solicit competing offers to purchase BEI for some period of time without having to pay a break-up fee (other than the reimbursement of Fillmore Capital Partners out-of-pocket expenses (including expenses previously incurred by NASC), subject to a reimbursement cap of $30 million) if BEI agreed to accept a superior offer. Finally, on advice from the management team, its legal advisors, Lehman Brothers and JPMorgan, the Board instructed Covington & Burling and Lehman Brothers to communicate to Fillmore Capital Partners a counter-offer of $12.85 per share, together with the requirement that BEI be permitted an additional three weeks actively to solicit competing offers.

Late in the evening of November 18, 2005, Fillmore Capital Partners rejected BEI s counter-proposal of $12.85 per share. Fillmore Capital Partners representatives reiterated Fillmore Capital Partners offer of $12.30 per share, but indicated a willingness to accept an active shop clause that extended the time during which BEI and its representatives could actively seek competing superior offers for BEI s shares.

On the morning of November 19, 2005, Messrs. Fowler, McLane, Seely and Floyd met via teleconference with representatives of Covington & Burling and Lehman Brothers to discuss the status of negotiations. The directors instructed BEI s representatives to obtain a best and final offer from Fillmore Capital Partners for discussion with the full Board that afternoon. Following that call, representatives of Covington & Burling communicated the Board s desire for a best and final offer. During the morning of November 19, 2005, management, BEI s legal advisors, Lehman Brothers and JPMorgan began to negotiate with representatives of

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Fillmore Capital Partners and NASC the terms of the third amendment to the merger agreement and assignment of the merger agreement from NASC to PSC.

On the evening of November 19, 2005, the Board of Directors of BEI met via teleconference with management and BEI s legal advisors, Lehman Brothers and JPMorgan to discuss the status of negotiations with Fillmore Capital Partners. It was reported to the Board that Fillmore Capital Partners had rejected the $12.85 price offered by the Board on the evening of November 18, but had agreed in principle to a price of $12.50 per share, to an extension of the period during which BEI could actively solicit competing offers for its shares, and to other terms relating to the acceleration of certain employee payments and mutual releases between BEI and NASC. Other terms of the amendment continued to be negotiated. The Board of Directors instructed management and such advisors to continue to negotiate the terms of the amendment and determined to meet on the following day to determine what action to take, based on the final terms for a merger agreement with Fillmore Capital Partners.

On the evening of November 20, 2005, our Board of Directors met via teleconference with management, BEI s legal advisors and Lehman Brothers, JPMorgan and CIBC World Markets. At this meeting, BEI s legal advisors, Lehman Brothers and JPMorgan discussed the status of negotiations with Fillmore Capital Partners and the terms of the third amendment, including the price of $12.50 per share and the ability to solicit offers for BEI until December 12, 2005 without having to pay a break up fee if a better offer was accepted (other than the reimbursement of Fillmore Capital Partners out-of-pocket expenses (including expenses previously incurred by NASC), up to $30 million). The Board discussed the other terms of the amendment and compared the merger agreement, as amended, to the other alternatives available to the Company, including termination of the NASC merger agreement. Each of JPMorgan, Lehman Brothers and CIBC World Markets confirmed that it was prepared to deliver to the Board its opinion (each of which was thereafter delivered in writing) to the effect that, as of November 20, 2005 and based on and subject to the matters described in its opinion, the $12.50 per share merger consideration was fair, from a financial point of view, to the holders of BEI common stock.

Following additional discussion and deliberation, the Board of Directors approved the amendment to the merger agreement with Fillmore Capital Partners and the transactions contemplated by the amended merger agreement and resolved to recommend that the stockholders of BEI vote to adopt the amended merger agreement. However, the Board also directed Lehman Brothers and JPMorgan again to contact prospective bidders, including representatives of the former Formation group, and actively to solicit superior offers for BEI during the period on or prior to December 12, 2005.

Later on November 20, 2005, the amendment to the merger agreement was executed by BEI, NASC, NASC Acquisition, SBEV, PSC, PSC Sub and GPH, and PSC delivered to BEI an updated equity commitment letter and a firm letter of credit for $50 million, together with new debt commitment letters and a new solvency opinion. Prior to the opening of trading on the New York Stock Exchange on November 21, 2005, BEI issued a press release announcing the execution of the amendment to the merger agreement.

On Monday, November 21, 2005, following the issuance of the press release announcing the November 20 amendment to the merger agreement, Lehman Brothers and JPMorgan contacted five parties, including Eureka Capital, the advisors to the former members of the Formation group, who might potentially have an interest in submitting an alternative proposal to acquire BEI. Representatives of Eureka indicated that they would speak with their clients to determine if any of them was interested and call Lehman Brothers and JPMorgan back with a response. The other parties contacted made similar statements. During the week of November 28, all five parties who had been contacted advised Lehman Brothers or JPMorgan that they would not submit an alternative proposal. In particular, representatives of Eureka called Lehman Brothers on December 1, 2005, to advise them that their clients would not submit an alternative proposal.

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Recommendation and Reasons

Recommendation of BEI s Board of Directors

After careful consideration, BEI s Board of Directors by unanimous vote:

has determined that the merger agreement and the merger, upon the terms and conditions set forth in the merger agreement, are advisable, fair to and in the best interests of BEI and its stockholders;

has approved the merger agreement;

recommends that BEI s stockholders vote FOR the approval and adoption of the merger agreement at the special meeting;

recommends that BEI s stockholders vote FOR the authorization of the proxies to vote in their discretion with respect to the approval of any proposal to postpone or adjourn the special meeting to a later date to solicit proxies in favor of the approval and adoption of the merger agreement if there are not sufficient votes for approval and adoption of the merger agreement at the special meeting; and

recommends that the BEI stockholders vote FOR the authorization of the proxies to vote on such other matters as may properly come before the special meeting if any adjournment or postponement of the special meeting.

BEI s Reasons for the Merger

The Board of Directors consulted with BEI s senior management and legal and financial advisors and considered a number of factors in evaluating the merger agreement and the transactions contemplated by the merger agreement. The factors considered by the Board included those set forth below:

The Board s belief that a sale of BEI for cash was more favorable to BEI s current stockholders than any other alternative reasonably available, including the following other alternatives:

conducting a leveraged recapitalization of the business to finance a redemption transaction, in order to provide partial liquidity for shareholders;

restructuring the ownership of BEI, in an effort to limit the Company s ongoing exposure to litigation costs; and

continuing to operate BEI under its current or a revised strategic plan, seeking longer term growth in share value and potentially increased dividends through earnings growth.

The Board concluded that a cash sale of BEI shares was superior to each of these alternatives because of the uncertain returns to the stockholders in light of BEI s business, operations, financial condition, strategy and prospects, as well as the risks involved in achieving those prospects, and the nature of the long-term care and healthcare industries, including the risks associated with professional liability claims brought against BEI and potential changes in Medicare and Medicaid reimbursement rates;

The Board s belief that the sale to Fillmore Capital Partners offered better potential value than the other alternatives available to BEI, including the alternatives of selling the component parts of the BEI business to multiple bidders (whether in a single transaction or a series of transactions) or remaining a stand-alone, independent company;

The belief that the Fillmore Capital Partners cash merger transaction was the best third-party purchase transaction available to BEI, given the extensive public auction process conducted by and on behalf of BEI, the active supervision of that process by the independent directors of the Company and the efforts made by and on behalf of BEI to negotiate and execute a merger agreement more favorable to BEI, including with parties other than NASC and its successor PSC;

The belief that the transaction contemplated in the merger agreement was superior to other merger transaction alternatives available to BEI, in particular as the result of concerns of the independent

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directors of BEI about the proposed operating covenants, closing conditions and regulatory approval strategy underlying the July and August bids by the Formation group;

The belief that no superior offer for the purchase of BEI shares would be forthcoming, based on the efforts undertaken by and on behalf of BEI to solicit competing proposals for the purchase of the Company, including from former members of the Formation group, during the period after September 23, 2005, when BEI would not have been required to pay a termination fee to NASC if BEI terminated the merger agreement with NASC to enter into a merger agreement with another party;

The provisions of the merger agreement which permitted BEI to continue soliciting superior proposals (subject only to reimbursement of up to $30 million in PSC s expenses) until December 12, 2005;

The provisions in the merger agreement which provide BEI with the ability to respond to, and to accept after December 12, 2005, an unsolicited offer that is more favorable to the Company s stockholders than the merger, subject to the requirement to pay PSC a break-up fee equal to $60 million;

The Board s belief, following the Formation group s announcement of its interest in acquiring BEI, that there had been a dramatic increase in the proportion of the Company s stockholders who had a short-term horizon for the performance and liquidity of their investments, and that the transaction contemplated in the merger agreement is more beneficial to all stockholders, including those with such a short-term horizon, than any of the alternatives available to BEI;

The current and historical market prices of BEI s common stock, including the market price of BEI s common stock relative to those of other industry participants and general market indices, and the fact that the cash merger price of $12.50 represented premiums of 33.3%, 49.7%, 60.3%, 83.0% and 99.0%, respectively, to the volume weighted average closing price of BEI s common stock during the 1 day, 6 month, 12 month, 24 month, and 36 month periods prior to and including January 24, 2005, the day of the Formation group s filing indicating its intention to acquire the Company;

The financial presentation of Lehman Brothers, including its opinion, dated November 20, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of BEI common stock of the merger consideration offered to such holders (see The Merger Opinions of Financial Advisors Opinion of Lehman Brothers);

The financial presentation of JPMorgan, including its opinion, dated November 20, 2005, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of BEI common stock of the merger consideration to be received by such holders (see The Merger Opinions of Financial Advisors Opinion of JPMorgan);

The financial presentation of CIBC World Markets, including its opinion, dated November 20, 2005, to the Board, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of BEI common stock of the merger consideration to be received by such holders in the merger (see The Merger Opinions of Financial Advisors Opinion of CIBC World Markets Corp.);

The payment of the merger consideration in cash, which is not subject to a risk of fluctuation in value;

The financial and other terms and conditions of the merger agreement and the fact that they were a product of arm s-length negotiations between the parties;

The incentives to PSC to arrange for financing of, and consummate, the merger provided by provisions in the merger agreement which required PSC to assume a deposit with BEI of $10 million and provide a letter of credit for an additional $50 million, with such funds to be available to BEI in the event the merger agreement is terminated under circumstances in which PSC owes a business interruption fee to BEI;

The Board s belief that the source of the equity financing had a reimbursement obligation for any amounts drawn on the letter of credit and, therefore, an incentive to provide the necessary equity funding; and

The ability of BEI s stockholders to exercise appraisal rights under Delaware law.

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In addition to taking into account the foregoing factors, the Board of Directors also considered the following potential drawbacks and risks associated with the merger in reaching its decision to approve the merger agreement:

The fact that PSC is a newly formed entity with no assets or operations of its own;

The fact that Fillmore Strategic Investors, the provider of the equity commitment letter, is a newly formed entity that must rely on its source of equity to fund the $350 million required to satisfy its obligations under the equity commitment letter;

The fact that an investor providing necessary funds to Fillmore Strategic Investors has the express contractual right, under the terms of the Fillmore Strategic Investors agreement, to decline to make any further investment, limiting its investment to the amount necessary to enable Fillmore Strategic Investors to honor its $50 million reimbursement obligations under the letter of credit posted with BEI to secure its performance under the merger agreement;

The risk that Fillmore Strategic Investors may not have sufficient management and other human resources available to it to complete the regulatory and managerial steps necessary to prepare for the closing;

The risk that the debt commitment providers will not or will not be able to perform their obligations under their debt commitments, or that the conditions in those commitments are not satisfied to provide funds for payment of the purchase price at closing;

The risks and costs to BEI if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on business and customer relationships;

The acceleration, prior to the closing, of a substantial portion of incentive and deferred compensation payments to the Company s management and employees as required under the merger agreement, and the attendant loss of retention incentives for the recipients of such payments prior to shareholder approval of the transaction;

The fact that employee retention in advance of stockholder approval of the transaction and/or the closing of the transaction may be adversely affected by employee concerns over the purchaser s plans for continued employment of existing employees subsequent to the consummation of the merger;

The fact that certain members of management and other employees will be entitled to significant payments upon the merger and, therefore, have interests that are different from, or in addition to, those of BEI s other stockholders;

The fact that BEI s stockholders will not participate in any future earnings or growth of BEI and will not benefit from any appreciation in value of BEI;

The possibility of favorable developments with respect to professional liability claims and/or Medicare and Medicaid reimbursement rates that could result in BEI becoming more profitable;

That as a result of the highly leveraged nature of the transaction, there is a risk that the transaction will not close because of requirements in the debt commitment letters;

The fact that the merger will be a taxable transaction to the stockholders;

The restrictions on the conduct of BEI s business prior to the completion of the merger, requiring BEI to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent BEI from undertaking business opportunities that may arise pending completion of the merger; and

The requirement to pay PSC its out of pocket documented expenses, up to $30 million, in order for the Board of Directors to accept a proposal that is more favorable to the Company s stockholders than the merger prior to December 12, 2005 and, thereafter, a break-up fee equal to $60 million in order for the

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Board of Directors to accept a proposal that is more favorable to the Company s stockholders than the merger thereafter.

The Board of Directors concluded, however, that these potential drawbacks and risks did not outweigh the benefits of the merger to BEI and its stockholders.

In view of the variety of factors and the amount of information considered, the Board of Directors did not find it practicable to, and did not, make specific assessments of, quantify or otherwise assign relative weights to the above factors in reaching its decision. In addition, individual members of the Board of Directors may have given different weights to different factors and considered factors other than those described above.

Opinions of Financial Advisors

Opinions of Lehman Brothers and JPMorgan

The Board of Directors of BEI retained Lehman Brothers and JPMorgan to act as its financial advisors in connection with its analysis and consideration of the merger. Both investment banking firms provided the Board of Directors with financial advice and assistance in connection with its evaluation of the merger.

The full texts of the written opinions of Lehman Brothers and JPMorgan, which set forth the assumptions made, procedures followed, matters considered and relied upon and limitations and qualifications on the review undertaken by each of Lehman Brothers and JPMorgan in connection with their respective opinions, are attached as Annexes B and C, respectively, to this proxy statement and are incorporated herein by reference. The summaries of these opinions set forth below are qualified in their entirety by reference to the full text of the opinions.

Lehman Brothers and JPMorgan provided their respective advisory services and opinions for the information of the Board of Directors of BEI in connection with and for the purposes of its evaluation of the merger, and such services and opinions are not on behalf of any stockholder or any other person other than the Board of Directors of BEI and should not be used or relied upon for any other purpose. Neither the Lehman Brothers opinion nor the JPMorgan opinion is intended to be, nor does either opinion constitute, a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the merger. Neither Lehman Brothers nor JPMorgan was requested to opine as to, and Lehman Brothers opinion and JPMorgan s opinion do not address, BEI s underlying business decision to proceed with or effect the merger.

Opinion of Lehman Brothers. At a meeting of the Board of Directors of BEI held on November 20, 2005, Lehman Brothers delivered to the Board of Directors of BEI its oral opinion subsequently confirmed in writing to the effect that, as of such date and based upon and subject to the factors, limitations, qualifications and assumptions set forth in its opinion, the merger consideration offered to the holders of BEI common stock in the merger was fair, from a financial point of view, to such holders.

In arriving at its opinion, Lehman Brothers, among other things reviewed and analyzed:

- the merger agreement as amended and as in effect on the date of the opinion and the specific terms of the proposed transaction;
- publicly available information concerning BEI that Lehman Brothers believed to be relevant to its analysis, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005;
- financial and operating information with respect to the business, operations and prospects of BEI furnished to Lehman Brothers by BEI;
- a trading history of BEI s common stock from January 25, 2002 to the present;
- a comparison of the historical financial results and present financial condition of BEI with those of other companies that Lehman Brothers deemed relevant;

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a comparison of the financial terms of the proposed transaction with the financial terms of certain other transactions that Lehman Brothers deemed relevant;

the change in control costs and one time cash expenses arising from the proposed transaction as estimated by the management of BEI, including, without limitation, the change of control compensation arrangements; and

the results of Lehman Brothers efforts to solicit indications of interest and definitive proposals from third parties with respect to the purchase of all or a part of the BEI s business.

In addition, Lehman Brothers had discussions with the management of BEI concerning BEI s business, operations, assets, financial condition and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information used by it without assuming any responsibility for independent verification of such information and Lehman Brothers further relied upon the assurances of management of BEI that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of BEI, upon the advice of BEI, Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of BEI as to the future financial performance of BEI and that BEI would perform in accordance with such projections. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of BEI and did not make or obtain any evaluations or appraisals of the assets or liabilities of BEI, other than real estate appraisals of the nursing home facilities of BEI that Lehman Brothers deemed relevant. Lehman Brothers opinion necessarily was based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of its opinion. BEI imposed no other instructions or limitations on Lehman Brothers with respect to the investigations made or the procedures followed by it in rendering its opinion.

Opinion of JPMorgan. At a meeting of the Board of Directors held on November 20, 2005, JPMorgan delivered to the Board of Directors of BEI its oral opinion subsequently confirmed in writing to the effect that, as of such date and based upon and subject to the factors, limitations, qualifications and assumptions set forth in its opinion, the merger consideration to be received by the holders of BEI common stock in the merger was fair, from a financial point of view, to such holders.

In arriving at its opinion, among other things, JPMorgan:

reviewed the version of the merger agreement as amended and a draft dated November 20, 2005 of the third amendment to the merger agreement;

reviewed certain publicly available business and financial information concerning BEI and the industries in which BEI operates;

compared the proposed financial terms of the merger with the publicly available financial terms of certain transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of BEI with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of BEI common stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared or provided by the management of BEI relating to BEI s business, including the estimated change in control costs and one-time cash expenses arising from the transactions contemplated by the merger agreement as estimated by the management of BEI;

participated in certain discussions and negotiations among representatives of BEI and PSC and their financial and legal advisors;

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reviewed and analyzed the results of JPMorgan s efforts to solicit indications of interest and definitive proposals from third parties with respect to the purchase of all or a part of BEI s business; and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of its opinion.

In addition, JPMorgan held discussions with certain members of the management of BEI with respect to certain aspects of the merger, and the past and current business operations of BEI, the financial condition and future prospects and operations of BEI, and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JPMorgan by BEI or otherwise reviewed by or for JPMorgan. In arriving at its opinion, JPMorgan did not conduct a physical inspection or valuation or appraisal of the properties and facilities of BEI, but JPMorgan did review independent evaluations or appraisals of the nursing home facilities of BEI provided to JPMorgan by BEI as it deemed relevant. In addition, JPMorgan did not evaluate the solvency of BEI or PSC under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to it, JPMorgan assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of BEI to which such analyses or forecasts related.

JPMorgan expressed no view as to such analyses or forecasts or the assumptions on which they were based. JPMorgan also assumed that the merger and that the other transactions contemplated by the merger agreement would be consummated as described in the merger agreement, and that the definitive merger agreement would not differ in any material respects from the merger agreement as amended by the draft of the amendment to the merger agreement furnished to JPMorgan. JPMorgan relied as to all legal matters relevant to rendering its opinion upon the advice of counsel. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on BEI.

JPMorgan s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of, the date of its opinion. It should be understood that subsequent developments may affect JPMorgan s opinion and that JPMorgan does not have any obligation to update, revise, or reaffirm its opinion. JPMorgan s opinion is limited to the fairness, from a financial point of view, of the consideration to be received by the holders of BEI s common stock in the merger and JPMorgan expressed no opinion as to the fairness of the merger to, or any consideration of, the holders of any other class of securities, creditors or other constituencies of BEI. BEI imposed no other instructions or limitations on JPMorgan with respect to the investigations made or the procedures followed by it in rendering its opinion.

Summary of Financial Analysis. The following is a summary of the material financial and comparative analyses that were performed by Lehman Brothers and JPMorgan in connection with rendering their opinions. Some of the financial analyses summarized below include information presented in tabular format. In order to fully understand Lehman Brothers and JPMorgan s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Accordingly, the financial analyses set forth in the tables and described below must be considered as a whole. Considering any portion of such financial analyses, without considering all of the financial analyses, could create a misleading or incomplete view of the process underlying Lehman Brothers and JPMorgan s financial analyses.

The summary of the analyses by Lehman Brothers and JPMorgan described below is not a complete description of the analyses underlying their opinions. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial and comparative analysis and the application of those methods to the particular circumstances. Therefore, such opinions are not readily susceptible to summary description. In arriving at their respective opinions, Lehman Brothers and JPMorgan did not ascribe a specific range of value to BEI, but rather made their determinations as to the fairness, from a financial point of view, to BEI stockholders of the consideration to be offered or received, as applicable, to such stockholders in the proposed transaction on the basis of the financial and comparative analyses. Furthermore, in arriving at their respective opinions, Lehman Brothers and JPMorgan did not attribute any particular weight to any analysis or factor considered by them, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Lehman Brothers and JPMorgan believe that their analyses must be considered as a whole and that considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying their opinions.

In their analyses, Lehman Brothers and JPMorgan made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of BEI. For purposes of Lehman Brothers and JPMorgan s review, Lehman Brothers and JPMorgan utilized, among other things, projections of the future financial performance of BEI, as prepared by the management of BEI. None of BEI, PSC, Lehman Brothers, JPMorgan or any other person assumes responsibility if future results are materially different from those discussed. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth therein.

The terms of the merger were determined through arm s length negotiations between BEI and PSC and were unanimously approved by the BEI and PSC Boards. Lehman Brothers and JPMorgan did not recommend any specific amount or form of merger consideration. The type and amount of consideration payable in the merger were determined through negotiations between the Board of Directors of BEI and PSC. Lehman Brothers and JPMorgan did not express any opinion as to the price or range of prices at which the shares of common stock of BEI may trade subsequent to the announcement of the merger. The decision to enter into the merger agreement was solely that of the BEI Board of Directors. The analyses below do not purport to be appraisals or to reflect the prices at which any securities may trade at the present time or at any time in the future or purport to be appraisals or to reflect the prices at which businesses actually may be sold. In addition, the Lehman Brothers and JPMorgan opinions were just two of the many factors taken into consideration by BEI s Board of Directors. Consequently, Lehman Brothers and JPMorgan s analyses should not be viewed as determinative of the decision of BEI s Board of Directors or BEI s management with respect to the fairness of the merger consideration.

Historical Stock Price Analysis. Lehman Brothers and JPMorgan reviewed the trading history of BEI common stock for the three year period ending January 24, 2005, the day prior to the public announcement of the Formation group s 13-D filing, and the period beginning January 24, 2005 and ending November 18, 2005, the last full trading day prior to the delivery of their opinions. The first period of analysis indicated that the high and low trading prices of BEI common stock for the three year period ending January 24, 2005, were $9.60 and $1.64, respectively, as compared to the consideration in the merger of $12.50 per share. The second period of analysis indicated that the high and low trading prices of BEI common stock for the period beginning January 24, 2005 and ending November 18, 2005 were $13.03 and $11.23, respectively, as compared to the consideration in the merger of $12.50 per share. The BEI common stock price as of November 18, 2005 was $11.73, as compared to the consideration in the merger of $12.50 per share.

Comparison of Publicly Traded Companies. Lehman Brothers and JPMorgan reviewed and analyzed selected companies in the skilled nursing facility industry that they deemed similar to BEI for the purposes of this analysis based on Lehman Brothers and JPMorgan s knowledge of the skilled nursing facility industry. Specifically, using Wall Street equity research estimates, public filings and other publicly available information, Lehman Brothers and JPMorgan assessed public trading multiples for four skilled nursing facility companies. The selected companies were:

Manor Care, Inc.,

Extendicare Inc.,

Genesis HealthCare Corporation and

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Kindred Healthcare, Inc.

The multiples of the selected companies were calculated using the closing stock prices of the selected companies on November 18, 2005. Lehman Brothers and JPMorgan calculated:

the enterprise values of the selected companies as multiples of the estimated earnings before interest, taxes, depreciation and amortization or EBITDA for the calendar years ending December 31, 2005 and 2006;

the adjusted firm values of the selected companies (adjusted to include the last 12 months rent for the selected companies capitalized at 8.0x) as multiples of the estimated earnings before interest, taxes, depreciation, amortization and rent or EBITDAR for the calendar years ending December 31, 2005 and 2006; and

the prices per share of the selected companies as multiples of the earnings per share or P/ E for the calendar years ending December 31, 2005 and 2006.

Lehman Brothers and JPMorgan determined the following implied trading multiples:

	2005 Multiples			2006 Multiples		
	EBITDA	**EBITDAR**	**P/E**	**EBITDA**	**EBITDAR**	**P/E**
Mean	6.9x	7.4x	15.8x	6.8x	7.3x	15.0x
Median	6.8x	7.0x	15.4x	7.2x	7.3x	15.3x
High	8.9x	8.9x	19.6x	8.6x	8.6x	17.3x
Low	6.7x	6.5x	12.9x	7.0x	6.0x	12.0x

In consideration of the appropriate range of multiples for the 2005 and 2006 EBITDA analysis, Lehman Brothers and JPMorgan excluded Kindred Healthcare, Inc. because of the high proportion of leased facilities in its portfolio. In consideration of the appropriate range of multiples for the 2005 and 2006 EBITDA, 2005 and 2006 EBITDAR and 2005 and 2006 P/ E analyses, Lehman Brothers and JPMorgan took into account that Manor Care was an investment grade rated company whereas BEI was a below investment grade rated company.

Based on the foregoing, Lehman Brothers and JPMorgan determined for BEI a range of multiples of estimated 2005 EBITDA of 6.7x to 8.4x, estimated 2006 EBITDA of 7.0x to 8.1x, estimated 2005 EBITDAR of 6.5x to 8.4x, estimated 2006 EBITDAR of 6.0x to 8.1x, estimated 2005 P/ E of 12.9x to 18.6x and estimated 2006 P/ E of 12.0x to 17.4x. Using this information, Lehman Brothers and JPMorgan determined an implied price range for BEI common stock of $11.30 to $14.40 for EBITDA, $8.80 to $14.50 for EBITDAR and $7.30 to $12.20 for P/ E (rounded to the nearest $0.10), as compared in each case to the consideration in the merger of $12.50 per share.

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Selected Precedent Transaction Multiples Analysis. Lehman Brothers and JPMorgan analyzed transaction multiples relating to 13 healthcare facilities mergers and acquisitions announced in the last five years. The transactions reviewed in connection with this analysis were:

Acquiror	Target	Date Announced
Sun Healthcare Group	Peak Medical Corp.	May 2005
Ventas, Inc.	Provident Senior Living	April 2005
Extendicare, Inc.	Assisted Living Concepts	November 2004
Welsh, Carson, Anderson & Stowe	Select Medical Group	October 2004
Lifepoint Hospitals	Province Healthcare	August 2004
The Blackstone Group	Vanguard Health Systems	July 2004
National Senior Care	Mariner Health Care	June 2004
Texas Pacific Group	IASIS Healthcare Corp.	May 2004
Select Medical Group	Kessler Rehabilitation Corp.	June 2003
Lazard Freres Real Estate	ARV Assisted Living, Inc.	September 2002
JPMorgan Partners, LLC	MedQuest, Inc.	July 2002
J.W. Childs Associates, L.P.	Insight Health Services Corp.	July 2001
Triad Hospitals, Inc.	Quorum Health Group	October 2000

Based on Wall Street equity research, public SEC filings and other publicly available information, Lehman Brothers and JPMorgan calculated the transaction value as multiples of the latest 12 month or LTM EBITDA for the target companies in the selected transactions. Lehman Brothers and JPMorgan determined the following multiples based on the transactions used in their analysis:

	Transaction Value/ LTM EBITDA
Median	9.0x
High	12.6x
Low	4.9x

Based on the foregoing, Lehman Brothers and JPMorgan applied a range of multiples of LTM EBITDA (as of September 30, 2005) of 8.0x to 10.0x to the corresponding data for BEI based on: (i) actual results as reported (adjusted to treat BEI s California operations as continuing operations for the entire LTM period); (ii) actual results as reported minus an estimate provided by BEI of the negative impact of changes to Medicare reimbursement, known as RUGs, on BEI s 2006 EBITDA; and (iii) actual results as reported minus an estimate provided by BEI of the negative impact of changes to RUGs on BEI s 2006 EBITDA, minus an estimate provided by BEI of the negative impact of BEI facility leases in Indiana being terminated by the lessor. Lehman Brothers and JPMorgan then determined an implied share price range for BEI common stock of $10.70 and $15.90, as compared to the consideration in the merger of $12.50.

Discounted Cash Flow Analysis. Lehman Brothers and JPMorgan calculated a range of discounted cash flows for BEI using forecasts provided by management of BEI. This analysis was based on the sum of (i) the present value of projected after-tax, un-levered free cash flows of BEI for the three-month period ending December 31, 2005 through fiscal year ending December 31, 2009, and (ii) the present value of the projected terminal value, based on an annual perpetuity free cash flow growth rate as well as based on a multiple of 2009 estimated EBITDA. Utilizing a cost of capital ranging from 10.0% to 11.0%, perpetuity free cash flow growth rates ranging from 2.50% to 3.50% and multiples of 2009 estimated EBITDA from 6.0x to 8.0x, Lehman Brothers and JPMorgan determined an implied share range for BEI common stock as of September 30, 2005 of $11.70 to $16.20, as compared to the consideration in the merger of $12.50 per share.

Fees and Qualifications. Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The BEI Board of Directors selected Lehman Brothers to act as its financial advisor in connection with the merger and the proposals received from the Formation group in December 2004 and January 2005 because of its expertise, reputation and familiarity with BEI and the long-term care and related medical specialty services industry generally and because its investment banking professionals have substantial experience in transactions comparable to the merger.

Lehman Brothers has acted as financial advisor to the Board of Directors in connection with the merger and the proposals received from the Formation group in December 2004 and January 2005 and as of the date hereof has received fees in the aggregate amount of $2,250,000 for its services, including a fee of $2,000,000 for its opinions with respect to the fairness of the consideration that would have been paid pursuant to the original merger agreement and the first amendment to the merger agreement. Lehman Brothers will receive a further fee of $8,750,000 in connection with the termination of the proposals received from the Formation group in December 2004 and January 2005. An additional $500,000 became payable to Lehman Brothers upon delivery of its November 20, 2005 opinion. Lehman Brothers will receive a further fee of approximately $400,000 for its services upon completion of the merger. Lehman Brothers will also receive reimbursement for its reasonable and customary out-of-pocket expenses (including professional and legal fees and disbursements) incurred in connection with its engagement.

Lehman Brothers has also performed various investment banking services for BEI in the past, including, but not limited to, acting as the administrative agent on BEI s existing credit facility, as a joint bookrunner in connection with BEI s offering of debt securities, as book-running manager in connection with BEI s offering of convertible debt securities, and has received customary fees for such services. Lehman Brothers received an aggregate of approximately $2,376,000 from BEI since January 1, 2004 in connection with Lehman Brothers investment banking activities, exclusive of any fees related to this transaction. In the ordinary course of Lehman Brothers business, it has in the past actively traded in the securities of BEI for its own account and for the accounts of its customers and, accordingly, has and may at any time hold a long or short position in such securities.

As a part of its investment banking business, JPMorgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for estate, corporate and other purposes. The BEI Board of Directors selected JPMorgan to act as its financial advisor in connection with the merger and the proposals received from the Formation group in December 2004 and January 2005 on the basis of JPMorgan s reputation, experience and familiarity with BEI.

JPMorgan has acted as financial advisor to the Board of Directors in connection with the merger and the proposals received from the Formation group in December 2004 and January 2005 and as of the date hereof has received fees in the aggregate amount of $2,250,000 for its services, including a fee of $2,000,000 for its opinions with respect to the fairness of the consideration that would have been paid pursuant to the original merger agreement and the first amendment to the merger agreement. JPMorgan will receive a further fee of $3,250,000 in connection with the termination of the proposals received from the Formation group in December 2004 and January 2005. An additional $500,000 became payable to JPMorgan upon delivery of its November 20, 2005 opinion. JPMorgan will receive a further fee of approximately $600,000 for its services upon completion of the merger. JPMorgan will also receive reimbursement for its reasonable and customary out-of-pocket expenses (including professional and legal fees and disbursements) incurred in connection with its engagement.

JPMorgan and its affiliates have performed in the past a variety of investment banking and commercial banking services for BEI. These services have included acting as financial advisor to BEI in its sale of certain skilled nursing facilities in 2003, 2004 and 2005 and acting as joint bookrunner for the offering of public debt securities in BEI in 2004. JPMorgan received an aggregate of approximately $3,300,000 from BEI since January 1, 2004 in connection with JPMorgan s investment banking activities, exclusive of any fees related to this transaction. In the ordinary course of JPMorgan s businesses, JPMorgan and its affiliates may actively trade the debt and equity securities of BEI for its own account or for the accounts of its customers and, accordingly, JPMorgan may at any time hold long or short positions in such securities.

Opinion of CIBC World Markets Corp.

CIBC World Markets acted as an additional financial advisor to the BEI Board of Directors to evaluate, and render to the BEI Board of Directors an opinion with respect to, the merger consideration. On November 20, 2005, CIBC World Markets delivered to the BEI Board of Directors a written opinion to the effect that, as of that date and based on and subject to the matters described in its opinion, the merger consideration was fair, from a financial point of view, to the holders of BEI common stock.

The full text of CIBC World Markets written opinion, dated November 20, 2005, which describes the assumptions made, procedures followed, matters considered and relied on and limitations on the review undertaken, is attached to this proxy statement as Annex D. **CIBC World Markets opinion was provided to the BEI Board of Directors in connection with its evaluation of the merger consideration and relates only to the fairness, from a financial point of view, of the merger consideration. The opinion does not address any other term or aspect of the merger and does not constitute a recommendation as to how any stockholder should vote or act with respect to any matters relating to the merger. The summary of CIBC World Markets opinion described below is qualified in its entirety by reference to the full text of its opinion. Holders of BEI common stock are encouraged to read the opinion carefully in its entirety.**

In arriving at its opinion, CIBC World Markets:

reviewed the merger agreement;

reviewed audited financial statements of BEI for the fiscal years ended December 31, 2002, December 31, 2003 and December 31, 2004, and unaudited financial statements of BEI for the nine months ended September 30, 2005;

reviewed financial forecasts and estimates relating to BEI which were provided to or discussed with CIBC World Markets by BEI s management;

held discussions with BEI s senior management with respect to BEI s business and prospects;

held discussions with BEI and its other advisors regarding their efforts on BEI s behalf to solicit indications of interest in a possible acquisition of all or a part of BEI;

reviewed and analyzed publicly available financial data for companies that CIBC World Markets deemed generally comparable to BEI;

reviewed and analyzed publicly available information for transactions that CIBC World Markets deemed relevant in evaluating the merger;

analyzed the estimated net present value of the unlevered, after-tax free cash flows of BEI using financial forecasts and estimates prepared by BEI s management;

reviewed the premiums paid, based on publicly available information, in transactions that CIBC World Markets deemed relevant in evaluating the merger; and

performed other analyses and reviewed other information that CIBC World Markets deemed appropriate.

In rendering its opinion, CIBC World Markets relied upon and assumed, without independent verification or investigation, the accuracy and completeness of all of the financial and other information provided to or discussed with CIBC World Markets by BEI and its employees, representatives and affiliates or otherwise reviewed by CIBC

World Markets. With respect to the financial forecasts and estimates relating to BEI which were provided to or discussed with CIBC World Markets by BEI s management, CIBC World Markets assumed, at the direction of BEI s management, without independent verification or investigation, that the forecasts and estimates were reasonably prepared on bases reflecting the best available information, estimates and judgments of BEI s management as to BEI s future financial condition and operating results. CIBC World

Markets assumed, with BEI s consent, that the merger would be consummated in accordance with its terms without waiver, modification or amendment of any material term, condition or agreement and in compliance with all applicable laws and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on BEI or the merger.

CIBC World Markets neither made nor obtained any independent evaluations or appraisals of BEI s assets or liabilities, contingent or otherwise. CIBC World Markets did not express any opinion as to BEI s underlying valuation, future performance or long-term viability. CIBC World Markets expressed no view as to, and its opinion did not address, BEI s underlying business decision to effect the merger, nor did its opinion address the relative merits of the merger as compared to any alternative business strategies that might exist for BEI or the effect of any other transaction in which BEI might engage. In connection with its engagement, CIBC World Markets was not requested to, and it did not, participate in the negotiation or structuring of the merger. CIBC World Markets also was not requested to, and it did not, solicit third party indications of interest in the possible acquisition of all or a part of BEI; however, CIBC World Markets considered the results of the solicitation process undertaken by BEI and its other advisors. CIBC World Markets opinion was necessarily based on the information available to it and general economic, financial and stock market conditions and circumstances as they existed and could be evaluated by CIBC World Markets on the date of its opinion. Although subsequent developments may affect its opinion, CIBC World Markets does not have any obligation to update, revise or reaffirm its opinion. BEI imposed no other instructions or limitations on CIBC World Markets with respect to the investigations made or the procedures followed by it in rendering its opinion.

This summary is not a complete description of CIBC World Markets opinion or the financial analyses performed and factors considered by CIBC World Markets in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. CIBC World Markets arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, CIBC World Markets believes that its analyses and this summary must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying CIBC World Markets analyses and opinion.

In performing its analyses, CIBC World Markets considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond BEI s control. No company, transaction or business used in the analyses as a comparison is identical to BEI or the merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed.

The estimates contained in CIBC World Markets analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, CIBC World Markets analyses are inherently subject to substantial uncertainty.

The type and amount of consideration payable in the merger was determined through negotiation among BEI, PSC and GPH, and the decision to enter into the merger was solely that of the BEI Board of Directors. CIBC World Markets opinion was only one of many factors considered by the BEI Board of Directors in its

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evaluation of the merger and should not be viewed as determinative of the views of the BEI Board of Directors or BEI s management with respect to the merger or the merger consideration.

The following is a summary of the material financial analyses provided to the BEI Board of Directors in connection with CIBC World Markets opinion dated November 20, 2005. **The financial analyses summarized below include information presented in tabular format. In order to fully understand CIBC World Markets financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of CIBC World Markets financial analyses.** For purposes of calculating implied per share equity reference ranges for BEI in its analyses, CIBC World Markets subtracted from implied enterprise values BEI s estimated net debt as of September 30, 2005, which reflected the inclusion in BEI s cash and cash equivalents of the estimated present value of net operating losses and other tax credits and assumed the conversion of BEI s convertible notes at $7.45, and lease expenses attributable to facilities of BEI which are expected by the management of BEI to close by year-end were excluded from BEI s operating results for the latest 12-month period ended September 30, 2005.

Selected Companies Analysis. CIBC World Markets reviewed financial and stock market information for BEI and the following four selected publicly held long-term care companies in the skilled nursing industry:

Extendicare, Inc.

Genesis HealthCare Corp.

Kindred Healthcare, Inc.

Manor Care, Inc.

CIBC World Markets also reviewed financial and stock market information for the following two selected publicly held rehabilitation companies and two selected publicly held hospice service companies:

Rehabilitation Companies	**Hospice Service Companies**
RehabCare Group, Inc.	VistaCare Inc.
U.S. Physical Therapy, Inc.	Odyssey HealthCare, Inc.

In the case of BEI and the selected long-term care companies, CIBC World Markets reviewed, among other things, enterprise values, calculated as fully-diluted market value, plus debt and preferred stock, including out-of-the-money convertible securities, plus minority interests, less cash and cash equivalents, as multiples of latest 12 months and estimated calendar years 2005 and 2006 earnings before interest, taxes, depreciation, amortization and rent, commonly referred to as EBITDAR, and estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. CIBC World Markets also reviewed closing stock prices as a multiple of calendar years 2005 and 2006 estimated earnings per share, commonly referred to as EPS. In the case of the selected rehabilitation companies and hospice service companies, CIBC World Markets reviewed, among other things, enterprise values as multiples of latest 12 months and calendar years 2005 and 2006 estimated EBITDA.

CIBC World Markets then applied a range of selected multiples of latest 12 months and estimated calendar years 2005 and 2006 EBITDAR and EBITDA and calendar years 2005 and 2006 estimated EPS derived from the selected long-term care companies to corresponding financial data of BEI. CIBC World Markets also applied to corresponding financial data of BEI a range of selected multiples of latest 12 months and estimated calendar years 2005 and 2006 EBITDA derived from the selected long-term care companies and the selected rehabilitation companies and hospice service companies, taking into account the relative EBITDA contributions for such periods of BEI s long-term care, rehabilitation and hospice service segments. Multiples for BEI and the selected companies were based on closing stock prices as of November 18, 2005. Financial data for the selected companies were based on public filings, publicly available research analysts estimates and other publicly available information. Financial data for BEI were based on internal estimates of

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BEI s management, public filings and other publicly available information. This analysis indicated the following mean implied per share equity reference ranges for BEI, as compared to the per share merger consideration:

Mean Implied per Share Equity Reference Range

Long-Term Care Companies		Long-Term Care, Rehabilitation and Hospice Service Companies		Per Share Merger Consideration
$9.82 - $12.45	$	11.24 - $14.00	$	12.50

Selected Precedent Transactions Analysis. CIBC World Markets reviewed transaction values and implied transaction multiples in the following 13 selected transactions in the healthcare industry since October 2000:

Acquiror	Target
Sun Healthcare Group, Inc.	Peak Medical Corporation
Ventas, Inc.	Provident Senior Living Trust
Extendicare Inc.	Assisted Living Concepts, Inc.
Welsh, Carson, Anderson & Stowe IX, L.P.	Select Medical Corporation
LifePoint Hospitals, Inc.	Province Healthcare Company
The Blackstone Group	Vanguard Health Systems, Inc.
National Senior Care, Inc.	Mariner Health Care, Inc.
Texas Pacific Group	IASIS Healthcare Corporation
Select Medical Corporation	Kessler Rehabilitation Corporation
Lazard Freres Real Estate Investors L.L.C.	ARV Assisted Living, Inc.
JP Morgan Partners LLC	MedQuest Associates Inc.
J.W. Childs Associates, L.P./ Halifax Group	Insight Health Services Corporation
Triad Hospitals, Inc.	Quorum Health Group, Inc.

CIBC World Markets reviewed transaction values, calculated as the equity value implied for the target company based on the consideration payable in the selected transaction, plus debt and preferred stock, including out-of-the-money convertible securities, plus minority interests, less cash and cash equivalents, as a multiple of latest 12 months EBITDA. CIBC World Markets then applied a range of selected multiples of latest 12 months EBITDA derived from the selected transactions to corresponding financial data of BEI. Estimated financial data for the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Financial data for BEI were based on internal estimates of BEI s management, public filings and other publicly available information. This analysis indicated the following implied per share equity reference range for BEI, as compared to the per share merger consideration:

Implied per Share Equity Reference Range		Per Share Merger Consideration
$12.08 - $15.03	$	12.50

Discounted Cash Flow Analysis. CIBC World Markets performed a discounted cash flow analysis to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that BEI could generate for the fourth quarter of the fiscal year ending December 31, 2005 through the fiscal year ending December 31, 2009 based on internal estimates of BEI s management, excluding non-recurring expenses in the fourth quarter of the fiscal year ending December 31, 2005. CIBC World Markets calculated a range of estimated terminal values by applying EBITDAR terminal value multiples ranging from 6.5x to 8.0x to BEI s fiscal year 2009 estimated EBITDAR. The cash flows and terminal values were then discounted to present

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value using discount rates ranging from 10.0% to 12.0%. This analysis indicated the following implied per share equity reference range for BEI, as compared to the per share merger consideration:

Implied per Share Equity Reference Range	Per Share Merger Consideration	
$11.85 - $16.31	$	12.50

Premiums Paid Analysis. CIBC World Markets reviewed the premiums paid in all-cash transactions with transaction values of between $500.0 million and $5.0 billion announced since January 1, 2004 relative to the closing stock prices for the target companies in such transactions one trading day, one week and four weeks prior to public announcement of the relevant transaction. CIBC World Markets applied a range of selected premiums derived from the selected transactions to the closing prices of BEI common stock on January 24, 2005, January 14, 2005 and December 27, 2004 (which dates represent one trading day, one week and four weeks, respectively, prior to the date on which the Formation group publicly filed a Schedule 13D/ A indicating its intentions to acquire BEI), both before and after adjustment to reflect the average stock performance of the selected long-term care companies referred to under Selected Companies Analysis since January 24, 2005, January 14, 2005 and December 27, 2004, respectively. This analysis indicated the following mean implied per share equity reference ranges for BEI, as compared to the merger consideration:

Mean Implied per Share Equity Reference Range				
Unadjusted		Adjusted		Per Share Merger Consideration
$10.50 - $12.36	$	11.96 - $14.08	$	12.50

Miscellaneous. BEI has agreed to pay CIBC World Markets for its financial advisory services with respect to its opinion delivered to the BEI Board of Directors in connection with the merger an aggregate fee of $1.5 million, a significant portion of which was payable upon delivery of CIBC World Markets opinion. In addition, BEI has agreed to reimburse CIBC World Markets for its reasonable expenses, including reasonable fees and expenses of its legal counsel, and to indemnify CIBC World Markets and related parties against liabilities, including liabilities under the federal securities laws, relating to, or arising out of, its engagement. In the ordinary course of business, CIBC World Markets and its affiliates may actively trade securities of BEI for their own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in those securities.

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