Whitman Arnold M
Form PRRN14A
March 07, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. 1)

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Check the appropriate box:

|X| Preliminary Proxy Statement
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BEVERLY ENTERPRISES, INC.

(Name of Registrant as Specified In Its Charter)

ARNOLD M. WHITMAN

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

Payment of Filing Fee (Check the appropriate box):

|X| No fee required.

|_| Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-12.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

PRELIMINARY PROXY STATEMENT
DATED MARCH 4, 2005
SUBJECT TO COMPLETION

ARNOLD M. WHITMAN
C/O FORMATION CAPITAL, LLC
1035 POWERS PLACE
ALPHARETTA, GA 30004

Dear Fellow Beverly Stockholders:

As you may know, Formation Capital, LLC (of which I am the Chief Executive Officer) and our partners, Appaloosa Management L.P. and Franklin Mutual Advisers, LLC, are seeking to negotiate a transaction with Beverly in which a company formed by us would acquire all of the outstanding shares of Beverly. In that connection, we made a formal offer to Beverly's Board of Directors to acquire all of the shares of Beverly at a price of $11.50 per share in cash. Our offer price reflects a premium of 46% to the average closing price of Beverly's shares over the period from December 31, 2003 through January 24, 2005, the last trading day before we made our proposal public.

The Beverly Board has rejected our proposal and refused to engage in any discussion with us or to permit us to conduct due diligence of Beverly, despite the fact that we have said consistently that, if justified by due diligence, we would be prepared to raise our offer.

Since the Beverly Board has refused to have discussions with us regarding our offer, we are sending you the enclosed proxy statement and the accompanying BLUE proxy card as we are soliciting proxies from Beverly's stockholders to be used at Beverly's 2005 annual meeting to be held on April 21, 2005. We are seeking your support for the election of six independent, highly qualified nominees. If elected, these nominees will, subject to their fiduciary duties, be committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. We are also soliciting proxies to approve other proposals intended to prevent the current management of Beverly from taking actions that could thwart the will of Beverly's stockholders.

WHETHER OR NOT YOU PLAN TO ATTEND THE 2005 ANNUAL MEETING, WE URGE YOU TO VOTE FOR THE ELECTION OF THE SIX INDEPENDENT NOMINEES BY SIGNING, DATING AND RETURNING THE ENCLOSED BLUE PROXY CARD IN THE POSTAGE-PAID ENVELOPE TODAY. WE URGE YOU NOT TO SIGN OR RETURN ANY PROXY CARD SENT TO YOU BY BEVERLY. IF YOU HAVE PREVIOUSLY SIGNED A PROXY CARD SENT TO YOU BY BEVERLY, YOU CAN REVOKE THAT PROXY AND VOTE FOR THE SIX INDEPENDENT NOMINEES AND FOR OUR OTHER PROPOSALS BY SIGNING, DATING AND RETURNING THE ENCLOSED BLUE PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

REMEMBER, IF YOU HOLD YOUR BEVERLY SHARES WITH A BROKERAGE FIRM OR BANK, ONLY THEY CAN EXERCISE VOTING RIGHTS WITH RESPECT TO YOUR SHARES AND ONLY UPON RECEIPT OF YOUR SPECIFIC INSTRUCTIONS. ACCORDINGLY, IT IS CRITICAL THAT YOU PROMPTLY CONTACT THE PERSON RESPONSIBLE FOR YOUR ACCOUNT AND GIVE INSTRUCTIONS TO VOTE THE BLUE PROXY CARD FOR THE ELECTION OF THE INDEPENDENT CANDIDATES NOMINATED BY US.

If you have any questions or require any assistance in executing or delivering your proxy, please call our proxy solicitor, MacKenzie Partners, Inc., at (800) 322-2885 (toll free) or (212) 929-5500 (collect).

Sincerely,

[SIGNATURE]

Arnold M. Whitman

March   , 2005

PRELIMINARY COPY DATED MARCH 4, 2005
SUBJECT TO COMPLETION

2005 ANNUAL MEETING OF STOCKHOLDERS
OF BEVERLY ENTERPRISES, INC.

PROXY STATEMENT OF ARNOLD M. WHITMAN
CHIEF EXECUTIVE OFFICER OF FORMATION CAPITAL, LLC

A consortium comprised of Formation Capital, LLC (Formation) (of which Mr. Whitman is the Chief Executive Officer) and its partners, Appaloosa Management L.P. (Appaloosa) and Franklin Mutual Advisers, LLC (Franklin Mutual), is seeking to negotiate a transaction with Beverly Enterprises in which a company formed by us would acquire all of the outstanding shares of Beverly. In that connection, we made a formal offer to Beverly's board of directors to acquire all of the shares of Beverly at a price of $11.50 per share in cash. Our offer price reflects a premium of 46% to the average closing price of Beverly's shares over the period from December 31, 2003 through January 24, 2005, the last trading day before we made our proposal public. Since our proposal was made public, Beverly's shares have traded above our offer price. We believe this is good for Beverly stockholders and, indeed, if justified by due diligence, we would be prepared to raise our offer price. The closing price of Beverly's shares was $ on March   , 2005, the last trading day preceding the date of this proxy statement.

The Beverly Board has rejected our proposal and refused to engage in any discussion with us or to permit us to conduct due diligence of Beverly.

We are sending you this proxy statement and the accompanying BLUE proxy card because we are soliciting proxies from Beverly's stockholders to be used at Beverly's 2005 annual meeting.

We are seeking your support for the election of six independent, highly qualified candidates who Mr. Whitman has nominated for election as directors at the 2005 annual meeting. If elected, these nominees will comprise a majority of the Beverly board. As directors of Beverly, they will, subject to their fiduciary duties, be committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. We nominated these candidates because they have the health care experience and mergers and acquisitions skills to maximize value for stockholders.

We are also soliciting proxies to amend Beverly's bylaws to ensure that Beverly does not increase the size of its current eight-member board in an effort to prevent the six nominees from comprising a majority of the Beverly board if elected. We are also soliciting proxies to approve the other proposals of Mr. Whitman described in "Matters to be Considered at the 2005 Annual Meeting" below that are intended to prevent Beverly from taking other actions that could thwart the will of Beverly's stockholders.

Beverly has announced that its 2005 annual meeting will be held at 10:00 a.m. (CDT) on April 21, 2005, at Beverly's Corporate Center located at 1000 Beverly Way, Fort Smith, Arkansas. Beverly has also announced that the record date for determining those stockholders who will be entitled to vote at the meeting is March 7, 2005.

This proxy statement and the enclosed BLUE proxy card are first being sent or given to stockholders of Beverly on or about March ___, 2005. Beverly's principal executive offices are located at 1000 Beverly Way, Fort Smith, Arkansas 72919.

THIS SOLICITATION IS BEING MADE BY MR. WHITMAN AND THE CONSORTIUM AND NOT ON BEHALF OF BEVERLY OR ITS BOARD OF DIRECTORS.

Any proxy granted pursuant to this solicitation may be revoked by the person granting the proxy at any time before it is voted at the annual meeting. Proxies may be revoked by (i) delivering a written notice of revocation bearing a later date than the proxy, (ii) duly executing and delivering a later dated written proxy relating to the same shares or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). To be effective, any written notice of revocation or subsequent BLUE proxy should be mailed or delivered to, and received by, MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016 or Beverly's corporate secretary before the taking of votes at the annual meeting. If you hold your shares through a bank, broker or other nominee holder, only they can revoke your proxy on your behalf.

IF YOU PREVIOUSLY SUBMITTED A WHITE PROXY CARD OR VOTED FOR THE NOMINEES RECOMMENDED BY BEVERLY'S EXISTING BOARD OF DIRECTORS, YOU MAY REVOKE THAT PROXY CARD AND CHANGE YOUR VOTE. TO REVOKE A WHITE PROXY CARD AND CHANGE YOUR VOTE, SIMPLY SIGN, DATE AND RETURN THE ENCLOSED BLUE PROXY CARD IN THE ACCOMPANYING POSTAGE PAID ENVELOPE.

WE STRONGLY URGE YOU TO REVOKE ANY WHITE PROXY CARD YOU MAY HAVE RETURNED TO BEVERLY AND TO VOTE FOR THE SIX NOMINEES OF MR. WHITMAN AND FOR MR. WHITMAN'S OTHER PROPOSALS. ONLY YOUR LATEST DATED PROXY WILL BE COUNTED

IN THE VOTES CAST AT THE ANNUAL MEETING.

QUESTIONS AND ANSWERS ABOUT THIS PROXY SOLICITATION

WHO IS ARNOLD M. WHITMAN? WHO ARE THE MEMBERS OF THE CONSORTIUM?

Mr. Whitman is the Chief Executive Officer of Formation Capital LLC, a finance company focused on the health care industry, providing equity to the senior housing and long-term care industry since it was founded in 1999. Formation currently manages assets in excess of $650 million in value. Over the last three years, Formation and its partners have acquired an ownership interest in 152 facilities in 20 states, including 49 skilled nursing facilities and four assisted living centers Formation acquired from Beverly in 2002.

Formation's partners in the consortium are Appaloosa Management L.P. and Franklin Mutual Advisers, LLC. Appaloosa, formed in 1993, is one of the largest hedge funds in the country, with over $3.5 billion under management. Franklin Mutual is a subsidiary of Franklin Resources, Inc., the largest publicly traded mutual fund company in the United States. Franklin Mutual manages the Mutual Series family of public mutual funds, with over $35 billion under management. The persons listed in Annex B attached to this proxy statement may also assist the consortium in this solicitation.

The members of the consortium, together with the other Beverly shareholders listed in Annex B who are assisting the consortium in connection with the proposed transaction, collectively beneficially own 8,737,000 Beverly shares, constituting approximately 8.1% of the Beverly shares outstanding as of January 25, 2005.

WHAT ARE WE SEEKING TO ACCOMPLISH?

We are seeking to negotiate a transaction with Beverly in which a company formed by us would acquire all of the outstanding shares of Beverly. In that connection, we made a formal offer to Beverly's board of directors to acquire all of the shares of Beverly at a price of $11.50 per share in cash. Our offer, which would provide significant value to Beverly's shareholders, reflects a premium of 46% to the average closing price of Beverly's shares over the period from December 31, 2003 through January 24, 2005, the last trading day before we made our proposal public. Since our proposal was made public, Beverly's shares have traded above our offer price. We believe this is good for Beverly shareholders and, indeed, if justified by due diligence, we would be prepared to raise our offer price. For more information about the proposal we made to the Beverly board, see "Our Proposed Transaction" below. The closing price of Beverly's shares was $______ on March ___, 2005, the last trading day preceding the date of this proxy statement.

WHY ARE WE SOLICITING YOUR VOTE?

We are soliciting your vote because we believe that the current directors are not acting, and will not act, in your best interests to maximize the value of your investment in Beverly. In that regard, the Beverly board has rejected our proposal and refused to engage in any discussion with us or to permit us to conduct due diligence of Beverly despite the fact that we have made an offer reflecting a significant premium and have indicated a willingness to raise our offer if justified by our due diligence. In addition, the Beverly board has taken steps to impede any fair consideration of our proposal and any other proposal by adopting a poison pill and by accelerating the date of the annual meeting and the deadline for submitting proposals and director nominees.

We are seeking your support for the election of six independent, highly qualified candidates who Mr. Whitman has nominated for election as directors of Beverly at the 2005 annual meeting. If elected, these nominees will, subject to their fiduciary duties, be committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. The exact scope of the process, which may include an auction or other sale process designed to maximize shareholder value, will be determined by the nominees based on advice of independent legal and financial advisors, subject to their fiduciary duties as directors of Beverly.

Please see "Reasons to Vote for the Proposals" for a more complete description of the reasons we are seeking your vote.

WHAT ARE WE ASKING YOU TO VOTE FOR?

We are asking you to vote on Mr. Whitman's proposals to:

- amend Beverly's bylaws to fix the size of the Board at its current size, eight directors;
- elect six independent, highly qualified nominees of Mr. Whitman who, if elected, will comprise a majority of the Beverly board;
- repeal each provision of, or amendment to, Beverly's bylaws (other than the amendment to fix the Board's size at eight) adopted after the version of the bylaws, as of May 29, 1997, filed by Beverly with the Securities and Exchange Commission; and
- require that Beverly allow the three proposals outlined above to be voted on at the annual meeting in the order set out above before any other proposals are voted on at the annual meeting.

Please see "Matters to be Considered at 2005 Annual Meeting" for a complete description of these proposals.

We urge you to return the BLUE proxy card and recommend that you vote in favor of Mr. Whitman's six nominees (Proposal 1 on the BLUE proxy card) and in favor of Mr. Whitman's other proposals referred to above (Proposals 2, 3 and 4 on the BLUE proxy card).

WHO ARE THE INDEPENDENT NOMINEES THAT MR. WHITMAN HAS NOMINATED FOR ELECTION TO THE BOARD?

Mr. Whitman has nominated Jeffrey A. Brodsky, John J. Durso, Philip L. Maslowe, Charles M. Masson, Mohsin Y. Meghji and Guy Sansone for election as directors of Beverly. These nominees are independent, highly qualified persons who are not affiliated with Mr. Whitman, any member of the consortium or Beverly. In addition, we believe that, if elected, Mr. Whitman's nominees would be considered independent directors under the New York Stock Exchange director independence standards.

As indicated below under "The Independent Nominees," Mr. Brodsky, a Managing Director of Quest Turnaround Advisors, LLC, a turnaround management consulting services firm, serves as the Chairman and Chief Executive Officer of PTV, Inc. (formerly NTL Europe, Inc. and NTL Incorporated). Funds managed by Appaloosa Management L.P. beneficially own approximately 27% of the outstanding voting common stock, and approximately 38% of the outstanding non-voting preferred stock, of PTV. Funds managed by Franklin Mutual beneficially own approximately 8% of the outstanding voting common stock, and approximately 9% of the outstanding non-voting preferred stock. No representative of Appaloosa or Franklin Mutual is a member of PTV's board of directors. We do not believe Appaloosa's or Franklin Mutual's ownership of shares of PTV will prevent Mr. Brodsky, if elected, from acting in the best interests of all stockholders.

WILL THE ELECTION OF THE INDEPENDENT NOMINEES MEAN BEVERLY WILL BE SOLD TO THE CONSORTIUM?

The election of these nominees does not mean that Beverly will be sold to the consortium. If elected, these nominees will act in your best interests. In that connection, subject to their fiduciary duties, the nominees are committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. We provide detailed biographical information regarding the nominees below under the heading "The Independent Nominees."

If the independent nominees are elected, they will constitute a majority of Beverly's board of directors. It is possible that nominees of Beverly's incumbent board of directors who are elected to fill the remaining seats on the Beverly board may refuse to serve as directors. In that case, the Beverly board would be comprised of six, rather than, eight directors, with two vacancies on the board. We do not currently have any plans to fill any such vacancy. Under Beverly's bylaws, vacancies on the Beverly board, including vacancies arising because duly elected directors refuse to serve, may be filled by a majority of the directors then in office.

WHY IS MR. WHITMAN PROPOSING TO AMEND THE BYLAWS?

Mr. Whitman is proposing to amend Beverly's bylaws to fix the size of the Beverly board at eight to ensure that Beverly does not increase the size of its current eight-member board in an effort to prevent the nominees from comprising a majority of the Beverly board if elected.

Mr. Whitman is also proposing to repeal each provision of, or amendment to, Beverly's bylaws (other than the amendment to fix the Board's size at eight) adopted after the version of its bylaws that Beverly last made public (on May 29, 1997 in a filing with the Securities and Exchange Commission ("SEC")), including bylaw amendments that Beverly's board may adopt after the date of this proxy statement and before the annual meeting, to ensure that no such amendment will operate to thwart the will of the Beverly stockholders.

WHAT OTHER MATTERS WILL BE VOTED ON BY BEVERLY STOCKHOLDERS AT THE 2005 ANNUAL MEETING?

Beverly has disclosed that, at the 2005 annual meeting, stockholders will be asked to vote on a proposal to ratify the appointment of Ernst & Young LLP as Beverly's independent registered public accounting firm for 2005 (Proposal 5 on the BLUE proxy card). We make no recommendation with respect to this proposal.

WHO CAN VOTE AT THE 2005 ANNUAL MEETING?

If you owned shares of Beverly common stock at the close of business on March 7, 2005, you have the right to vote for the six independent nominees of Mr. Whitman, for the proposals to amend Beverly's bylaws and on all other matters presented at the 2005 annual meeting. Each share of common stock held by you at the close of business on March 7, 2005 entitles you to one vote on all matters presented at the meeting.

HOW MANY SHARES MUST BE PRESENT AT THE ANNUAL MEETING TO ESTABLISH A QUORUM?

According to Beverly's bylaws, the presence in person or by proxy of the holders of a majority of the shares of Beverly entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the meeting.

HOW MANY SHARES MUST BE VOTED IN FAVOR OF THE SIX NOMINEES TO ELECT THEM? HOW MANY SHARES MUST BE VOTED TO APPROVE THE BYLAW PROPOSALS AND THE OTHER PROPOSALS?

If a quorum is established at the annual meeting, nominees for election as directors of Beverly will be elected by a plurality of the votes cast, in person or by proxy, at the annual meeting. This means that the eight director positions to be filled at the annual meeting will be filled by the eight nominees receiving the highest number of votes.

The affirmative vote of the holders of a majority of the shares of Beverly entitled to be voted at the annual meeting (i.e. all shares outstanding as of the record date for the annual meeting) is required to approve Mr. Whitman's two proposals to amend Beverly's bylaws.

The affirmative vote of the holders of a majority of the shares of Beverly present in person or represented by proxy and entitled to vote at the annual meeting is required to approve Mr. Whitman's proposal on the sequence of business at the annual meeting and to approve Beverly's proposal to ratify the appointment of Ernst & Young as Beverly's independent registered public accounting firm for 2005.

According to the Form 8-A filed by Beverly with the SEC on January 27, 2005, there were 108,384,266 shares of Beverly outstanding on January 26, 2005.

HOW WILL ABSTENTIONS, VOTES WITHHELD AND BROKER NON-VOTES BE TREATED?

Broker non-votes, abstentions and proxy cards on which stockholders withhold voting authority will be counted as present for purposes of determining whether a quorum is established at the annual meeting. "Broker non-votes" are shares for which a bank, broker or other nominee holder has not received voting instructions and which the nominee holder does not have discretionary power to vote on a particular matter. We do not believe that banks, brokers or other nominee holders will have discretion to vote on any matter voted on at the 2005 annual meeting, other than Beverly's proposal to ratify the appointment of Ernst & Young LLP as Beverly's independent registered public accounting firm for 2005 (Proposal 5 on the proxy card).

Broker non-votes and proxy cards on which stockholders withhold authority for nominees will not be counted in determining the election of directors. Broker non-votes and abstentions with respect to Mr. Whitman's other proposals and Beverly's proposal to ratify the appointment of Ernst & Young LLP as Beverly's independent registered public accounting firm for 2005 will have the same effect as votes against those proposals.

WHAT SHOULD YOU DO TO VOTE FOR MR. WHITMAN'S SIX NOMINEES AND FOR HIS OTHER PROPOSALS?

Sign, date and return the enclosed BLUE proxy card today to our proxy solicitor MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016 in the envelope provided.

WHOM SHOULD YOU CALL IF YOU HAVE QUESTIONS ABOUT THE SOLICITATION?

Please call our proxy solicitor MacKenzie Partners toll free at (800) 322-2885 or collect at (212) 929-5500.

OUR PROPOSED TRANSACTION;
BACKGROUND TO THE SOLICITATION

OUR PROPOSED TRANSACTION

We are seeking to negotiate a transaction with Beverly in which a company formed by us would acquire all of the outstanding shares of Beverly. In that connection, we made a formal offer to Beverly's Board of Directors to acquire all of the shares of Beverly at a price of $11.50 per share in cash. Our offer, which would provide significant value to Beverly's shareholders, reflects a premium of 46% to the average closing price of Beverly's shares over the period from December 31, 2003 through January 24, 2005, the last trading day before we made our proposal public. Since our proposal was made public, the closing price of Beverly's shares has traded above our offer price. We believe this is good for Beverly stockholders and, indeed, if justified by due diligence, we would be prepared to raise our offer price. The closing price of Beverly's shares was $ on March , 2005, the last trading day preceding the date of this proxy statement

As an alternative to this proposal, we are also prepared to discuss with the Beverly board a transaction whereby we would purchase Beverly's real estate assets and nursing facilities operations, leaving Beverly with the ancillary operations. As part of such a transaction, we would enter into contractual agreements whereby Beverly would continue to provide ancillary services to the nursing facilities. This transaction could be structured in several ways and the consortium would seek to adopt an approach which is most tax efficient for Beverly's stockholders. We are prepared to pay the equivalent of $9.00 per share in cash for these assets and operations and assume all liabilities not related to the ancillary businesses, leaving Beverly with a pure-play ancillary company consisting of the Aegis Therapies business and Home Care operating segment.

We have calculated, based on information contained in Beverly's public filings, that at the offer price of $11.50 per share approximately $1.5 billion of financing would be needed to consummate the proposed transaction, including the refinancing of existing Beverly indebtedness. Our proposal would be financed with $375 million of committed equity financing, and the balance in debt financing. We have received several proposed financing commitments from financial institutions interested in providing this debt financing and are confident in our ability to obtain the financing necessary to complete a transaction with Beverly.

BACKGROUND TO THE SOLICITATION

During the week of December 13, 2004, Mr. Whitman contacted William R.

Floyd, the Chairman of the Board, President and Chief Executive Officer of Beverly, and discussed with him the possibility of a transaction between Beverly and the consortium.

On December 22, 2004, Mr. Whitman sent a letter to Mr. Floyd offering to acquire the outstanding Beverly shares at a price of $11.50 per share in cash. The letter noted that this offer price reflected a premium of 30% over the average closing price of Beverly's stock over the twenty trading day period immediately preceding the date of that letter. The letter also stated that Formation was prepared to immediately commence due diligence review of Beverly, and if due diligence suggests that there is more value in Beverly, Formation would be prepared to raise its offer price accordingly. The letter also indicated that Formation was prepared to discuss a transaction whereby Formation would purchase Beverly's real estate assets and nursing facilities operations.

In a letter to Mr. Whitman dated January 5, 2005, Mr. Floyd indicated that he had shared Mr. Whitman's December 22 letter with the Beverly board.

On January 13, 2005, Mr. Whitman telephoned Mr. Floyd to discuss further the consortium's proposed transactions. Mr. Whitman offered to provide the Beverly board with additional information regarding the consortium's proposed transactions in an effort to assist the Beverly board in evaluating the consortium's proposals. In that connection, on January 19, 2005, Mr. Whitman sent a follow-up letter to Beverly expanding on the proposals set out in his letter of December 22. In his letter, Mr. Whitman reiterated that the consortium remains prepared to increase its $11.50 in cash offer price if due diligence suggested that there is more value in Beverly.

On January 21, 2005, Beverly announced that it was accelerating the date of Beverly's 2005 annual meeting to April 21, 2005 from May 19, 2005, the tentative date for that meeting announced by Beverly in May 2004. At the same time, Beverly accelerated the deadline for submitting proposals and director nominees to February 5, 2005 from the March 6, 2005 date previously disclosed in Beverly's public filings. In its announcement, Beverly stated that it had accelerated the date of the annual meeting and the deadline for submitting proposals and director nominees because it had adopted a "policy to hold the Company's Annual Meeting of Stockholders as early as practicable in each calendar year."

As required by the rules of the SEC, on January 24, 2005, Mr. Whitman, the members of the consortium and certain other parties filed with the SEC a Schedule 13D disclosing their ownership of approximately 8.1% of the outstanding shares of Beverly as well as the proposals previously made to the Beverly board.

On January 24, 2005, Beverly announced that its board was reviewing the consortium's proposal and would "respond in due course." Mr. Whitman subsequently received a letter from Mr. Floyd, dated January 24, 2005, stating that the Beverly board would attempt to meet within the next week to ten days to evaluate the consortium's proposal.

On January 25, 2005, Beverly announced that it had adopted a poison pill.

On January 27, 2005, the Northwest Arkansas Democrat-Gazette reported in an article by Cristal Cody that, during a conference call with Beverly employees on January 26, 2005, Mr. Floyd stated that Beverly's acceleration of the date of its annual meeting and the deadline for submission of proposals and director nominations "short-circuits the Formation Capital financial group... If they wanted to put their directors up for election, by moving up the meeting, it would eliminate some of the time they would have to prepare." Although Mr. Floyd indicated in his January 24 letter as well as in a January 27, 2005 letter he sent to Mr. Whitman that the Beverly board was in the process of evaluating the consortium's proposal, according to the Northwest Arkansas Democrat-Gazette article, Mr. Floyd told Beverly employees on the January 26 conference call that "the company is not for sale."*

On January 27, 2005, Fried, Frank, Harris, Shriver & Jacobson LLP, counsel to the consortium, sent a letter on the consortium's behalf to Douglas J. Babb, Executive Vice President, Chief Administrative Officer and Legal Officer of Beverly. This letter reiterated the consortium's desire to pursue a mutually beneficial, negotiated transaction with Beverly and its willingness to raise its offer to reflect additional value revealed during due diligence.

On February 3, 2005, Beverly rejected Formation's proposals -- without engaging in any discussion with Formation regarding its proposals or permitting the consortium to conduct any due diligence.

Later that day, Mr. Whitman sent to Mr. Floyd a letter on the consortium's behalf indicating the consortium's intention to nominate a slate of nominees for election to the Beverly board at the annual meeting. On February 4, 2005, Mr. Whitman submitted to Beverly's Secretary a notice of the business and proposals he intends to bring before the annual meeting and his intention to nominate a slate consisting of the independent nominees discussed below.

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*   We have not sought or obtained consent from the Northwest Arkansas Democrat-Gazette to include these quotes in the proxy statement.

THE INDEPENDENT NOMINEES

At the 2005 annual meeting, Mr. Whitman will propose that Jeffrey A. Brodsky, John J. Durso, Philip L. Maslowe, Charles M. Masson, Mohsin Y. Meghji and Guy Sansone be elected as directors of Beverly. If elected, these nominees would hold office until Beverly's 2006 annual meeting (or until their successors are elected and qualified), and would constitute a majority of Beverly's board of directors.

EACH OF THE NOMINEES HAS AGREED, UPON ELECTION TO BEVERLY'S BOARD OF DIRECTORS, TO EXERCISE HIS INDEPENDENT JUDGMENT IN ACCORDANCE WITH HIS FIDUCIARY DUTIES IN ALL MATTERS THAT COME BEFORE THE BEVERLY BOARD OF DIRECTORS.

The nominees have furnished the following information regarding their principal occupations and certain other matters:

JEFFREY A. BRODSKY, age 46, has since 2000 been a Managing Director of Quest Turnaround Advisors, LLC, a turnaround management consulting services firm. Since 2002, he has served as Chairman and Chief Executive Officer of PTV, Inc. (formerly NTL Europe, Inc. and NTL Incorporated), a new media company in the United Kingdom located at Trafalgar House, 11 Waterloo Place, London SW1Y 4AU, United Kingdom. Mr. Brodsky is currently a director of AboveNet, Inc., a provider of fiber connectivity for business. From 2002 to 2004, Mr. Brodsky served as a director of Comdisco Holding Company, Inc., a provider of equipment lease financing of information and technology equipment to a variety of industries. From 2002 to 2003, he served as Chairman of Cablecom GmbH, a cable network operator in Switzerland. From 1994 to 1996, he served as a director of Hawaiian Airlines.

JOHN J. DURSO, age 53, has since 2002 been a partner of the Chicago office of the law firm Michael Best & Friedrich LLP, where he has chaired the national Long-Term Care Practice Group. Prior to joining Michael Best, Mr. Durso was for 17 years a partner with the law firm of Katten Muchin & Zavis, during which time he chaired the firm's national health care practice.

PHILIP L. MASLOWE, age 57, served from 1997 until 2002 as Executive Vice President and Chief Financial Officer of The Wackenhut Corporation, a security, staffing and privatized prisons corporation. Prior to that, from 1993 to 1997, Mr. Maslowe served as Executive Vice President and Chief Financial Officer of KinderCare Learning Centers, Inc., the largest preschool and childcare provider in the U.S. Mr. Maslowe is currently a director of NorthWestern Corporation, a public utility company. Mr. Maslowe previously served as non-executive Chairman of AMF Bowling Worldwide, Inc., the world's largest owner and operator of bowling centers. From August 2002 to December 2004, Mr. Maslowe served on the Board of Directors of Mariner Health Care, Inc., a publicly held integrated health care services provider.

CHARLES M. MASSON, age 51, has since September 2002 been managing partner of Masson & Company, LLC, a firm providing interim and crisis management, turnaround consulting and assessment, and financial restructuring services. From April 1999 to September 2002, Mr. Masson was a managing partner of Leary, Masson & Associates, LLC, a firm providing similar services. Since 2005, he has been serving as Chairman and Chief Restructuring Officer of Kinetic Systems, Inc., an engineering and construction provider of process piping to the semi-conductor and bio-pharmaceutical industries. In 2001, he served as Chief Executive Officer of Maidenform, Inc., an intimate apparel maker. Mr. Masson is currently a director of Algoma Steel Inc., an integrated steel producer.

MOHSIN Y. MEGHJI, age 40, has since 2002 been a Principal of Loughlin Meghji + Company, a financial advisory boutique specializing in advising management, investors and lenders in relation to transactions involving financially challenged companies. From 1998 to 2002, he was a member of the Global Corporate Finance Group of Arthur Andersen LLP, the accounting firm. From May 2002 when it emerged from Chapter 11 to December 2004 upon its sale, Mr. Meghji served on the Board of Directors of Mariner Health Care, Inc., a publicly held integrated health care services provider. From July 1999 to May 2002, Mr. Meghji served as financial advisor to various creditors in relation to the restructuring of Mariner Health Care.

GUY SANSONE, age 40, has since 1999 been with Alvarez & Marsal, LLC, a global professional services firm specializing in turnaround management and corporate restructuring, where he has been a Managing Director since 2002. From March 2003 to September 2004, he served as Interim Chief Financial Officer of Healthsouth Corporation, a provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services. In 2002, he served as Interim President and Chief Executive Officer of Rotech Healthcare Inc., a provider of home medical equipment, respiratory equipment and services and respiratory medications for home use. From 2000 to 2003, he served as Senior Vice President, focusing on the restructuring of Integrated Health Services Inc., a provider of post-acute healthcare services. From 1999 to 2000, he served as Chief Financial Officer of Telegroup, Inc., an alternative provider of domestic and international telecommunications services. Mr. Sansone is currently a director of Rotech Healthcare Inc.

Each of the nominees has agreed to be named in this proxy statement and to serve as a director of Beverly, if elected. We do not expect that any of the six nominees will be unable to stand for election or serve as a director, but if any vacancy in the slate of nominees occurs for any reason the shares represented by the enclosed BLUE proxy card will be voted for a substitute candidate nominated by Mr. Whitman.

COMPENSATION OF BEVERLY DIRECTORS

If elected to the Beverly board of directors, Mr. Whitman's nominees will not receive any compensation or indemnification from Mr. Whitman or the consortium for their service as directors of Beverly. If the nominees are elected, they will be non-employee directors of Beverly. Annex D of this Proxy Statement contains an excerpt from Beverly's 2005 proxy statement that describes how non-employee directors of Beverly were compensated in 2004.

Each of the nominees, if elected, would be indemnified by Beverly for service as a director to the same extent indemnification is provided to other directors under Beverly's certificate of incorporation and bylaws. In addition, we believe that upon election, the nominees would be covered by Beverly's officer and director liability insurance, if any, and be entitled to any other benefits made available to directors by Beverly. Other than as described above, we are not aware of any arrangements under which non-employee directors of Beverly are compensated for services as a director of Beverly.

ARRANGEMENTS BETWEEN THE CONSORTIUM AND THE INDEPENDENT NOMINEES

Appaloosa, on behalf of certain funds for which it acts as investment adviser, Franklin Mutual, on behalf of certain funds for which it acts as investment adviser, and Formation entered into an indemnification agreement with each of Mr. Whitman's nominees. The indemnification agreement provides that the consortium will indemnify each nominee against any and all damages, judgments, fines, penalties, losses and expenses suffered, incurred or sustained by that nominee or to which that nominee becomes subject, resulting from, arising out of or relating to a claim by reason of (a) the nominee's standing for election to the Beverly board of directors at the annual meeting or (b) any event or occurrence relating to or arising out of, or any action taken or omitted to be taken in connection with the solicitation of proxies in support of the nominee's election as a director of Beverly at the annual meeting, but not in the nominee's capacity as a director of Beverly if he is so elected. Under the indemnification agreement, responsibility for payments or losses for which the consortium is liable will be allocated 40% to Appaloosa, 46.67% to Franklin Mutual and 13.33% to Formation, and each member of the consortium's liability under the indemnification agreement is limited to 40%, 46.67% and 13.33%, respectively, of $25,000,000.

ADDITIONAL INFORMATION CONCERNING THE SIX INDEPENDENT NOMINEES

The six nominees have also furnished additional miscellaneous information located in Annex A of this proxy statement as required by the SEC.

MATTERS TO BE CONSIDERED AT BEVERLY'S 2005 ANNUAL MEETING

OUR PROPOSALS

We are soliciting proxies to take the following actions at Beverly's 2005 annual meeting:

PROPOSAL 1: To amend Beverly's bylaws to fix the number of directors constituting the entire Board of Directors at eight, by revising Article III, Section 2 of Beverly's bylaws to read in its entirety as follows:

"Number of Directors. The number of Directors of the Corporation which shall comprise the full Board of Directors shall be fixed at eight."

PROPOSAL 2: To repeal each provision of or amendment to Beverly's bylaws (other than the provisions and amendments added or effected pursuant to Proposal 1) adopted after the version of the bylaws, purportedly as of May 29, 1997, filed by Beverly with the SEC as Exhibit 3.4 to Beverly's Registration Statement on Form S-1 filed on June 4, 1997 (File No. 333-28521).

PROPOSAL 3: To elect each of Mr. Whitman's nominees to Beverly's board of directors, in lieu of any persons who may be nominated by Beverly's incumbent board of directors or by any other person.

PROPOSAL 4: To require that action be taken at the annual meeting on proposals 1 through 3 above in the sequence indicated and before any other business is conducted.

In accordance with Beverly's bylaws, on February 4, 2005, Mr. Whitman delivered written notice to the Secretary of Beverly of his intention to nominate for election to Beverly's board at the annual meeting his six independent nominees and to present the proposals described above to the stockholders of Beverly for their approval at that meeting.

PURPOSES OF OUR PROPOSALS

The purpose of each of the proposals is as follows:

- The purpose of Proposal 1 is to ensure that Beverly does not increase the size of its current eight-member board in an effort to prevent the nominees from comprising a majority of the Beverly board if elected.

- The purpose of Proposal 2 is to ensure that the provisions governing or related to the election of Beverly directors contained in the latest publicly available version of Beverly's bylaws have not been changed and will remain unchanged through the annual meeting. Proposal 2 is designed to repeal any amendments to the bylaws that the Beverly board may have previously adopted and not disclosed to stockholders and any amendments the board may adopt prior to the annual meeting, in each case to ensure that no such amendment will operate to thwart the will of the Beverly stockholders.

- The purpose of Proposal 3 is to elect the six independent nominees of Mr. Whitman.

- The purpose of Proposal 4 is to ensure that action is taken at the annual meeting in a logical manner and to prevent results that would thwart the will of Beverly's stockholders as expressed by their votes at the annual meeting.

MANAGEMENT'S PROPOSALS

Beverly has announced that it will present the following proposal at the 2005 Annual Meeting:

PROPOSAL 5: Ratification of the appointment of Ernst & Young LLP as Beverly's independent registered accounting firm for 2005.

Beverly is seeking stockholder ratification of the appointment of Ernst & Young LLP as its independent registered public accounting firm for 2005.

We have no recommendation with respect to this Proposal 5.

WE STRONGLY RECOMMEND A VOTE FOR THE ELECTION OF THE SIX NOMINEES AND FOR EACH OF MR. WHITMAN'S OTHER PROPOSALS DESCRIBED ABOVE (PROPOSALS 1 THROUGH 4 ON THE ACCOMPANYING BLUE PROXY CARD).

REASONS TO VOTE FOR THE SIX INDEPENDENT NOMINEES
AND MR. WHITMAN'S OTHER PROPOSALS

We believe that the incumbent Beverly board is not acting on behalf of all Beverly stockholders. Mr. Whitman and the members of the consortium urge all Beverly stockholders to vote FOR the election of the six independent nominees, FOR the proposal to fix the size of the board at eight and FOR the other proposals that are designed to ensure that the will of the Beverly stockholders is not thwarted (Proposals 1 through 4 on the accompanying BLUE proxy card).

A VOTE FOR THE INDEPENDENT NOMINEES AND MR. WHITMAN'S OTHER PROPOSALS LETS BEVERLY KNOW THAT YOU WANT DIRECTORS WHO WILL REPRESENT THE BEST INTERESTS OF THE STOCKHOLDERS AND, SUBJECT TO THEIR FIDUCIARY DUTIES, WILL BE COMMITTED TO MAXIMIZING THE VALUE OF YOUR INVESTMENT IN BEVERLY BY IMPLEMENTING A PROCESS THAT WILL GIVE DUE CONSIDERATION TO THE CONSORTIUM'S PROPOSALS AND ANY OTHER PROPOSALS BEVERLY MAY RECEIVE FROM US OR OTHERS.

We believe that the incumbent Beverly board has placed the interests of Mr. Floyd and the other members of Beverly's senior management above the interests of the stockholders by refusing to engage in any discussion with us to discuss the merits of our proposal, not permitting us to conduct due diligence of Beverly, despite the fact that we have said consistently that, if justified by due diligence, we would be prepared to raise our offer, putting in place a "poison pill" rights plan and abruptly accelerating the date of the annual meeting and the deadline for submitting proposals and director nominees.

The incumbent Beverly board has refused to meet with us to discuss the merits of our proposal despite the fact that the $11.50 per share in cash price offered by us reflects a premium of 46% to the average closing price of Beverly's shares over the period from December 31, 2003 through January 24, 2005, the last trading day before we made our proposal public.

Although the six independent nominees have not given Mr. Whitman or the consortium any commitments relating to our proposal or otherwise, and neither Mr. Whitman nor the consortium has sought any commitments from them relating to our proposals, the nominees have indicated that, if elected, they will, subject to their fiduciary duties, be committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. Even if the six nominees are elected, there is no guarantee that Beverly or any of its assets will be sold to us or any other third party. However, by voting for Mr. Whitman's nominees, Beverly's stockholders will endorse a process that will give due consideration to our proposals and any other proposals Beverly may receive. The exact scope of the process, which may include an auction or other sale process designed to maximize shareholder value, will be determined by the nominees based on advice of independent legal and financial advisors, subject to their fiduciary duties as directors of Beverly.

YOU CAN TAKE SOME IMMEDIATE STEPS TO HELP OBTAIN THE MAXIMUM VALUE OF YOUR SHARES:

(1) SIGN, DATE AND RETURN YOUR BLUE PROXY CARD TODAY, VOTING FOR THE ELECTION OF MR. WHITMAN'S SIX NOMINEES, FOR HIS PROPOSAL TO AMEND THE BYLAWS TO FIX THE SIZE OF THE BOARD AT EIGHT, AND FOR HIS OTHER PROPOSALS (PROPOSALS 1 THROUGH 4); AND

(2) MAKE YOUR VIEWS KNOWN TO BEVERLY'S INCUMBENT BOARD OF DIRECTORS.

VOTING

For the proxy solicited hereby to be voted, the enclosed BLUE proxy card must be signed, dated, and returned in the envelope enclosed, in time to be voted at the 2005 annual meeting. If you wish to vote "FOR" the election of the six nominees and "FOR" the adoption of each of Mr. Whitman's other proposals you must submit the enclosed BLUE proxy card and must NOT submit Beverly's proxy card. If you have already returned Beverly's proxy card, you have the right to revoke it as to all matters covered thereby and may do so by subsequently signing, dating, and mailing the enclosed BLUE proxy card. Only your latest dated proxy will count at the annual meeting. Execution of a BLUE proxy card will not affect your right to attend the annual meeting and to vote in person.

Any proxy may be revoked as to all matters covered thereby at any time prior to the time a vote is taken by (i) delivering a written notice of revocation bearing a later date than the proxy, (ii) duly executing and delivering a later dated written proxy relating to the same shares or (iii) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). To be effective, any written notice of revocation or subsequent BLUE proxy should be mailed or delivered to, and received by, MacKenzie Partners, Inc., 105 Madison Avenue, New York, New York 10016 or Beverly's corporate secretary before the taking of votes at the annual meeting. Beverly shares represented by a valid, unrevoked BLUE proxy card will be voted as specified. Shares represented by a BLUE proxy card where no specification has been made will be voted "FOR" the election of Mr. Whitman's six nominees, "FOR" the adoption of each of Mr. Whitman's proposals and "ABSTAIN" with respect to Beverly's proposal to ratify the appointment of Ernst & Young LLP as Beverly's independent registered public accounting firm for 2005. Except as set forth in this proxy statement, we are not aware of any other matter to be considered at the annual meeting. If you return a BLUE proxy card and any other matter is presented at the annual meeting, the persons named on the enclosed BLUE proxy card will vote your shares in accordance with their best judgment concerning such matter.

If any of your shares were held in the name of a brokerage firm, bank, bank nominee or other institution on March 7, 2005, the record date for the annual meeting, only that institution can vote your shares and only upon its receipt of your specific instructions. Accordingly, please promptly contact the person responsible for your account at the relevant institution and instruct that person to execute and return the BLUE proxy card on your behalf. You should also promptly sign, date and mail the voting instruction form (or BLUE proxy card) that your broker or banker sends you. Please do this for each account you maintain to ensure that all of your shares are voted. If any of your shares were held in the name of a brokerage firm, bank, bank nominee or other institution on the record date, to revoke your proxy you will need to give appropriate instructions to the relevant institution. If you do not give instructions to your broker or other nominee, your shares will not be voted for the election of directors or on any of Mr. Whitman's proposals.

CHANGE IN CONTROL PROVISIONS IN BEVERLY'S EMPLOYMENT AGREEMENTS, BENEFIT PLANS AND OTHER AGREEMENTS

Beverly's board of directors has taken affirmative steps to impose transaction costs on any person that may seek to acquire control of Beverly. The following is derived from Beverly's 2005 proxy statement and other public filings.

Beverly has current employment agreements with four executive officers: William R. Floyd, Douglas J. Babb, Jeffrey P. Freimark and Cindy H. Susienka. Upon termination of employment in connection with a change in control, these employment agreements generally provide for severance benefits equal to three years of base salary and target bonus, vesting of all stock-based compensation, continuation of medical, dental and disability coverage for three years and relocation reimbursement. James M. Griffith, an officer of Beverly, is also party to a severance agreement with Beverly providing for benefits on a termination after a change in control similar to those described in the preceding sentence. Richard D. Skelly, Jr., another officer of Beverly, does not have an employment or severance agreement, but the terms of his offer letter of employment provide for two years base salary and target bonus upon a change in control.

In addition, Beverly's 1997 Long-Term Incentive Plan provides that the Nominating and Compensation Committee of the Beverly board may accelerate the payment or vesting and release any restrictions on any awards in the event of a change in control. Under Beverly's Non-Employee Directors' Stock Option Plan, stock options and other awards will automatically vest in the case of a change in control of Beverly.

On January 1, 2004, Beverly adopted its Enhanced Supplemental Executive Retirement Plan (Enhanced SERP) for a select group of Beverly's senior executive employees. The Enhanced SERP is a nonqualified, unsecured deferred compensation plan, informally funded through a "rabbi trust." Each year Beverly may make a contribution on each participant's behalf equal to a percentage of his or her salary and compensation for the year. Following any change in control, contributions will equal at least the amount made on each participant's behalf immediately prior to the change in control. If a participant is terminated without cause within two years following a change in control, contributions will continue to be made on the participant's behalf based on the participant's compensation and the Enhanced SERP contributions that were made immediately prior to such termination, until the earlier of the time the participant attains age 60 or would have completed ten years of plan participation.

On December 31, 2002, Beverly adopted an Executive Deferred Compensation Plan (EDC Plan) for a designated group of management or highly compensated employees. The EDC Plan is a nonqualified, unsecured deferred compensation plan, informally funded through a "rabbi trust." Each year, Beverly may make certain matching contributions to participants under the EDC Plan. Beverly contributions generally vest after five years of combined EDC Plan and SERP Participation. However, upon a change in control, all vesting is accelerated.

In March 2004, Beverly established the Retention Enhancement Program (REP) to provide enhanced benefits to Mr. Floyd. Pursuant to the REP, Beverly will make contributions each year to an account established for Mr. Floyd under the EDC Plan. It is intended that when the total contributions under the REP and earnings on the contributions are added to Mr. Floyd's SERP benefits, this will provide him with a combined retirement benefit equal to 40% of his total final compensation. Upon a change in control, all of Mr. Floyd's benefits under the REP will be vested.

If the persons serving as directors of Beverly before any contested election for the Beverly board cease to make up more than 50% of the Beverly board, a "change in control" will be deemed to have occurred for purposes of the employment agreements, plans and programs referenced above. Neither Beverly's 2005 proxy statement nor its other public filings quantify the costs Beverly would be required to incur if these change in control provisions were to be triggered under these agreements, plans and programs.

CHANGE IN CONTROL PROVISIONS IN BEVERLY'S DEBT INSTRUMENTS

According to Beverly's public filings, certain of Beverly's debt instruments would impose costs on Beverly and require Beverly to take certain actions in the event of a change in control under the Company's debt instruments. The following summary of certain of the provisions of those debt instruments is based on the copies of those instruments included in Beverly's public filings.

Under each of the debt instruments described below, except as otherwise noted, a "change in control" will be deemed to have occurred on the first day on which a majority of the members of Beverly's Board are not Continuing Directors. "Continuing Directors" is generally defined to mean the Beverly directors as of the date of the debt instrument or directors who were nominated for election or elected to the Board with the approval of the Continuing Directors who were members of the Board at the time of the new director's nomination or election.

As of September 30, 2004, Beverly had outstanding 7 7/8% Senior Subordinated Notes due 2014 in the aggregate principal amount of $215 million. The indenture to which these Notes are subject, provides that, upon a change in control, each holder of these Notes will have the right to require Beverly to repurchase all or any part of such holder's Notes at an offer price in cash equal to 101% of the aggregate principal amount of these Notes, plus accrued and unpaid interest. According to Bloomberg, L.P., as of   , 2005, these Notes were trading at a price in excess of 106%

of the aggregate principal amount of these Notes.

As of September 30, 2004, Beverly had outstanding 2.75% Convertible Subordinated Notes due 2033 in the aggregate principal amount of $115 million. The indenture to which these notes are subject provides that, upon a change in control, each holder of these Notes will have the right to require Beverly to repurchase all or any part of such holder's Notes at an offer price in cash equal to 100% of the aggregate principal amount of such Notes, plus accrued and unpaid interest. However, under the indenture, a change in control will not be deemed to have occurred if the market price per share of Beverly common stock for any five trading days within the period of 10 consecutive trading days immediately before the first day on which a majority of the members of the Beverly Board are not Continuing Directors equals or exceeds 105% of the conversion price of the Notes in effect on each such trading day. According to Beverly's public filings, the conversion price is $7.45 per share. According to Bloomberg, L.P., as of , the market price per share of Beverly common stock exceeds 105% of the conversion price of the Notes. In addition, as of , 2005, these Notes were trading at a price in excess of 100% of the aggregate principal amount of these Notes.

Under the indenture, the 2.75% Notes are convertible into Beverly common stock only upon the occurrence of specified events, including the occurrence of a change of control of Beverly. Although not provided for in the indenture, the prospectus supplement describing the 2.75% Notes (filed by Beverly with the SEC on October 17, 2003) discloses that if a change in control would be deemed to have occurred but for the fact that the market price of a Beverly share exceeds 105% of the conversion price of the Notes during the time period specified in the preceding paragraph, the holders may nonetheless convert their Notes into shares of Beverly common stock for a specified period following the event in question.

Under the terms of Beverly's Credit Agreement, dated as of October 22, 2003, among Beverly, Lehman Brothers Inc., Lehman Commercial Paper Inc., Bank of Montreal, General Electric Capital Corporation, Merrill Lynch Capital and Wells Fargo Foothills, Inc., a change in control is deemed to constitute an event of default, upon which the lenders may terminate the revolving credit commitments and/or declare all loans under the Credit Agreement to be due and payable.

The Credit Agreement provides for senior secured financing of $224,325,000, consisting of a five-year term loan of $134,325,000, and a four-year $90,000,000 revolving credit facility. As of September 30, 2004, there was $134,325,000 in principal amount outstanding under the term loan and $28.9 million being utilized for standby letters of credit under the revolver. In October 2004, Beverly caused a wholly-owned subsidiary to enter into a new $40 million letter of credit facility to which, as of October 31, 2004, Beverly transferred $10.8 million in standby letters of credit outstanding under its revolver. In addition, on January 11, 2005, Beverly disclosed that it intends to transfer its remaining standby letters of credit to this facility. (Under this letter of credit facility, a change in control is not deemed to have occurred even if a majority of the members of Beverly's Board are not Continuing Directors.) If this transfer has occurred and Beverly has not subsequently drawn down any amounts under the revolver, Beverly's $90 million revolver would be entirely freed up. Moreover, based on the term loan repayment schedule in the Credit Agreement, Beverly should have repaid $1,012,500 in principal of its term loan, leaving approximately $133,312,500 of principal outstanding as of the date of this proxy statement.

OTHER INFORMATION

SOLICITATION OF PROXIES

We have retained MacKenzie Partners to assist in soliciting BLUE proxies from banks, brokers, nominees, institutions and individuals. We have agreed to pay MacKenzie a fee of $[ ] for assisting in soliciting proxies for the 2005 annual meeting, and have agreed to reimburse MacKenzie for its reasonable out-of-pocket expenses. The consortium's agreement with MacKenzie contains customary indemnification provisions. Responsibility for the fees, expenses and other amounts payable to MacKenzie will be allocated 40% to Appaloosa, 46.67% to Franklin Mutual and 13.33% to Formation. MacKenzie anticipates that it will use approximately [ ] persons in its solicitation efforts. Arrangements will also be made with custodians, nominees and fiduciaries for forwarding proxy solicitation materials to beneficial owners of shares held as of the record date of the annual meeting. The consortium will reimburse such custodians, nominees and fiduciaries for reasonable expenses incurred in connection therewith. In addition, Mr. Whitman's nominees and the persons listed on Annex B attached to this proxy statement may solicit BLUE proxies. Information regarding such persons is included in Annex B. No additional compensation will be paid for such services. Solicitation may be conducted in person, by telephone, electronically or by other means of communication.

The consortium has engaged Eureka Capital Markets LLC (Eureka) as its financial advisor to provide certain financial advisory and investment banking services in connection with the consortium's proposal to Beverly and related matters. Eureka is also party to a term sheet entered into with Appaloosa, Franklin Mutual and Formation relating to the proposed transaction under which Eureka will be entitled to a financial advisory fee, if a transaction with Beverly is completed, and further amounts if the consortium's acquisition of Beverly or its assets yields a specified return, as described more fully in Schedule III to Annex B. Neither Eureka nor any of its employees was retained by the consortium to solicit proxies for the annual meeting. Eureka does not acknowledge that it or any of its directors, officers, employees, affiliates or controlling persons is a "participant," as defined in Schedule 14A promulgated under the Exchange Act, in the solicitation of proxies for the annual meeting, or that Schedule 14A requires the disclosure of certain information concerning them. However, Eureka and certain of its respective directors, officers, employees, affiliates or controlling persons may assist the consortium or Mr. Whitman in its solicitation as part of their broader engagement, although neither Eureka nor any such directors, officers, employees, affiliates or controlling persons will receive any fee for, or in connection with, any solicitation activities apart from the fees Eureka is otherwise entitled to receive under the term sheet. Information regarding Eureka and its directors, officers, employees, affiliates or controlling persons who may assist Mr. Whitman or the consortium in soliciting proxies is included in Annex B.

All costs incidental to the solicitations of proxies on behalf of the consortium and Mr. Whitman will be borne by the consortium and allocated 40% to Appaloosa, 46.67% to Franklin Mutual and 13.33% to Formation. Total expenditures for these solicitations are estimated to be approximately $[ ]. Total expenditures to date are approximately $[ ]. The consortium will seek reimbursement from Beverly upon completion of the solicitation of all expenses incurred in connection with the nomination of the six nominees, the submission of our proposals and this solicitation. Mr. Whitman does not intend to seek the approval of Beverly's stockholders for that reimbursement.

APPRAISAL RIGHTS

Beverly's stockholders do not have dissenter's rights of appraisal as a result of this solicitation or the adoption of any of the proposals included in this proxy statement.

DEADLINE FOR SUBMITTING STOCKHOLDER PROPOSALS FOR THE 2006 ANNUAL MEETING

According to publicly available documents and under Rule 14a-8 of the Exchange Act, stockholder proposals may be eligible for inclusion in Beverly's 2006 proxy statement and form of proxy. To be included in the 2006 proxy statement and form of proxy, stockholder proposals must be received by Beverly's Corporate Secretary not less than 120 calendar days before the date Beverly's 2005 proxy statement is released to stockholders. In addition, according to Beverly's advance notice bylaw, any stockholder proposal to be presented from the floor at the 2006 annual meeting of the stockholders must be received by the Corporate Secretary at least seventy-five days before the meeting. According to Beverly's 2005 proxy statement, Beverly currently expects that the 2006 annual meeting will be held on April 20, 2006. If this is the date set by the Beverly board, stockholder proposals to be presented from the floor will be due by February 4, 2006.

ARNOLD M. WHITMAN

Dated: March , 2005

ANNEX A

MISCELLANEOUS INFORMATION CONCERNING
THE INDEPENDENT NOMINEES

The business address of each the nominees is as follows:

Jeffrey A. Brodsky
Quest Turnaround Advisors, LLC
RiverView at Purchase
287 Bowman Avenue
Purchase, NY 10577

John J. Durso
Michael Best & Friedrich LLP
401 North Michigan Avenue
Suite 1900
Chicago, Illinois 60611

Philip L. Maslowe
12900 Brynwood
Palm Beach Gardens, Florida 33418

Charles M. Masson
Masson & Company, LLC
420 Lexington Avenue

Suite 2045
New York, New York 10170

Mohsin Y. Meghji
Loughlin Meghji + Company
148 Madison Avenue
New York, NY 10016

Guy Sansone
Alvarez & Marsal, Inc.
600 Lexington Avenue
New York, NY 10022

Mr. Whitman believes that his six independent nominees, including any independent nominee elected to fill a newly created directorship, if elected will exercise their independent judgment and fiduciary duties as directors of Beverly. In that connection, the nominees have indicated that, if elected, they will, subject to their fiduciary duties, be committed to maximizing the value of your investment in Beverly by implementing a process that would give due consideration to our proposal as well as any other proposals Beverly may receive from us or others. Mr. Whitman and certain of the persons listed on Annex B, who may be participants in the solicitation, beneficially own shares of Beverly. To the extent that the election of these nominees and the approval of Mr. Whitman's other proposals may have an impact on the consummation of our proposed transaction or any other transaction in which Beverly shares are acquired by a third party, Mr. Whitman and the other participants in the solicitation could be considered to have an interest in the matters to be acted upon at the 2005 annual meeting.

Except as set forth in this Annex A or the proxy statement to which this is attached, to the knowledge of Mr. Whitman, there is no other information regarding any of his nominees that is required to be disclosed in a proxy statement filed pursuant to the proxy rules of the SEC.

ANNEX B

PERSONS WHO MAY BE PARTICIPANTS IN THE SOLICITATION OF PROXIES

Set forth below are the names, principal business addresses and principal occupations or employment of the persons who may assist Mr. Whitman in the solicitation of proxies in connection with Beverly's 2005 annual meeting, and the name, principal business and address of any corporation or other organization in which their employment is carried on. Information with respect to Mr. Whitman's nominees is included in the attached proxy statement and in Annex A thereto. To the extent any of these individuals assists Mr. Whitman in the solicitation of proxies for the annual meeting, these persons may be deemed "participants" as defined in Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended. The fact that a person is listed below shall not be deemed an admission that such person is a participant. To the extent that a participant is a Beverly stockholder and/or an officer or equityholder of a member of the consortium, such participant's interest in the matters to be acted upon at the annual meeting rests in electing directors committed to proceeding with a process that would give due consideration to our proposal and any other proposals Beverly may receive from us or others.

NAME	PRINCIPAL OCCUPATION OR EMPLOYMENT	ADDRESS OF PRINCIPAL EMPLOYER
Appaloosa	Hedge fund	c/o Appaloosa Partners

Investment Limited Partnership I (AILP)		Inc., 26 Main Street, 1st Floor, Chatham, New Jersey 07928
Palomino Fund Ltd. (Palomino)	Hedge fund	c/o Appaloosa Partners Inc., 26 Main Street, 1st Floor, Chatham, New Jersey 07928
Appaloosa	General partner of AILP and investment adviser to Palomino	c/o Appaloosa Partners Inc., 26 Main Street, 1st Floor, Chatham, New Jersey 07928
Appaloosa Partners Inc. (API)	General partner of Appaloosa	26 Main Street, 1st Floor, Chatham, New Jersey 07928
David Tepper	President of API	26 Main Street, 1st Floor, Chatham, New Jersey 07928
Ronald Goldstein	Vice President and Secretary of API	26 Main Street, 1st Floor, Chatham, New Jersey 07928
Franklin Mutual	Investment adviser registered with the SEC and investment adviser to certain investment companies within the Franklin/Templeton Group of Fund	51 John F. Kennedy Parkway, Short Hills, New Jersey 07078
Michael J. Embler	Senior Vice President of Franklin Mutual	51 John F. Kennedy Parkway, Short Hills, New Jersey 07078
Northbrook NBV, LLC (Northbrook)	General investment activities	500 Skokie Boulevard, Suite 310, Northbrook, Illinois 60062
David Hokin	Chief Strategist of DH2, Inc.	500 Skokie Boulevard, Suite 310, Northbrook, Illinois 60062
Rob Rubin	Managing Director of DH2, Inc.	500 Skokie Boulevard, Suite 310, Northbrook, Illinois 60062
Robert Hartman	Chairman of Nucare Services Corp	6633 N. Lincoln Avenue, Lincolnwood, Illinois 60712
David Reis	Managing Member of Senior Care Development, LLC	19 Post Road East, Westport, Connecticut 06880
Baylor Enterprises, LLC	Holds selected securities	c/o Formation Capital, LLC, 1035 Powers Place, Alpharetta, Georgia

		30004
Arnold M. Whitman	Chief Executive Officer, Treasurer and Co-Chairman of Formation	1035 Powers Place, Alpharetta, Georgia 30004
Steve Fishman	President of Formation	1035 Powers Place, Alpharetta, Georgia 30004
Formation	Investing in the senior housing and long-term care industry	1035 Powers Place, Alpharetta, Georgia 30004
Eureka	Financial advisory firm	21 East 40th St, Suite 1300 NY, NY 10016
Stephen A. Greene	Managing Director of Eureka	21 East 40th St, Suite 1300 NY, NY 10016
Mark Hyman	Managing Director of Eureka	21 East 40th St, Suite 1300 NY, NY 10016
Leslie Feldman	Executive Director of Eureka	21 East 40th St, Suite 1300 NY, NY 10016

INTERESTS OF POTENTIAL PARTICIPANTS

Information regarding the interests of the potential participants described above that is required to be disclosed under the rules of the SEC is set forth in Schedules I, II and III.

Schedule I

Beneficial Ownership of Potential Participants in Beverly Common Stock

The following table sets forth the amount of each class of securities of Beverly which each of the potential participants listed above in this Annex B owns beneficially, directly or indirectly:

NAME	CLASS OF SECURITY	NUMBER OF SHARES
Appaloosa Investment Limited Partnership I	Common Stock	1,873,122
Palomino Fund Ltd.	Common Stock	1,641,178
Appaloosa	Common Stock	3,514,300

Appaloosa Partners Inc.	Common Stock	3,514,300
David Tepper	Common Stock	3,514,300
Franklin Mutual	Common Stock	3,508,900
Northbrook NBV, LLC	Common Stock	1,487,200
David Hokin	Common Stock	1,487,200
Rob Rubin	Common Stock	1,487,200
Robert Hartman	Common Stock	1,487,200
David Reis	Common Stock	200,000
Baylor Enterprises LLC	Common Stock	21,900
Arnold M. Whitman	Common Stock	26,600 [1]

[1] Includes 100 shares of Beverly Common Stock held of record by Mr. Whitman.

Schedule II

Transactions in Beverly Common Stock Since February 18, 2003+

The following table contains a summary description of all purchases and sales of the common stock of Beverly effected within the past two years by the potential participants set forth above in this Annex B:

	DATE OF TRANSACTION	AMOUNT OF SHARES	BUY/SELL
Appaloosa Investment Limited Partnership I	October 4, 2004	54,899	Buy
	October 5, 2004	37,310	Buy
	October 6, 2004	26,330	Buy
	October 6, 2004	79,950	Buy
	October 7, 2004	14,018	Buy
	October 8, 2004	51,914	Buy
	October 11, 2004	42,640	Buy
	October 12, 2004	106,600	Buy
	October 13, 2004	87,945	Buy
	October 14, 2004	30,594	Buy
	October 15, 2004	26,597	Buy
	October 18, 2004	103,935	Buy
	October 19, 2004	20,094	Buy
	October 26, 2004	27,343	Buy
	October 26, 2004	2,665	Buy
	October 27, 2004	46,371	Buy
	October 27, 2004	5,330	Buy
	October 27, 2004	7,462	Sell

	October 28, 2004	136,555	Buy
	October 28, 2004	15,777	Buy
	October 29, 2004	45,305	Buy
	November 1, 2004	39,975	Buy
	November 1, 2004	1,759	Sell
	January 7, 2005	73,074	Buy
	January 13, 2005	68,224	Buy
	January 14, 2005	87,945	Buy
	January 18, 2005	213,200	Buy
	January 19, 2005	213,200	Buy
	January 20, 2005	139,433	Buy
	January 21, 2005	39,229	Buy
	January 24, 2005	45,891	Buy
Palomino Fund Ltd.	October 4, 2004	48,101	Buy
	October 5, 2004	32,690	Buy
	October 6, 2004	23,070	Buy
	October 6, 2004	70,050	Buy
	October 7, 2004	12,282	Buy
	October 8, 2004	45,486	Buy
	October 11, 2004	37,360	Buy
	October 12, 2004	93,400	Buy
	October 13, 2004	77,055	Buy
	October 14, 2004	26,806	Buy
	October 15, 2004	23,303	Buy
	October 18, 2004	91,065	Buy
	October 19, 2004	17,606	Buy
	October 26, 2004	23,957	Buy
	October 26, 2004	2,335	Buy
	October 27, 2004	40,629	Buy
	October 27, 2004	4,670	Buy
	October 27, 2004	6,538	Sell
	October 28, 2004	119,645	Buy
	October 28, 2004	13,823	Buy
	October 29, 2004	39,695	Buy
	November 1, 2004	35,025	Buy
	November 1, 2004	1,541	Sell
	January 7, 2005	64,026	Buy
	January 13, 2005	59,776	Buy
	January 14, 2005	77,055	Buy
	January 18, 2005	186,800	Buy
	January 19, 2005	186,800	Buy
	January 20, 2005	122,167	Buy
	January 21, 2005	34,371	Buy
	January 24, 2005	40,209	Buy
Appaloosa	October 4, 2004	103,000	Buy
	October 5, 2004	70,000	Buy
	October 6, 2004	49,400	Buy
	October 6, 2004	150,000	Buy
	October 7, 2004	26,300	Buy
	October 8, 2004	97,400	Buy
	October 11, 2004	80,000	Buy
	October 12, 2004	200,000	Buy
	October 13, 2004	165,000	Buy
	October 14, 2004	57,400	Buy
	October 15, 2004	49,900	Buy
	October 18, 2004	195,000	Buy
	October 19, 2004	37,700	Buy
	October 26, 2004	51,300	Buy
	October 26, 2004	5,000	Buy
	October 27, 2004	87,000	Buy

	October 27, 2004	10,000	Buy
	October 27, 2004	14,000	Sell
	October 28, 2004	256,200	Buy
	October 28, 2004	29,600	Buy
	October 29, 2004	85,000	Buy
	November 1, 2004	75,000	Buy
	November 1, 2004	3,300	Sell
	January 7, 2005	137,100	Buy
	January 13, 2005	128,000	Buy
	January 14, 2005	165,000	Buy
	January 18, 2005	400,000	Buy
	January 19, 2005	400,000	Buy
	January 20, 2005	261,600	Buy
	January 21, 2005	73,600	Buy
	January 24, 2005	86,100	Buy
Appaloosa Partners Inc.	October 4, 2004	103,000	Buy
	October 5, 2004	70,000	Buy
	October 6, 2004	49,400	Buy
	October 6, 2004	150,000	Buy
	October 7, 2004	26,300	Buy
	October 8, 2004	97,400	Buy
	October 11, 2004	80,000	Buy
	October 12, 2004	200,000	Buy
	October 13, 2004	165,000	Buy
	October 14, 2004	57,400	Buy
	October 15, 2004	49,900	Buy
	October 18, 2004	195,000	Buy
	October 19, 2004	37,700	Buy
	October 26, 2004	51,300	Buy
	October 26, 2004	5,000	Buy
	October 27, 2004	87,000	Buy
	October 27, 2004	10,000	Buy
	October 27, 2004	14,000	Sell
	October 28, 2004	256,200	Buy
	October 28, 2004	29,600	Buy
	October 29, 2004	85,000	Buy
	November 1, 2004	75,000	Buy
	November 1, 2004	3,300	Sell
	January 7, 2005	137,100	Buy
	January 13, 2005	128,000	Buy
	January 14, 2005	165,000	Buy
	January 18, 2005	400,000	Buy
	January 19, 2005	400,000	Buy
	January 20, 2005	261,600	Buy
	January 21, 2005	73,600	Buy
	January 24, 2005	86,100	Buy
David Tepper	October 4, 2004	103,000	Buy
	October 5, 2004	70,000	Buy
	October 6, 2004	49,400	Buy
	October 6, 2004	150,000	Buy
	October 7, 2004	26,300	Buy
	October 8, 2004	97,400	Buy
	October 11, 2004	80,000	Buy
	October 12, 2004	200,000	Buy
	October 13, 2004	165,000	Buy
	October 14, 2004	57,400	Buy
	October 15, 2004	49,900	Buy
	October 18, 2004	195,000	Buy
	October 19, 2004	37,700	Buy
	October 26, 2004	51,300	Buy

	October 26, 2004	5,000	Buy
	October 27, 2004	87,000	Buy
	October 27, 2004	10,000	Buy
	October 27, 2004	14,000	Sell
	October 28, 2004	256,200	Buy
	October 28, 2004	29,600	Buy
	October 29, 2004	85,000	Buy
	November 1, 2004	75,000	Buy
	November 1, 2004	3,300	Sell
	January 7, 2005	137,100	Buy
	January 13, 2005	128,000	Buy
	January 14, 2005	165,000	Buy
	January 18, 2005	400,000	Buy
	January 19, 2005	400,000	Buy
	January 20, 2005	261,600	Buy
	January 21, 2005	73,600	Buy
	January 24, 2005	86,100	Buy
Franklin Mutual	October 26, 2004	240,000	Buy
	October 27, 2004	134,800	Buy
	October 28, 2004	18,900	Buy
	October 28, 2004	150,000	Buy
	October 28, 2004	420,800	Buy
	October 29, 2004	190,400	Buy
	November 1, 2004	639,700	Buy
	November 2, 2004	200,000	Buy
	January 13, 2005	128,000	Buy
	January 14, 2005	165,000	Buy
	January 18, 2005	400,000	Buy
	January 19, 2005	400,000	Buy
	January 20, 2005	261,600	Buy
	January 21, 2005	73,600	Buy
	January 24, 2005	86,100	Buy
Northbrook NBV LLC ("Northbrook")			
Note [1]	October 6, 2004	500	Buy
Note [1]	October 8, 2004	31,600	Buy
Note [1]	October 11, 2004	57,400	Buy
Note [1]	October 13, 2004	5,000	Buy
Note [1]	October 14, 2004	59,500	Buy
Note [1]	October 15, 2004	6,000	Buy
Note [1]	October 19, 2004	140,000	Buy
Note [1]	October 20, 2004	117,300	Buy
Note [1]	October 21, 2004	1,000	Buy
Note [1]	October 22, 2004	5,700	Buy
Note [1]	October 25, 2004	18,300	Buy
Note [1]	October 26, 2004	20,000	Buy
Note [1]	October 27, 2004	27,700	Buy
Note [1]	October 29, 2004	60,500	Sell
Note [1]	November 1, 2004	4,500	Sell
Note [1]	November 2, 2004	118,500	Buy
Note [1]	November 3, 2004	1,000	Buy
Note [1]	November 4, 2004	2,000	Buy
Note [1]	November 4, 2004	2,000	Sell
Note [1]	November 8, 2004	44,500	Sell
Note [1]	November 9, 2004	100,000	Buy
Note [1]	November 11, 2004	100,000	Buy
Note [1]	November 11, 2004	400	Sell
Note [1]	November 12, 2004	4,600	Sell
Note [1]	November 17, 2004	5,400	Buy

Note [1]	November 18, 2004	14,600	Buy
Note [1]	November 22, 2004	7,800	Buy
Note [1]	November 23, 2004	7,200	Buy
Note [1]	December 1, 2004	2,000	Sell
Note [6]	December 1, 2004	300[2]	Sell
Note [1]	December 2, 2004	17,000	Sell
Note [1]	December 3, 2004	10,000	Buy
Note [1]	December 6, 2004	14,000	Buy
Note [1]	December 7, 2004	15,000	Buy
Note [6]	December 8, 2004	3,000[2]	Sell
Note [6]	December 9, 2004	1,000[2]	Sell
Note [6]	December 10, 2004	1,000[2]	Sell
Note [6]	December 13, 2004	1,000[2]	Sell
Note [6]	December 15, 2004	1,000[2]	Sell
Note [1]	December 17, 2004	1,000	Sell
Note [6]	December 17, 2004	1,000[2]	Sell
Note [1]	December 20, 2004	1,000	Buy
Note [6]	December 20, 2004	300[2]	Sell
Note [6]	December 21, 2004	1,000[2]	Sell
Note [1]	January 12, 2005	5,000	Sell
Note [1]	January 13, 2005	5,000	Buy
Northbrook [3]	January 13, 2005	750,000	Buy
Notes[1], [3]	January 13, 2005	750,000	Sell
Northbrook	January 13, 2005	64,000	Buy
Northbrook	January 14, 2005	82,500	Buy
Northbrook	January 18, 2005	200,000	Buy
Northbrook	January 19, 2005	200,000	Buy
Note [6]	January 19, 2005	1,000[2]	Sell
Northbrook	January 20, 2005	130,800	Buy
Note [7]	January 20, 2005	10,600[2]	Buy
Northbrook [7]	January 20, 2005	10,600[2]	Sell
Northbrook	January 21, 2005	10,600[2]	Buy
Northbrook	January 21, 2005	36,800	Buy
Northbrook	January 24, 2005	23,100	Buy
David Reis	May 13, 2003	295,400	Sold
	May 13, 2003	4,600	Sold
	May 14, 2003	5,000	Sold
	May 14, 2003	1,000	Sold
	May 14, 2003	1,000	Sold
	May 14, 2003	1,000	Sold
	May 14, 2003	1,500	Sold
	May 14, 2003	5,000	Sold
	May 14, 2003	10,000	Sold
	May 14, 2003	5,000	Sold
	May 14, 2003	5,000	Sold
	May 14, 2003	2,500	Sold
	May 14, 2003	10,000	Sold
	May 14, 2003	2,800	Sold
	May 14, 2003	500	Sold
	May 14, 2003	9,400	Sold
	May 14, 2003	3,300	Sold
	May 14, 2003	6,700	Sold
	May 14, 2003	5,000	Sold
	May 14, 2003	3,300	Sold
	May 14, 2003	10,000	Sold
	May 14, 2003	10,000	Sold
	May 14, 2003	2,000	Sold
	May 14, 2003	2,000	Sold
	May 14, 2003	2,000	Sold
	May 14, 2003	500	Sold
	May 14, 2003	4,400	Sold

May 14, 2003	300	Sold
May 14, 2003	700	Sold
May 14, 2003	1,400	Sold
May 14, 2003	5,000	Sold
May 14, 2003	6,100	Sold
May 14, 2003	1,500	Sold
May 14, 2003	1,000	Sold
May 15, 2003	3,600	Sold
May 15, 2003	1,400	Sold
May 15, 2003	5,000	Sold
May 15, 2003	100	Sold
May 15, 2003	28,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	600	Sold
May 15, 2003	200	Sold
May 15, 2003	100	Sold
May 15, 2003	900	Sold
May 15, 2003	1,300	Sold
May 15, 2003	2,500	Sold
May 15, 2003	4,800	Sold
May 15, 2003	5,000	Sold
May 15, 2003	5,000	Sold
May 15, 2003	6,200	Sold
May 15, 2003	2,500	Sold
May 15, 2003	1,400	Sold
May 15, 2003	5,000	Sold
May 15, 2003	5,000	Sold
May 15, 2003	9,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	100	Sold
May 15, 2003	5,000	Sold
May 15, 2003	800	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,000	Sold
May 15, 2003	1,500	Sold
May 15, 2003	2,000	Sold
May 15, 2003	2,500	Sold
May 15, 2003	2,500	Sold
May 15, 2003	2,500	Sold
May 15, 2003	2,500	Sold
May 15, 2003	4,000	Sold
May 15, 2003	4,000	Sold
May 15, 2003	4,100	Sold
May 15, 2003	3,600	Sold
May 15, 2003	1,400	Sold
May 15, 2003	5,000	Sold
May 15, 2003	3,600	Sold
May 15, 2003	4,400	Sold
May 16, 2003	400	Sold
May 16, 2003	3,100	Sold
May 16, 2003	900	Sold
May 16, 2003	5,600	Sold
October 18, 2004	10,000	Buy
October 18, 2004	15,000	Buy
October 18, 2004	15,000	Buy
October 18, 2004	15,000	Buy
October 18, 2004	15,000	Buy
October 19, 2004	50,000	Buy

	October 19, 2004	15,000	Buy
	October 28, 2004	5,000	Buy
	October 28, 2004	5,000	Buy
	October 28, 2004	5,000	Buy
	November 1, 2004	10,000	Buy
	November 1, 2004	10,000	Buy
	November 1, 2004	5,000	Buy
	November 5, 2004	10,000	Buy
	November 5, 2004	10,000	Buy
	January 4, 2005	2,500	Buy
	January 4, 2005	2,500	Buy
	January 21, 2005	20,000[4]	Buy
	February 11, 2005	20,000[4]	Sell
Baylor Enterprises LLC	May 14, 2003	4,500	Sold
	May 14, 2003	3,521	Sold
	May 14, 2003	579	Sold
	May 28, 2003	1,600	Sold
	May 28, 2003	3,400	Sold
	May 30, 2003	579	Sold
	May 30, 2003	3,400	Sold
	May 30, 2003	1,021	Sold
	June 2, 2003	2,400	Sold
	June 2, 2003	1,600	Sold
	June 2, 2003	800	Sold
	June 2, 2003	200	Sold
	June 2, 2003	1,000	Sold
	June 2, 2003	4,000	Sold
	June 5, 2003	2,000	Sold
	June 5, 2003	1,000	Sold
	June 5, 2003	3,000	Sold
	June 5, 2003	5,000	Sold
	June 5, 2003	5,000	Sold
	June 5, 2003	3,500	Sold
	October 18, 2004	5,000	Buy
	October 18, 2004	1,200	Buy
	October 19, 2004	5,000	Buy
	October 19, 2004	1,200	Buy
	October 25, 2004	2,600	Buy
	October 25, 2004	1,000	Buy
	October 25, 2004	2,400	Buy
	November 10, 2004	900	Buy
	November 10, 2004	700	Buy
	November 10, 2004	200	Buy
	November 10, 2004	4,800	Buy
	November 10, 2004	3,400	Buy
	November 15, 2004	5,000	Sold
	November 15, 2004	1,200	Sold
	November 15, 2004	5,000	Sold
	November 15, 2004	1,200	Sold
	November 15, 2004	2,600	Sold
	November 17, 2004	1,000	Sold
	November 17, 2004	2,400	Sold
	November 17, 2004	900	Sold
	November 17, 2004	700	Sold
	November 17, 2004	200	Sold
	November 17, 2004	4,800	Sold
	November 18, 2004	3,400	Sold
	December 20, 2004	22,000	Buy
	February 1, 2005	100	Transfer [5]

Arnold M. Whitman	December 20, 2004	1,100	Buy
	December 20, 2004	3,400	Buy
	January 28, 2005	100	Buy
	February 1, 2005	100	Transfer [5]

Notes:

+ No part of the purchase price or market value of any of the shares specified in this Schedule II to Annex B is represented by funds borrowed or otherwise obtained for the purpose of acquiring or holding such securities.

[1] An entity controlled by Messrs. Hokin and Rubin effected this transaction. Each of the Beverly shares purchased by this entity was sold to Northbrook on January 13, 2005 in a private transaction at a price of $8.60 per share. See Note 3.

[2] Consists of a transaction in respect of July 2005 call options exercisable for Beverly shares at a strike price of $10.00.

[3] Northbrook acquired these Beverly shares in a private transaction from an entity managed by Messrs. Hokin and Rubin. See Note 1.

[4] Consists of a transaction in respect of April 2005 Call Options exercisable for Beverly shares at a strike price of $10.00.

[5] These shares were transferred from Baylor to Arnold M. Whitman.

[6] The entity controlled by Messrs. Hokin and Rubin as referenced in Note 1 effected this transaction.

[7] Northbrook sold these call options in a private transaction to the entity controlled by Messrs. Hokin and Rubin as referenced in Note 1.

Schedule III

Transactions

The following describes certain transactions required to be disclosed under the rules of the SEC:

1. Appaloosa, Eureka, Formation and Franklin Mutual are parties to a term sheet, dated as of December 14, 2004, setting forth terms on which they would work together to effect a transaction pursuant to which they would acquire, through a newly formed acquisition entity, either (x) no less than 80% of the outstanding Beverly shares or (y) Beverly's real estate assets and nursing facilities operations. Pursuant to this term sheet, Appaloosa, Franklin Mutual and Formation have agreed that, in connection with a transaction with Beverly on terms acceptable to them, they would make an aggregate cash equity contribution of $375 million to the newly formed acquisition entity, consisting of $150 million from Appaloosa, $175 million from Franklin Mutual and $50 million from Formation. Before completion of a transaction with Beverly, each party would contribute to the acquisition entity all shares of Beverly it then owns. Each party's share contributions would serve to reduce the amount of its required cash equity contribution based on a value of those shares reflecting the price paid with respect to each Beverly share in the transaction.

Under the term sheet, if a transaction with Beverly is completed, after Appaloosa, Franklin Mutual and Formation have received a return equal to their initial equity investment plus 10%, Formation and Eureka will be entitled to receive 13.5% and 2.5%, respectively, of any additional returns generated by the acquisition entity. After Appaloosa, Franklin Mutual and Formation have received an additional 40% return on their initial equity investment, Formation and Eureka will be entitled to receive 18.375% and 6.625% of any further return generated by the acquisition entity. Formation or its designee will also be entitled to an annual asset management fee of $15,000 per facility of Beverly held by the acquisition entity plus reasonable reimbursement of third party expenses less $500,000.

Under the term sheet, if the transaction with Beverly is completed, Formation will receive as a financial advisory fee 37.5%, and Eureka will receive as a financial advisory fee 50%, of the lesser of $8.2 million or 0.5% of the total consideration paid in the transaction. Each of Formation and Eureka will be required to pay to invest at least 50% of their financial advisory fee in the acquisition entity.

2. In January 2002, an affiliate of Beverly sold to an affiliate of Formation 49 skilled nursing facilities and four assisted living centers in Florida for an aggregate amount equal to $165 million in cash (the "Sale"). In connection with the Sale, 4F Funding, Inc., an affiliate of Beverly ("4F Funding"), financed the purchase of a pool of ten of those facilities and assisted living centers by Formation Properties I, LLC (as successor to Formation Properties II, LLC), an affiliate of Formation, in exchange for Formation Properties I, LLC's issuing a note to 4F Funding for a principal amount of $12.5 million, as secured by the underlying properties. In the refinancing of the debt incurred in connection with the Sale, Formation Properties I, LLC paid off its note to 4F Funding for approximately $13,895,455.01 (including interest, fees and legal expenses) on July 30, 2004.

3. AEGIS Therapies, Inc., a wholly-owned subsidiary of Beverly ("AEGIS"), has contracted for a period of one year beginning on March 1, 2004 to provide physical, occupational and speech therapy services to residents of California Gardens Corp. (d/b/a California Gardens Nursing and Rehabilitation Center) and Chevy Chase Corp. (d/b/a Chevy Chase Nursing and Rehabilitation Center), as well as provide consultations on rehabilitative programs (the "Services Agreement"). California Gardens Corp. is 57.482% owned by Mr. Robert Hartman and 25.00% owned by a trust, of which Mr. Rob Rubin is a trustee and certain family members of Mr. David Hokin are beneficiaries (the "Trust"). Chevy Chase Corp. is 60.75% owned by Mr. Robert Hartman and 25.00% owned by the Trust. In addition, Mr. Hartman is a director and President, and Mr. Hokin is Treasurer, of each of California Gardens Corp. and Chevy Chase Corp. Under the Services Agreement (which is expected to be renewed upon its expiration), AEGIS received $380,755 and $252,231 in 2004, and is expected to receive $500,000 and $350,000 to $400,000 in 2005 (assuming renewal of the agreement upon substantially similar terms), from California Gardens Corp. and Chevy Chase Corp., respectively.

ANNEX C

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF BEVERLY

The following information is based solely upon Mr. Whitman's review of

Beverly's publicly available filings with the SEC. The following table sets forth certain information with respect to the beneficial ownership of Beverly's common stock by (i) each person reported by Beverly to own, or who has reported to own, beneficially more than 5% of the outstanding shares of Beverly's common stock ("Principal Stockholder"), (ii) each director of Beverly, (iii) each executive officer named in the Summary Compensation Table in Beverly's proxy statement for the 2005 annual meeting, and (iv) all directors and executive officers of Beverly as a group included in Beverly's proxy statement for the 2005 annual meeting. Unless otherwise indicated, each stockholder has sole voting and investment power with respect to the shares shown. Unless otherwise indicated, the information in this table was derived from Beverly's 2005 proxy statement.

DIRECTORS, NAMED EXECUTIVE OFFICERS AND PRINCIPAL STOCKHOLDERS	SHARES OF COMMON STOCK BENEFICIALLY OWNED(1)	
	NUMBER	PERCENTAGE OWNERSHIP
NAMED EXECUTIVE OFFICERS		
Douglas J. Babb (2), (3)	542,801	*
David R. Devereaux (2), (3), (5)	601,819	*
William R. Floyd (also a director) (2), (3)	2,010,880	1.85%
Jeffrey P. Freimark (2), (3), (4)	435,056	*
Cindy H. Susienka (2), (3), (5)	331,702	*
DIRECTORS (WHO ARE NOT ALSO NAMED EXECUTIVE OFFICERS)		
Melanie Creagan Dreher, Ph.D, RN, FAAN (2)	12,413	*
John D. Fowler, Jr. (2)	97,677	*
John P. Howe III, M.D. (2)	74,956	*
James W. McLane (2)	71,950	*
Ivan R. Sabel (2), (3)	25,914	*
Donald L. Seeley (2)	62,218	*
Marilyn R. Seymann, Ph.D. (2)	94,943	*
ALL EXECUTIVE OFFICERS AND DIRECTORS AS A GROUP (24 PERSONS) (3), (4), (5)	5,669,275	5.22%
PRINCIPAL STOCKHOLDERS		
Strong Capital Management, Inc. 100 Heritage Reserve Menomonee Falls, WI 53051	6,253,247	5.80%
Barclays Global Investors, N.A. 45 Fremont St. San Francisco, CA 94105	5,402,927	5.03%
Members of the Consortium and Assisting Stockholders (19 persons):	8,737,000	8.1%
Appaloosa Investment Limited Partnership I (6), (7)	1,873,122	1.7%
Palomino Fund Ltd. (6) c/o Trident Trust Company (Cayman) Ltd. 1 Capital Place, P.O. Box 847	1,641,178	1.5%

Grand Cayman, Cayman Islands		
Appaloosa Management L.P. (6), (7)	3,514,300	3.2%
Appaloosa Partners Inc. (6), (7)	3,514,300	3.2%
David A. Tepper (6), (7)	3,514,300	3.2%
Franklin Mutual Advisers, LLC 51 John F. Kennedy Parkway Short Hills, NJ 07078	3,508,900	3.2%
Northbrook NBV, LLC (6), (8)	1,487,200	1.4%
David Hokin (6), (8)	1,487,200	1.4%
Rob Rubin (6), (8)	1,487,200	1.4%
Robert Hartman (6), (9)	1,487,200	1.4%
David Reis (10) c/o Senior Care Development, LLC 19 Post Road East Westport, CT 06880	200,000	*
Baylor Enterprises LLC (6), (11)	21,900	*
Arnold M. Whitman (11), (12)	26,600	*

* Less than 1.0%.

(1) The percentage of ownership indicated is based on the shares of Common Stock reported by Beverly outstanding as of the record date, March 7, 2005, together with applicable options for such stockholder, and includes the total shares of Beverly common stock reserved for distribution under the Non-Employee Director Deferred Compensation Plan. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to such shares. Shares subject to options exercisable on March 7, 2005 or within 60 days thereafter are deemed outstanding for computing the percentage ownership of the person holding such options.

(2) Unless otherwise noted, the address of each person is One Thousand Beverly Way, Fort Smith, Arkansas 72919.

(3) Includes the following number of shares issuable upon exercise of options that were exercisable on or within 60 days after March 7, 2005: Mr. Babb (437,400); Mr. Devereaux (505,191); Mr. Floyd (1,500,000); Mr. Freimark (262,500); Ms. Susienka (238,700); Mr. Fowler (25,667); Dr. Howe (32,083); Mr. McLane (34,968); Mr. Sabel (2,750); Mr. Seeley (23,833); Dr. Seymann (56,625); and all directors and executive officers as a group (3,927,442).

(4) Includes shares of Beverly Common Stock owned by family members.

(5) Includes the following number of shares purchased under the Employee Stock Purchase Plan: Mr. Devereaux (1,645); Ms. Susienka (685); and all directors and officers as a group (13,391).

(6) Exercises shared voting and shared dispositive power over these shares of Beverly Common Stock.

(7) The address is c/o Appaloosa Partners Inc., 26 Main Street, 1st Floor, Chatham, New Jersey 07928.

(8) The address is 500 Skokie Boulevard, Suite 310, Northbrook, Illinois 60062.

(9) The address is 6633 N. Lincoln Avenue, Lincolnwood, Illinois 60712.

(10) Exercises sole voting and sole dispositive power over 75,000 of these

shares of Beverly Common Stock and shared voting and shared dispositive power over 125,000 shares of Beverly Common Stock. These 125,000 shares of Beverly Common Stock are held by six trusts, of whom Mr. David Reis serves as trustee, as follows: 1995 David Reis Family Trust (10,000), 1995 Donna Reis Family Trust (25,000), Aaron Reis Spray Trust (20,000), Anna Reis Spray Trust (22,500), Alexander Reis Spray Trust (22,500) and David Reis Family Trust (25,000).

(11) The address is c/o Formation Capital, LLC, 1035 Powers Place, Alpharetta, GA 30004.

(12) Exercises shared voting and shared dispositive power over 21,900 of these shares of Beverly Common Stock and sole voting and sole dispositive power over 4,700 shares of Beverly Common Stock.

ANNEX D

EXCERPT FROM BEVERLY'S 2005 PROXY STATEMENT
REGARDING COMPENSATION OF NON-EMPLOYEE DIRECTORS

"In 2004, non-employee directors, as a group, received $366,605 in cash, $256,100 credited as deferred share units, which until May 20, 2004, included a 25% BEI match, and $18,562 credited as deferred cash units. This compensation was paid based on the following:

CATEGORY	PARTICIPATION FEES(d)	
Annual retainer fee	$	35,000
Additional annual retainer fee for Chairperson of Audit and Compliance Committee and Nominating and Compensation Committee (June-December)(a)	$	15,000
Additional annual retainer fee for Chairperson of Finance Committee and Quality Committee (June-December)(a)	$	10,000
Attendance at Board or Committee meetings (January-May)	$	1,000/500(e)
Attendance at Board meeting (June-December)	$	1,500/750(e)
Attendance at Committee meeting (June-December)	$	1,250/625(e)
Attendance at Committee meeting -- Chairperson (January-May)(b)	$	1,000/500(e)
Expense reimbursement	Out of pocket costs	

RESTRICTED SHARES(c)	VALUE AT TIME OF GRANT	
15,385 shares	$	120,000

SUBJECT TO COMPLETION
DATED MARCH 4, 2005

[BLUE]

THIS PROXY IS SOLICITED ON BEHALF OF ARNOLD M. WHITMAN
FOR USE AT
THE 2005 ANNUAL MEETING OF STOCKHOLDERS OF
BEVERLY ENTERPRISES, INC.

THIS IS NOT A SOLICITATION ON BEHALF, OR IN SUPPORT OF, THE BOARD OF DIRECTORS OF BEVERLY ENTERPRISES, INC. (THE "COMPANY"). The undersigned hereby appoints Arnold M. Whitman and Dan Burch, and each or any of them, proxies and attorneys-in-fact, with full power of substitution, on behalf of and in the name of the undersigned, and authorizes them to represent and vote, as designated, all of the shares of common stock of the Company held of record by the undersigned that the undersigned would be entitled to vote if personally present on the matters set below, at the 2005 Annual Meeting of the stockholders of the Company, to be held at 10:00 a.m. (CDT), at the Company's Corporate Center, located at 1000 Beverly Way, Fort Smith, Arkansas, on April 21, 2005, and at any adjournments, postponements, reschedulings or continuations thereof, and with discretionary authority as to any other matters that may properly come before the 2005 Annual Meeting, including substitute nominees if any of the named nominees for director should be unavailable to serve for election, in accordance with and as described in Arnold M. Whitman's proxy statement.

THIS PROXY WILL BE VOTED AS DIRECTED. IF YOU VALIDLY EXECUTE AND RETURN THIS CARD WITHOUT INDICATING YOUR VOTE ON ONE OR MORE OF THE FOLLOWING PROPOSALS, YOU WILL BE DEEMED TO HAVE VOTED AS FOLLOWS WITH RESPECT TO ANY SUCH PROPOSALS: FOR ALL NOMINEES FOR DIRECTOR IN PROPOSAL 3, FOR EACH OF PROPOSALS 1, 2 AND 4 SET FORTH ON THE REVERSE SIDE OF THIS CARD, AND ABSTAIN FROM VOTING WITH RESPECT TO PROPOSAL 5. THIS PROXY CARD REVOKES ALL PRIOR PROXIES GIVEN BY THE UNDERSIGNED WITH RESPECT TO ALL MATTERS COVERED HEREBY.

YOUR VOTE IS IMPORTANT. PLEASE VOTE IMMEDIATELY.
PLEASE MARK, SIGN, DATE AND RETURN YOUR PROXY FORM IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

[continued and to be signed on the reverse side]

DETACH HERE

[X] Please mark votes as in this example.

ARNOLD M. WHITMAN RECOMMENDS A VOTE FOR HIS PROPOSALS 1, 2, 3 AND 4.
MR. WHITMAN HAS NO RECOMMENDATION WITH RESPECT TO PROPOSAL 5.

1.	To amend the Company's bylaws to fix the number of directors constituting the entire Board of Directors at eight (8).	[ ] For	[ ] Against	[ ] Abstain

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2.	To repeal each provision of or amendment to the Company's bylaws (other than provisions and amendments added or effected pursuant to Proposal 1) adopted after May 29, 1997.	[ ] For [ ] Against [ ] Abstain
3.	To elect each of Jeffrey A. Brodsky, John J. Durso, Philip L. Maslowe, Charles M. Masson, Mohsin Y. Meghji and Guy Sansone to the Company's Board of Directors, in lieu of any persons who may be nominated by the Company's incumbent Board of Directors or any other person.	[ ] For All Candidates [ ] Withheld from All Candidates To withhold authority to vote for one or more of the nominees, check the "For All Candidates" box above and write the candidate(s') name(s) in the space below. -------------------------------- For all nominees except those written above
4.	To require that action be taken at the 2005 Annual Meeting on proposals 1 through 3 above in the sequence indicated and before any other business is conducted.	[ ] For [ ] Against [ ] Abstain
5.	To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for 2005	[ ] For [ ] Against [ ] Abstain

TO ENSURE YOUR REPRESENTATION AT THE 2005 ANNUAL MEETING, PLEASE MARK, SIGN AND DATE THIS PROXY AND RETURN IT AS PROMPTLY AS POSSIBLE.

Please sign exactly as your name appears on this proxy. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or corporate officer, stating his or her title. If a partnership, please sign in partnership name by authorized person. The undersigned hereby revokes all proxies heretofore given by the undersigned to vote at the 2005 Annual Meeting of the Company and any adjournment, postponement, continuation or rescheduling thereof, and hereby grants the proxies named on the front of this card the authority to vote in their discretion upon such other business as may properly come before the 2005 Annual Meeting or any adjournment, postponement, continuation or rescheduling thereof.

Signature:______________ Date:_______ Signature:_____________ Date :______
Title:________________ Title:________________