

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades EPR Properties to Baa2 (senior unsecured); rating outlook is stable

Global Credit Research - 13 Jun 2013

Approximately \$ 1 billion of securities affected.

New York, June 13, 2013 -- Moody's Investors Service upgraded EPR Properties' [NYSE: EPR] issuer and senior unsecured debt ratings to Baa2 from Baa3, and upgraded the preferred stock rating to Baa3 from Ba1. Concurrently, Moody's assigned ratings to the REIT's proposed bond offering announced today and its recently filed shelf. The outlook is stable.

RATINGS RATIONALE

The upgrade follows EPR's announcement that it intends to issue \$250 million of unsecured bonds. The proceeds will be used to pay off secured debt maturing in 2014. This transaction will increase EPR's unencumbered assets significantly to over 80% of gross assets from 69% at 1Q13. Secured debt is also expected to decline below 10%, from 12% at 1Q13. EPR has been successful in growing its primary investment categories, which includes Entertainment, Education and Recreation real estate assets, and operating trends in these industries remain favorable. In addition, the REIT has made progress in property-type and tenant diversity, though these still are considered highly-concentrated in our methodology.

The Baa2 ratings reflect EPR's market leadership in the theatre industry, high-quality megaplex theatre assets, solid coverage metrics and moderate leverage levels. During 1Q13, EPR's fixed charge coverage was 2.7X, consistent with 1Q12. The credit profile also benefits from sound rent coverages in its asset types and a well-laddered lease expiration schedule. Occupancies are high and, historically, have been stable. EBITDA margins are high at 83%, resulting from the use of triple net lease structures.

These credit strengths are counterbalanced by the REIT's material exposure to AMC Entertainment, a movie theatre operator, which accounted for 26% of EPR's total revenue at 1Q13. EPR Properties also has significant tenant/operator exposure in its charter school business with Imagine Schools and in its metropolitan ski area with Peak Resorts. Moody's notes that EPR has consistently decreased its exposure to AMC Entertainment over time (from 33% of total revenues at 1Q12) and has taken other steps to limit tenant credit risk in all of its asset types, such as the use of cross-collateralization provisions, master leases and prepaid rent. In addition, EPR continues to diversify its operators in both its megaplex theatre and charter schools. EPR recently entered the Early Childhood Education Centers. Finally, we note that EPR's liquidity is solid and its unencumbered NOI to unsecured interest expense is very strong.

Moody's views EPR's specialized assets as less liquid than traditional real estate assets, indicating that positive rating movement could be constrained. Nevertheless, upward ratings movement would be predicated upon i) greater tenant diversity, ii) effective leverage at or below 35% and net debt to EBITDA below 4.0X, iii) fixed charge coverage consistently above 3.7X, and iv) development (build-to-suit). Downward rating pressure could result from i) secured debt at or above 20%, ii) a decline in fixed charge coverage below 2.7X, iii) effective leverage sustained over 50% and net debt to EBITDA above 5.5X, or iv) a material credit deterioration of a major tenant.

The following ratings were upgraded with a stable outlook:

EPR Properties -- issuer rating to Baa2 from Baa3; senior unsecured to Baa2 from Baa3; preferred stock to Baa3 from Ba1.

The following ratings were assigned with a stable outlook:

EPR Properties -- proposed senior unsecured debt at Baa2; preferred stock shelf at (P)Baa3; subordinated shelf at (P)Baa3; senior unsecured shelf at (P)Baa2; senior subordinated shelf at (P)Baa3.

The last rating action with respect to EPR Properties (then, Entertainment Properties Trust) was on July 16, 2012 when Moody's affirmed EPR Properties' ratings and revised the rating outlook to positive.

Entertainment Properties Trust [NYSE: EPR] is a real estate investment trust that develops, owns, leases and finances specialty assets characterized by entertainment, education and recreation. These assets include megaplex theaters, entertainment retail centers, charter schools, ski resorts, and water parks. The REIT has book assets of \$3.0 billion and book equity of \$1.5 billion at March 31, 2013.

The principal methodology used in this rating was Global Rating Methodology for REITs and Other Commercial Property Firms published in July 2010. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Karen Nickerson
VP - Senior Credit Officer
Commercial Real Estate Finance
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Nicholas Levidy
MD - Structured Finance
Commercial Real Estate Finance
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

© 2013 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH

RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.