

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-36181

CareTrust REIT, Inc.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

905 Calle Amanecer, Suite 300, San Clemente, CA
(Address of principal executive offices)

46-3999490

(I.R.S. Employer Identification No.)

92673

(Zip Code)

(949) 542-3130

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	CTRE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 31, 2024, there were 154,209,269 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CARETRUST REIT, INC. **CONDENSED CONSOLIDATED BALANCE SHEETS** (in thousands, except share and per share amounts) (Unaudited)

	June 30, 2024	December 31, 2023
Assets:		
Real estate investments, net	\$ 1,706,231	\$ 1,567,119
Other real estate related investments (including accrued interest of \$3,540 as of June 30, 2024 and \$1,727 as of December 31, 2023)	433,532	180,368
Assets held for sale	28,753	15,011
Cash and cash equivalents	495,134	294,448
Accounts and other receivables	1,096	395
Prepaid expenses and other assets, net	30,502	23,337
Deferred financing costs, net	3,506	4,160
Total assets	\$ 2,698,754	\$ 2,084,838
Liabilities and Equity:		
Senior unsecured notes payable, net	\$ 396,483	\$ 396,039
Senior unsecured term loan, net	199,665	199,559
Secured borrowing	75,000	—
Accounts payable, accrued liabilities and deferred rent liabilities	37,112	33,992
Dividends payable	44,721	36,531
Total liabilities	752,981	666,121
Commitments and contingencies (Note 12)		
Equity:		
Preferred stock, \$0.01 par value; 100,000,000 shares authorized, no shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, \$0.01 par value; 500,000,000 shares authorized, 153,881,933 and 129,992,796 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	1,539	1,300
Additional paid-in capital	2,456,187	1,883,147
Cumulative distributions in excess of earnings	(514,037)	(467,628)
Total stockholders' equity	1,943,689	1,416,819
Noncontrolling interests	2,084	1,898
Total equity	1,945,773	1,418,717
Total liabilities and equity	\$ 2,698,754	\$ 2,084,838

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Revenues:				
Rental income	\$ 55,407	\$ 47,745	\$ 108,909	\$ 93,908
Interest and other income	13,484	3,808	23,052	8,251
Total revenues	68,891	51,553	131,961	102,159
Expenses:				
Depreciation and amortization	13,860	12,716	27,308	24,954
Interest expense	8,679	11,040	16,907	20,867
Property taxes	1,976	1,390	3,777	2,270
Impairment of real estate investments	25,711	21,392	28,455	23,278
Property operating expenses	255	658	915	1,621
General and administrative	6,136	4,718	12,974	9,779
Total expenses	56,617	51,914	90,336	82,769
Other loss:				
Gain on sale of real estate, net	21	2,028	32	1,958
Unrealized loss on other real estate related investments, net	(1,877)	(2,151)	(2,489)	(2,605)
Total other loss	(1,856)	(123)	(2,457)	(647)
Net income (loss)	10,418	(484)	39,168	18,743
Net loss attributable to noncontrolling interests	(340)	—	(336)	—
Net income (loss) attributable to CareTrust REIT, Inc.	<u>\$ 10,758</u>	<u>\$ (484)</u>	<u>\$ 39,504</u>	<u>\$ 18,743</u>
Earnings (loss) per common share attributable to CareTrust REIT, Inc:				
Basic	\$ 0.07	\$ (0.01)	\$ 0.28	\$ 0.19
Diluted	\$ 0.07	\$ (0.01)	\$ 0.28	\$ 0.19
Weighted-average number of common shares:				
Basic	144,895	99,117	138,866	99,090
Diluted	145,258	99,117	139,230	99,194

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share and per share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance at December 31, 2023	129,992,796	\$ 1,300	\$ 1,883,147	\$ (467,628)	\$ 1,416,819	\$ 1,898	\$ 1,418,717
Issuance of common stock, net	11,600,000	116	269,671	—	269,787	—	269,787
Vesting of stock-based compensation awards, net of shares withheld for employee taxes	119,369	1	(2,484)	—	(2,483)	—	(2,483)
Amortization of stock-based compensation	—	—	2,120	—	2,120	—	2,120
Common dividends (\$0.29 per share)	—	—	—	(41,192)	(41,192)	—	(41,192)
Distributions to noncontrolling interests	—	—	—	—	—	(47)	(47)
Contributions from noncontrolling interests	—	—	—	—	—	444	444
Net income	—	—	—	28,746	28,746	4	28,750
Balance at March 31, 2024	141,712,165	1,417	2,152,454	(480,074)	1,673,797	2,299	1,676,096
Issuance of common stock, net	12,145,000	122	302,327	—	302,449	—	302,449
Vesting of stock-based compensation awards	24,768	—	—	—	—	—	—
Amortization of stock-based compensation	—	—	1,406	—	1,406	—	1,406
Common dividends (\$0.29 per share)	—	—	—	(44,721)	(44,721)	—	(44,721)
Distributions to noncontrolling interests	—	—	—	—	—	(7)	(7)
Contributions from noncontrolling interests	—	—	—	—	—	132	132
Net income (loss)	—	—	—	10,758	10,758	(340)	10,418
Balance at June 30, 2024	153,881,933	\$ 1,539	\$ 2,456,187	\$ (514,037)	\$ 1,943,689	\$ 2,084	\$ 1,945,773

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share and per share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Amount					
Balance at December 31, 2022	99,010,112	\$ 990	\$ 1,245,337	\$ (396,954)	\$ 849,373	\$ —	\$ 849,373
Vesting of stock-based compensation awards, net of shares withheld for employee taxes	87,978	1	(1,480)	—	(1,479)	—	(1,479)
Amortization of stock-based compensation	—	—	936	—	936	—	936
Common dividends (\$0.28 per share)	—	—	—	(27,738)	(27,738)	—	(27,738)
Net income	—	—	—	19,227	19,227	—	19,227
Balance at March 31, 2023	99,098,090	991	1,244,793	(405,465)	840,319	—	840,319
Vesting of stock-based compensation awards	25,992	—	—	—	—	—	—
Amortization of stock-based compensation	—	—	924	—	924	—	924
Common dividends (\$0.28 per share)	—	—	—	(27,737)	(27,737)	—	(27,737)
Net loss	—	—	—	(484)	(484)	—	(484)
Balance at June 30, 2023	99,124,082	\$ 991	\$ 1,245,717	\$ (433,686)	\$ 813,022	\$ —	\$ 813,022

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 39,168	\$ 18,743
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including below-market ground leases)	27,337	24,983
Amortization of deferred financing costs	1,228	1,217
Unrealized loss on other real estate related investments, net	2,489	2,605
Amortization of stock-based compensation	3,526	1,860
Straight-line rental income	14	14
Amortization of lease incentive	4	—
Amortization of below market rent	(1,150)	—
Noncash interest income	(1,813)	184
Gain on sale of real estate, net	(32)	(1,958)
Impairment of real estate investments	28,455	23,278
Change in operating assets and liabilities:		
Accounts and other receivables	(719)	14
Prepaid expenses and other assets, net	(983)	(330)
Accounts payable, accrued liabilities and deferred rent liabilities	4,271	(3,624)
Net cash provided by operating activities	101,795	66,986
Cash flows from investing activities:		
Acquisitions of real estate, net of deposits applied	(204,554)	(172,453)
Purchases of equipment, furniture and fixtures and improvements to real estate	(1,323)	(6,380)
Preferred equity investments	(9,000)	—
Investment in real estate related investments and other loans receivable	(244,825)	(27,262)
Principal payments received on real estate related investments and other loans receivable	—	15,287
Escrow deposits for potential acquisitions of real estate	(9,075)	(300)
Net proceeds from sales of real estate	140	14,464
Net cash used in investing activities	(468,637)	(176,644)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net	572,236	(629)
Proceeds from the secured borrowing	75,000	—
Borrowings under unsecured revolving credit facility	—	155,000
Payments of deferred financing costs	(24)	(21)
Net-settle adjustment on restricted stock	(2,483)	(1,479)
Dividends paid on common stock	(77,723)	(55,246)
Contributions from noncontrolling interests	576	—
Distributions to noncontrolling interests	(54)	—
Net cash provided by financing activities	567,528	97,625
Net increase (decrease) in cash and cash equivalents	200,686	(12,033)
Cash and cash equivalents as of the beginning of period	294,448	13,178
Cash and cash equivalents as of the end of period	\$ 495,134	\$ 1,145
Supplemental disclosures of cash flow information:		
Interest paid	\$ 15,289	\$ 21,000
Supplemental schedule of noncash investing and financing activities:		
Increase in dividends payable	\$ 8,190	\$ 294
Right-of-use asset obtained in exchange for new operating lease obligation	\$ —	\$ 369
Transfer of pre-acquisition costs to acquired assets	\$ 58	\$ —
Sale of real estate settled with note receivable	\$ 1,000	\$ 2,000

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

1. ORGANIZATION

Description of Business—CareTrust REIT, Inc.’s (“CareTrust REIT” or the “Company”) primary business consists of acquiring, financing, developing and owning real property to be leased to third-party tenants in the healthcare sector. As of June 30, 2024, the Company owned, directly or through joint ventures, and leased to independent operators 235 skilled nursing facilities (“SNFs”), multi-service campuses, assisted living facilities (“ALFs”) and independent living facilities (“ILFs”) consisting of 25,058 operational beds and units located in 30 states with the highest concentration of properties by rental income located in California and Texas. As of June 30, 2024, the Company also had other real estate related investments consisting of two preferred equity investments, 11 real estate secured loans receivable and four mezzanine loans receivable with a carrying value of \$433.5 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying condensed consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and Article 10 of Regulation S-X. Accordingly, the condensed consolidated financial statements do not include all of the disclosures required by GAAP for a complete set of annual audited financial statements. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In the opinion of management, all adjustments which are of a normal and recurring nature and considered necessary for a fair presentation of the results of the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. The accompanying consolidated financial statements of the Company include the accounts of CareTrust REIT, its wholly-owned subsidiaries, and variable interest entities (“VIEs”) over which the Company exercises control. All intercompany transactions and account balances within the Company have been eliminated, and net earnings are reduced by the portion of net earnings attributable to noncontrolling interests.

Transfers of financial assets—The Company accounts for transfers of financial assets as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Company’s continuing involvement with the assets transferred. Transfers of financial assets that do not qualify for sale accounting are reported as collateralized borrowings. Accordingly, the related assets remain on the Company’s balance sheet and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions.

3. REAL ESTATE INVESTMENTS, NET

The following table summarizes the Company’s investment in owned properties, and properties held in consolidated joint ventures, held for use as of June 30, 2024 and December 31, 2023 (dollars in thousands):

	June 30, 2024	December 31, 2023
Land	\$ 326,089	\$ 279,276
Buildings and improvements	1,734,970	1,620,014
Integral equipment, furniture and fixtures	102,876	100,504
Identified intangible assets	5,283	5,283
Real estate investments	2,169,218	2,005,077
Accumulated depreciation and amortization	(462,987)	(437,958)
Real estate investments, net	\$ 1,706,231	\$ 1,567,119

As of June 30, 2024, all of the Company’s owned and held for investment facilities were leased to various operators under triple-net leases. During the second and third quarters of 2022, the Company entered into triple-net lease agreements for two of the Company’s facilities which are being repurposed to behavioral health facilities. All of the triple-net leases contain annual escalators based on the percentage change in the Consumer Price Index (“CPI”) (but not less than zero), some of which are subject to a cap, or fixed rent escalators. As of June 30, 2024, 20 facilities were held for sale. See Note 4, *Impairment of Real Estate Investments, Assets Held for Sale and Asset Sales*, for additional information.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

As of June 30, 2024, the Company's total future contractual minimum rental income for all of its tenants, excluding operating expense reimbursements, assets held for sale and assets being repurposed, was as follows (dollars in thousands):

Year	Amount
2024 (six months)	\$ 110,578
2025	223,997
2026	224,609
2027	220,960
2028	218,885
2029	214,524
Thereafter	980,405
Total	<u>\$ 2,193,958</u>

Tenant Purchase Options

Certain of the Company's operators hold purchase options allowing them to acquire properties they currently lease from the Company. A summary of these purchase options is presented below (dollars in thousands):

Asset Type ⁽¹⁾	Properties	Lease Expiration	Option Period Open Date ⁽²⁾	Option Type ⁽³⁾	Current Cash Rent ⁽⁴⁾
SNF	1	March 2029	4/1/2022 ⁽⁵⁾	A / B ⁽⁷⁾	\$ 858
SNF	4	November 2034	12/1/2024 ⁽⁵⁾	A	3,988
SNF / Campus	2	October 2032	11/1/2026 ⁽⁶⁾	B	3,314 ⁽⁸⁾
SNF / Campus	1	May 2034	6/1/2027 ⁽⁹⁾	B	1,293 ⁽¹⁰⁾
SNF / Campus	1	May 2034	6/1/2028 ⁽⁹⁾	B	1,293 ⁽¹⁰⁾

(1) Excludes a purchase option on an 11 building SNF portfolio classified as held for sale as of June 30, 2024 and representing \$5.1 million of current cash rent. The tenant is currently not eligible to elect the option.

(2) The Company has not received notice of exercise for the option periods that are currently open.

(3) Option type includes:

A - Fixed base price.

B - Fixed capitalization rate on lease revenue.

(4) Based on annualized cash revenue for contracts in place as of June 30, 2024.

(5) Option window is open until the expiration of the lease term.

(6) Option window is open for six months from the option period open date.

(7) Purchase option reflects two option types.

(8) Purchase option provides for purchase of two of three facilities. The current cash rent shown is an average of the range of \$3.2 million to \$3.4 million.

(9) Purchase option window is open for nine months from the option period open date.

(10) Purchase option provides for purchase of one of five facilities. The current cash rent shown is an average of the range of \$1.0 million to \$1.6 million. If the operator exercises its option to extend the term of the master lease, beginning on June 1, 2036 and ending nine months thereafter, the operator will have a purchase option for all facilities then remaining in the master lease.

Rental Income

The following table summarizes components of the Company's rental income (dollars in thousands):

Rental Income	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Contractual rent due ⁽¹⁾	\$ 54,843	\$ 47,752	\$ 107,777	\$ 93,922
Straight-line rent	(7)	(7)	(14)	(14)
Amortization of lease incentive	(4)	—	(4)	—
Amortization of below-market lease intangible	575	—	1,150	—
Total	<u>\$ 55,407</u>	<u>\$ 47,745</u>	<u>\$ 108,909</u>	<u>\$ 93,908</u>

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

(1) Includes initial cash rent and tenant operating expense reimbursements, as adjusted for applicable rental escalators and rent increases due to capital expenditures funded by the Company. For tenants on a cash basis, this represents the lesser of the amount that would be recognized on a straight-line basis or cash that has been received. Tenant operating expense reimbursements for the three months ended June 30, 2024 and 2023 were \$1.9 million and \$1.2 million, respectively. Tenant operating expense reimbursements for the six months ended June 30, 2024 and 2023 were \$3.4 million and \$1.9 million, respectively.

Recent Real Estate Acquisitions

The following table summarizes the Company's acquisitions for the six months ended June 30, 2024 (dollars in thousands):

Type of Property	Purchase Price ⁽¹⁾	Initial Annual Cash Rent ⁽²⁾	Number of Properties	Number of Beds/Units ⁽³⁾
Skilled nursing	\$ 119,222	\$ 10,331	7	638
Multi-service campuses ⁽⁴⁾	78,154	6,268	4	575
Assisted living ⁽⁵⁾	11,036	1,022	1	86
Total	\$ 208,412	\$ 17,621	12	1,299

(1) Purchase price includes capitalized acquisition costs.

(2) Initial annual cash rent represents initial cash rent for the first twelve months.

(3) The number of beds/units includes operating beds at the acquisition date.

(4) Includes two multi-service campuses held through a joint venture. See Note 11, *Variable Interest Entities*, for additional information.

(5) Includes one ALF held through a joint venture. See Note 11, *Variable Interest Entities*, for additional information.

Lease Amendments and Terminations

New Bayshire Lease. On April 1, 2024, a new master lease with affiliates of Bayshire, LLC ("Bayshire") commenced to lease one SNF that was previously under a short-term master lease until Bayshire received regulatory approval. The short-term master lease was terminated. The Bayshire master lease had a term of approximately 15 years at the date of the lease, with two five-year renewal options and 3% fixed rent escalators. Initial annual cash rent under the new Bayshire master lease was \$2.6 million. The Bayshire lease provides for a rent deferral of \$0.4 million in the first year to be repaid in 15 installments beginning in year two.

Amended Eduro Lease and Amended Ensign Lease. On March 1, 2024, operations of two SNFs in Colorado operated by affiliates of Eduro Healthcare, LLC ("Eduro") were transferred to subsidiaries of The Ensign Group, Inc. ("Ensign"). In connection with the transfer, the Company partially terminated the Eduro master lease and amended one existing triple-net master lease with Ensign to include the two SNFs and extended the initial lease term by 15 years. The applicable Ensign master lease, as amended, had a remaining term at the date of amendment of approximately 20 years with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the applicable Ensign master lease, as amended, increased by approximately \$2.1 million and annual cash rent under the Eduro master lease, as amended, decreased by the same amount.

New Embassy Lease and Hillstone Lease Termination. On December 31, 2023, the Company terminated its master lease with affiliates of Hillstone Healthcare, Inc. ("Hillstone"). Effective January 1, 2024, in connection with the December 31, 2023 lease termination, one SNF was removed from the Hillstone master lease, was classified as held for sale as of March 31, 2024 and was sold during the three months ended June 30, 2024. See Note 4, *Impairment of Real Estate Investments, Assets Held for Sale and Asset Sales*, for additional information. In connection with the lease termination, the Company entered into a new triple-net master lease with a subsidiary of Embassy Healthcare Holdings, Inc. ("Embassy") with respect to one multi-service campus. The Embassy lease has an initial term of approximately 10 years with two five-year renewal options and CPI-based rent escalators. Initial annual cash rent under the lease is approximately \$0.6 million and the master lease provides Embassy with a partial rent abatement until required authorizations with respect to the ALF portion of the facility are obtained and occupancy levels reach a certain percentage.

Noble VA Lease Termination and New Pennant Lease. Effective March 16, 2023, two ALFs in Wisconsin were removed from a master lease with affiliates of Noble VA Holdings ("Noble VA") and the Company terminated the applicable Noble VA master lease. Annual cash rent under the applicable Noble VA master lease prior to lease termination was approximately \$2.3 million. In connection with the lease termination, the Company entered into a new lease (the "New Pennant Lease") with the Pennant Group, Inc. ("Pennant") with respect to the two ALFs. The New Pennant Lease had an initial term at the date of the lease of approximately 15 years with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the new lease was approximately \$0.8 million and the master lease provides Pennant with three months deferred rent to be repaid before the expiration or termination of the lease.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

4. IMPAIRMENT OF REAL ESTATE INVESTMENTS, ASSETS HELD FOR SALE AND ASSET SALES

Impairment of Real Estate Investments Held for Sale

During the three and six months ended June 30, 2024, the Company recognized aggregate impairment charges of \$25.7 million and \$28.5 million, respectively, related to properties held for sale, which is reported in impairment of real estate investments in the condensed consolidated statements of operations. During the three and six months ended June 30, 2023, the Company recognized aggregate impairment charges of \$21.4 million and \$23.3 million, respectively, related to properties held for sale, which is reported in impairment of real estate investments in the condensed consolidated statements of operations.

As of June 30, 2024, there were 20 facilities classified as held for sale, all of which have been marked down to fair value less estimated costs to sell.

The fair values of the assets held for sale were based on estimated sales prices, which are considered to be Level 3 measurements within the fair value hierarchy. Estimated sales prices were determined using a market approach (comparable sales model), which relies on certain assumptions by management, including: (i) comparable market transactions, (ii) estimated prices per unit, and (iii) binding agreements for sales and non-binding offers to purchase from unrelated third-parties. There are inherent uncertainties in making these assumptions. For the Company's impairment calculations during the six months ended June 30, 2024, the Company's fair value estimates primarily relied on a market approach and utilized prices per unit ranging from \$11,000 to \$46,000, with a weighted average price per unit of \$24,000. One property, with no bed rights, was reclassified to held for sale during the three months ended March 31, 2024. The Company disposed of this facility during the three months ended June 30, 2024 and recorded a gain on sale of approximately \$21,000. For the Company's impairment calculations during the six months ended June 30, 2023, the Company's fair value estimates primarily relied on a market approach and utilized prices per unit ranging from \$18,000 to \$35,000, with a weighted average price per unit of \$21,000.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

Asset Sales and Held for Sale Reclassifications

The following table summarizes the Company's dispositions for the three and six months ended June 30, 2024 and 2023 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Number of facilities	1	3	3	4
Net sales proceeds ⁽¹⁾	\$ 94	\$ 13,234	\$ 1,140	\$ 16,464
Net carrying value	73	11,206	1,108	14,506
Net gain on sale	\$ 21	\$ 2,028	\$ 32	\$ 1,958

(1) Net sales proceeds for the six months ended June 30, 2024 includes \$1.0 million of seller financing in connection with the sale of one ALF in January 2024. Net sales proceeds for the three and six months ended June 30, 2023 includes \$2.0 million of seller financing in connection with the sale of one ALF in June 2023.

The following table summarizes the Company's assets held for sale activity for the periods presented (dollars in thousands):

	Net Carrying Value	Number of Facilities
December 31, 2023	\$ 15,011	14
Additions to assets held for sale	43,305	9
Assets sold	(1,108)	(3)
Impairment of real estate held for sale	(28,455)	—
June 30, 2024	\$ 28,753	20
December 31, 2022	\$ 12,291	5
Additions to assets held for sale	47,047	14
Assets sold	(14,506)	(4)
Impairment of real estate held for sale	(23,278)	—
June 30, 2023	\$ 21,554	15

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5. OTHER REAL ESTATE RELATED AND OTHER INVESTMENTS

As of June 30, 2024 and December 31, 2023, the Company's other real estate related investments consisted of the following (dollar amounts in thousands):

Loans Receivable, at Fair Value:	Facility Count and Type				Principal Balance as of June 30, 2024	Fair Value as of June 30, 2024	Fair Value as of December 31, 2023	As of June 30, 2024	
	SNF	Campus	ALF	ILF				Weighted Average Contractual Interest Rate ^{(1), (2)}	Maturity Date
Mortgage secured loans receivable	38	4	4	1	\$ 357,872	\$ 348,552	\$ 156,769	9.1 %	5/31/2025 - 6/29/2033
Mezzanine loans receivable	40	3	2	—	77,165	74,099	21,799	12.8 %	7/25/2027 - 6/30/2032
					<u>\$ 435,037</u>	<u>\$ 422,651</u>	<u>\$ 178,568</u>		

(1) Rates are net of subservicing fee, if applicable.

(2) Three mortgage secured loans receivable and two mezzanine loans receivable use term secured overnight financing rate ("SOFR"), which are subject to a floor for certain of the loans. Term SOFR used as of June 30, 2024 was 5.34%.

Other Investments:	Facility Count and Type				Principal Balance as of June 30, 2024	Book Value as of June 30, 2024	Book Value as of December 31, 2023	As of June 30, 2024	
	SNF	Campus	ALF	ILF				Weighted Average Contractual Interest Rate	Maturity Date
Preferred equity	8	3	—	—	10,782	10,881	1,801	11.7 %	N/A
Total					<u>\$ 10,782</u>	<u>\$ 10,881</u>	<u>\$ 1,801</u>		

The following table summarizes the Company's other real estate related investments activity for the six months ended June 30, 2024 and 2023 (dollars in thousands):

	Six Months Ended June 30,	
	2024	2023
Origination of other real estate related investments	\$ 253,840	\$ 28,243
Accrued interest, net	1,813	(184)
Unrealized loss on other real estate related investments, net	(2,489)	(2,605)
Prepayments of other real estate related investments	—	(15,000)
Net change in other real estate related investments	<u>\$ 253,164</u>	<u>\$ 10,454</u>

2024 Other Real Estate Related Investment Transactions

On January 1, 2024, the Company closed on the sale of one ALF. In connection with the sale, the Company provided affiliates of the purchaser of the property with a \$1.0 million mortgage loan which bears interest at a rate of 9.0%. The mortgage loan is secured by the ALF and is set to mature on January 1, 2027. The mortgage loan may be prepaid in whole before the maturity date. The Company elected the fair value option for the mortgage loan.

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On January 25, 2024, the Company extended a \$9.8 million mezzanine loan for a portfolio of ten SNFs located in Missouri secured by a pledge of membership interests in an up-tier holding company of the borrower group. The Company participated in the loan alongside a co-lender pursuant to a participation agreement entered into between the Company and the co-lender. Pursuant to such agreement, the Company provided \$9.8 million in mezzanine loan proceeds and the co-lender provided the remaining \$10.2 million of loan proceeds. As a participant in the loan, and subject to limited exceptions, the Company is entitled to receive its proportionate share of loan payments made by the borrower with each co-lender's proportionate share being given equal weight. The loan bears interest at term SOFR plus 8.75%, with a term SOFR floor of 6%, payable monthly and net of a 0.75% subservicing fee. Commencing on February 1, 2026, monthly principal payments shall be due. The mezzanine loan is set to mature on July 25, 2027, with two six-month extension options and may (subject to certain restrictions) be prepaid in whole before the maturity date for an exit fee ranging from 1% to 2% of the loan plus unpaid interest payments equal to 24 months (less the amount of monthly interest payments made by the borrower through the date of prepayment). The Company elected the fair value option for the mezzanine loan.

On February 1, 2024, the Company extended a \$7.4 million mezzanine loan for one SNF located in California secured by a pledge of membership interests in an up-tier holding company of the borrower group. The loan bears interest at 11.5%, payable monthly. The mezzanine loan is set to mature on January 31, 2029, and may not (subject to certain limited exceptions) be prepaid prior to the date that is 18 months following the loan closing. The Company elected the fair value option for the mezzanine loan.

On February 2, 2024, the Company extended a \$35.0 million mezzanine loan for a portfolio of 15 SNFs located in Virginia secured by a pledge of membership interests in an up-tier holding company of the borrower group. The Company participated in the loan alongside a co-lender pursuant to a participation agreement entered into between the Company and the co-lender. Pursuant to such agreement, the Company provided \$35.0 million in mezzanine loan proceeds and the co-lender provided the remaining \$50.0 million of loan proceeds. As a participant in the loan, and subject to limited exceptions, the Company is entitled to receive its proportionate share of loan payments made by the borrower with each co-lender's proportionate share being given equal weight. The loan bears interest at term SOFR plus 8.75%, with a term SOFR floor of 6%, payable monthly and net of a 0.75% subservicing fee. Commencing on February 2, 2026, monthly principal payments shall be due. The mezzanine loan is set to mature on August 1, 2027, with two six-month extension options and may (subject to certain restrictions) be prepaid in whole before the maturity date for an exit fee ranging from 1% to 2% of the loan plus unpaid interest payments equal to 18 months (less the amount of monthly interest payments made by the borrower through the date of prepayment). The Company elected the fair value option for the mezzanine loan.

On May 1, 2024, the Company extended a \$26.7 million mortgage loan to a skilled nursing real estate owner. The mortgage loan is secured by two SNFs and bears interest at a rate of 9.1%, payable monthly. The mortgage loan is set to mature on May 1, 2031 and includes a one year extension option. The mortgage loan may not be prepaid prior to July 31, 2029, subject to certain limited exceptions. The mortgage loan includes a purchase option with an exercise window that opens during the initial 90-day period of each of the 4th, 5th and 6th loan years, with the purchase option price for the facilities being calculated by dividing the amount of the then annual base rent by an agreed upon lease yield. The Company elected the fair value option for the mortgage loan.

On June 3, 2024, the Company extended a \$165.0 million mortgage loan to a regional health care real estate owner. The mortgage loan is secured by eight SNFs located in North Carolina and bears interest at a rate of SOFR plus 4.25%, with a term SOFR floor of 5.15%, payable monthly and net of a 0.25% subservicing fee. Commencing on June 1, 2027, monthly principal payments will be due. The mortgage loan is set to mature on June 1, 2029, and includes two six-month extension options. The mortgage loan may not be prepaid prior to June 1, 2026, subject to certain limited exceptions. The Company elected the fair value option for the mortgage loan. Concurrently with closing, KeyBank National Association purchased a \$75.0 million participation in the mortgage loan from the Company. See Note 7, *Debt*, for additional information.

In addition, on June 3, 2024, the Company funded a \$9.0 million preferred equity investment in an uptier parent entity of the borrower under the \$165.0 million mortgage loan described above. The Company's initial contractual yield on its preferred equity investment is 11%. Prepayment of the preferred equity investment is restricted, subject to certain carveouts, prior to the senior mortgage loan being paid off in full.

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Other Loans Receivables

As of June 30, 2024 and December 31, 2023, the Company's other loans receivable, included in prepaid expenses and other assets, net on the Company's condensed consolidated balance sheets, consisted of the following (dollars in thousands):

Investment	Principal Balance as of June 30, 2024	Book Value as of June 30, 2024	Book Value as of December 31, 2023	As of June 30, 2024	
				Weighted Average Contractual Interest Rate	Maturity Date
Other loans receivable	\$ 18,079	\$ 18,145	\$ 17,156	8.8 %	6/30/2024 - 4/26/2027
Expected credit loss	—	(2,094)	(2,094)		
Total	<u>\$ 18,079</u>	<u>\$ 16,051</u>	<u>\$ 15,062</u>		

The following table summarizes the Company's other loans receivable activity for the six months ended June 30, 2024 and 2023 (dollars in thousands):

	Six Months Ended June 30,	
	2024	2023
Origination of loans receivable	\$ 985	\$ 1,019
Principal payments	—	(287)
Accrued interest, net	4	1
Net change in other loans receivable	<u>\$ 989</u>	<u>\$ 733</u>

Expected credit losses and recoveries are recorded in provision for loan losses, net in the condensed consolidated statements of operations. During both the six months ended June 30, 2024 and 2023, the Company had no additional expected credit loss and did not consider any loan receivable investments to be impaired.

The following table summarizes the interest and other income recognized from the Company's loans receivable and other investments during the three and six months ended June 30, 2024 and 2023 (dollars in thousands):

Investment	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Mortgage secured loans receivable	\$ 5,544	\$ 2,762	\$ 9,316	\$ 5,466
Mezzanine loans receivable	2,494	695	4,389	2,278
Preferred equity investment	144	—	212	—
Other loans receivable	338	160	669	316
Other ⁽¹⁾	4,964	191	8,466	191
Total	<u>\$ 13,484</u>	<u>\$ 3,808</u>	<u>\$ 23,052</u>	<u>\$ 8,251</u>

(1) Other income is comprised of interest income on money market funds.

6. FAIR VALUE MEASUREMENTS

The Company determines fair value based on quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. GAAP guidance defines three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability or can be corroborated with observable market data for substantially the entire contractual term of the asset or liability.

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Level 3 – Unobservable inputs reflect the entity’s own assumptions about the assumptions that market participants would use in the pricing of the asset or liability and are consequently not based on market activity, but rather through particular valuation techniques.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and considers factors specific to the asset or liability. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company evaluates its hierarchy disclosures each quarter and, depending on various factors, it is possible that an asset or liability may be classified differently from quarter to quarter. Changes in the type of inputs may result in a reclassification for certain assets. The Company does not expect that changes in classifications between levels will be frequent.

Items Measured at Fair Value on a Recurring Basis

The following table presents information about the Company’s assets measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023, aggregated by the level in the fair value hierarchy within which those instruments fall (dollars in thousands):

	Level 1	Level 2	Level 3	Balance as of June 30, 2024
Assets:				
Mortgage secured loans receivable	\$ —	\$ —	\$ 348,552	\$ 348,552
Mezzanine loans receivable	—	—	74,099	74,099
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 422,651</u>	<u>\$ 422,651</u>
	Level 1	Level 2	Level 3	Balance as of December 31, 2023
Assets:				
Mortgage secured loans receivable	\$ —	\$ —	\$ 156,769	\$ 156,769
Mezzanine loans receivable	—	—	21,799	21,799
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 178,568</u>	<u>\$ 178,568</u>

The following table details the Company’s assets measured at fair value on a recurring basis using Level 3 inputs (dollars in thousands):

	Investments in Real Estate Secured Loans	Investments in Mezzanine Loans
Balance at December 31, 2023	\$ 156,769	\$ 21,799
Loan originations	192,675	52,165
Accrued interest, net	1,147	585
Unrealized loss on other real estate related investments, net	(2,039)	(450)
Balance as of June 30, 2024	<u>\$ 348,552</u>	<u>\$ 74,099</u>

Real estate secured and mezzanine loans receivable: The fair values of the secured and mezzanine loans receivables were estimated using an internal valuation model that considered the expected future cash flows of the investment, the underlying collateral value, market interest rates and other credit enhancements. As such, the Company classifies each instrument as Level 3 due to the significant unobservable inputs used in determining market interest rates for investments with similar terms. During the three and six months ended June 30, 2024, the Company recorded an unrealized loss of \$2.4 million and \$3.2 million, respectively, on the Company’s secured and mezzanine loans receivable due to rising interest rates, partially offset by unrealized gains of \$0.5 million and \$0.7 million, respectively, due to increases in expected cash flows on floating rate loans. Future changes in market interest rates or collateral value could materially impact the estimated discounted cash flows that are used to determine the fair value of the secured and mezzanine loans receivable. As of June 30, 2024 and December 31, 2023, the Company did not have any loans that were 90 days or more past due.

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The following table shows the quantitative information about unobservable inputs related to the Level 3 fair value measurements comprising the investments in secured and mezzanine loans receivables as of June 30, 2024:

Type	Book Value as of June 30, 2024	Valuation Technique	Unobservable Inputs	Range
Mortgage secured loans receivable \$	348,552	Discounted cash flow	Discount Rate	9% - 16%
Mezzanine loans receivable	74,099	Discounted cash flow	Discount Rate	12% - 16%

For the six months ended June 30, 2024, there were no classification changes in assets and liabilities with Level 3 inputs in the fair value hierarchy.

Items Disclosed at Fair Value

Considerable judgment is necessary to estimate the fair value disclosure of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the face value, carrying amount and fair value of the Company's preferred equity investments and the Notes (as defined in Note 7, *Debt*, below) as of June 30, 2024 and December 31, 2023 is as follows (dollars in thousands):

		June 30, 2024			December 31, 2023		
	Level	Face Value	Carrying Amount	Fair Value	Face Value	Carrying Amount	Fair Value
Financial assets:							
Preferred equity investments	3	\$ 10,782	\$ 10,881	\$ 10,881	\$ 1,782	\$ 1,801	\$ 1,801
Financial liabilities:							
Senior unsecured notes payable	2	\$ 400,000	\$ 396,483	\$ 367,840	\$ 400,000	\$ 396,039	\$ 362,500

Cash and cash equivalents, accounts and other receivables, accounts payable, and accrued liabilities: The carrying values for these instruments approximate their fair values due to the short-term nature of these instruments.

Preferred equity investments: The fair value of the preferred equity investments was estimated using an internal valuation model that considered the expected future cash flows of the investment, the underlying collateral value, market interest rates and other credit enhancements. The Company utilized discount rates of 11% to 15% in its fair value calculation. As such, the Company classifies these instruments as Level 3.

Senior unsecured notes payable: The fair value of the Notes was determined using third-party quotes derived from orderly trades.

Unsecured revolving credit facility and senior unsecured term loan: The fair values approximate their carrying values as the interest rates are variable and approximate prevailing market interest rates and spreads for similar debt arrangements.

Secured borrowing: The fair value approximates the carrying value as the interest rates are variable and approximate prevailing market interest rates and spreads for similar debt arrangements.

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7. DEBT

The following table summarizes the balance of the Company's indebtedness as of June 30, 2024 and December 31, 2023 (dollars in thousands):

	June 30, 2024			December 31, 2023		
	Principal Amount	Deferred Loan Fees	Carrying Amount	Principal Amount	Deferred Loan Fees	Carrying Amount
Senior unsecured notes payable	\$ 400,000	\$ (3,517)	\$ 396,483	\$ 400,000	\$ (3,961)	\$ 396,039
Senior unsecured term loan	200,000	(335)	199,665	200,000	(441)	199,559
Unsecured revolving credit facility ⁽¹⁾	—	—	—	—	—	—
Secured borrowing ⁽²⁾	75,000	—	75,000	—	—	—
	<u>\$ 675,000</u>	<u>\$ (3,852)</u>	<u>\$ 671,148</u>	<u>\$ 600,000</u>	<u>\$ (4,402)</u>	<u>\$ 595,598</u>

(1) Deferred financing fees are included in deferred financing costs, net on the balance sheet, and not reflected as a reduction to the unsecured revolving credit facility.

(2) See Note 5, *Other Real Estate Related and Other Investments*, for more information on the secured borrowing.

Senior Unsecured Notes Payable

2028 Senior Notes. On June 17, 2021, the Company's wholly owned subsidiary, CTR Partnership, L.P. (the "Operating Partnership"), and its wholly owned subsidiary, CareTrust Capital Corp. (together with the Operating Partnership, the "Issuers"), completed a private offering of \$400.0 million aggregate principal amount of 3.875% Senior Notes due 2028 (the "Notes") to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended. The Notes were issued at par, resulting in gross proceeds of \$400.0 million and net proceeds of approximately \$393.8 million after deducting underwriting fees and other offering expenses. The Notes mature on June 30, 2028. The Notes accrue interest at a rate of 3.875% per annum payable semiannually in arrears on June 30 and December 30 of each year, commencing on December 30, 2021.

The Issuers may redeem some or all of the Notes at any time prior to March 30, 2028 at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest on the Notes, if any, to, but not including, the redemption date, plus a "make-whole" premium. At any time on or after March 30, 2028, the Issuers may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus accrued interest on the Notes, if any, to, but not including, the redemption date. If certain changes of control of the Company occur, the Issuers will be required to make an offer to holders of the Notes to repurchase their Notes at a price of 101% of their principal amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date.

The obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by the Company and all of CareTrust's existing and future subsidiaries (other than the Issuers) that guarantee obligations under the Amended Credit Facility (as defined below); provided, however, that such guarantees are subject to automatic release under certain customary circumstances.

The indenture governing the Notes contains customary covenants such as limiting the ability of the Company and its restricted subsidiaries to: incur or guarantee additional indebtedness; incur or guarantee secured indebtedness; pay dividends or distributions on, or redeem or repurchase, capital stock; make certain investments or other restricted payments; sell assets; enter into transactions with affiliates; merge or consolidate or sell all or substantially all of their assets; and create restrictions on the ability of the Issuers and their restricted subsidiaries to pay dividends or other amounts to the Issuers. The indenture governing the Notes also requires the Company and its restricted subsidiaries to maintain a specified ratio of unencumbered assets to unsecured indebtedness. These covenants are subject to a number of important and significant limitations, qualifications and exceptions. The indenture governing the Notes also contains customary events of default.

As of June 30, 2024, the Company was in compliance with all applicable financial covenants under the indenture governing the Notes.

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Unsecured Revolving Credit Facility and Term Loan

On December 16, 2022, the Operating Partnership, as the borrower, the Company, as guarantor, CareTrust GP, LLC, and certain of the Operating Partnership's wholly owned subsidiaries, entered into a second amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender (as amended from time to time, the "Second Amended Credit Agreement"). The Second Amended Credit Agreement, which amends and restates the Company's amended and restated credit and guaranty agreement, dated as of February 8, 2019 (as amended, the "Prior Credit Agreement") provides for: (i) an unsecured revolving credit facility (the "Revolving Facility") with revolving commitments in an aggregate principal amount of \$600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) the continuation of the unsecured term loan credit facility which was previously extended under the Prior Credit Agreement (the "Term Loan" and together with the Revolving Facility, the "Second Amended Credit Facility") in an aggregate principal amount of \$200.0 million. Future borrowings under the Second Amended Credit Facility will be used for working capital purposes, for capital expenditures, to fund acquisitions and for general corporate purposes.

On October 10, 2023, the Operating Partnership, the Company, CareTrust GP, LLC, certain of the Operating Partnership's wholly owned subsidiaries and KeyBank National Association entered into the First Amendment to the Second Amended Credit Agreement (the "First Amendment"). The First Amendment restates the definition of Consolidated Total Asset Value to include net proceeds from at-the-market forward commitments executed but not yet closed as of the relevant date as if such proceeds had actually been received.

The interest rates applicable to loans under the Revolving Facility are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR (each as defined in the Second Amended Credit Agreement) plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Operating Partnership will pay a facility fee on the revolving commitments under the Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Operating Partnership elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based on the credit ratings of the Company's senior long-term unsecured debt). As of June 30, 2024, the Operating Partnership had \$200.0 million of borrowings outstanding under the Term Loan and no borrowings outstanding under the Revolving Facility.

The Revolving Facility has a maturity date of February 9, 2027, and includes, at the sole discretion of the Operating Partnership, two six-month extension options. The Term Loan has a maturity date of February 8, 2026.

The Second Amended Credit Facility is guaranteed, jointly and severally, by the Company and its wholly owned subsidiaries that are party to the Second Amended Credit Agreement (other than the Operating Partnership). The Second Amended Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend organizational documents and pay certain dividends and other restricted payments. The Second Amended Credit Agreement requires the Company to comply with financial maintenance covenants to be tested quarterly, consisting of a maximum debt to asset value ratio, a minimum fixed charge coverage ratio, a minimum tangible net worth, a maximum cash distributions to operating income ratio, a maximum secured debt to asset value ratio, a maximum secured recourse debt to asset value ratio, a maximum unsecured debt to unencumbered properties asset value ratio, a minimum unsecured interest coverage ratio and a minimum rent coverage ratio. The Second Amended Credit Agreement also contains certain customary events of default, including the failure to make timely payments under the Second Amended Credit Facility or other material indebtedness, the failure to satisfy certain covenants (including the financial maintenance covenants), the occurrence of change of control and specified events of bankruptcy and insolvency.

As of June 30, 2024, the Company was in compliance with all applicable financial covenants under the Second Amended Credit Agreement.

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Secured Borrowing

On June 3, 2024, KeyBank National Association purchased a \$75.0 million undivided participation interest in a \$165.0 million mortgage loan from the Company (see Note 5, *Other Real Estate Related and Other Investments*, for additional information), which bears interest at a rate of SOFR, with a term SOFR floor of 3.00%, plus 2.5% or 2.25%, depending on the debt yield of the loan, and payable monthly. As the transaction did not qualify as a sale in accordance with GAAP, the Company recorded the participation interest as a secured borrowing in the amount of \$75.0 million in the condensed consolidated balance sheet. The participating interest may be prepaid in whole before the maturity date for an exit fee of up to 0.50% of the loan plus unpaid interest. The participation interest provides for a put option, subject to certain restrictions, and a call option for the then-outstanding loan amount plus accrued and unpaid interest. As of June 30, 2024, the interest rate in effect for the secured borrowing was 7.83%. On July 30, 2024, the Company exercised the call option on the \$75.0 million secured borrowing. See Note 14, *Subsequent Events*, for additional information.

8. EQUITY

Common Stock

At-The-Market Offering—On May 6, 2024, the Company entered into a new equity distribution agreement to issue and sell, from time to time, up to \$500.0 million in aggregate offering price of its common stock through an “at-the-market” equity offering program (the “New ATM Program”) and terminated its previous \$500.0 million “at-the-market” equity offering program (the “Previous ATM Program” and together with the New ATM Program, the “ATM Program”). In addition to the issuance and sale of shares of its common stock, the ATM Program also provides for the ability to enter into one or more forward sales agreements (each, an “ATM forward contract”) with sales agents for the sale of the Company’s shares of common stock under the ATM Program.

In the event the Company enters into an ATM forward contract to sell shares of common stock pursuant to the ATM Program, the Company would expect to fully physically settle forward equity sales by delivery of shares of common stock to the forward purchaser and receive cash proceeds upon one or more settlement dates, which are typically a one-year term, at the Company’s discretion, prior to the final settlement date, at which time the Company would expect to receive aggregate net cash proceeds at settlement equal to the number of shares sold on a forward basis multiplied by the relevant forward price per share. The weighted average forward sale price that the Company would expect to receive upon physical settlement would be subject to adjustment for (i) a floating interest rate factor equal to a specified daily rate less a spread, (ii) the forward purchaser’s stock borrowing costs and (iii) scheduled dividends through the settlement.

The following table summarizes the ATM Program activity for the three and six months ended June 30, 2024 (in thousands, except per share amounts):

	For the Three Months Ended	For the Six Months Ended
	June 30, 2024	June 30, 2024
Number of shares	12,145	23,745
Average sales price per share	\$ 25.24	\$ 24.42
Gross proceeds ⁽¹⁾	\$ 306,534	\$ 579,767

(1) Total gross proceeds is before \$3.8 million and \$7.2 million of commissions paid to the sales agents during the three and six months ended June 30, 2024, respectively, under the ATM Program.

During the three and six months ended June 30, 2023, the Company executed forward equity sales under the ATM Program with a financial institution acting as a forward purchaser to sell 6,736,089 shares of common stock at a weighted average sales price of \$19.71 per share before commissions and offering expenses. The Company did not receive any proceeds from the sales of its shares of common stock by the forward sellers. As of June 30, 2023, the Company had not settled any portion of these forward equity sales. No forward equity sales were executed or settled under the ATM Program during the three and six months ended June 30, 2024, and there were no outstanding ATM forward contracts that had not settled as of June 30, 2024.

As of June 30, 2024, the Company had \$193.5 million available for future issuances under the New ATM Program.

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Dividends on Common Stock—The following table summarizes the cash dividends per share of common stock declared by the Company’s board of directors for the first six months of 2024 (dollars in thousands, except per share amounts):

	For the Three Months Ended	
	March 31, 2024	June 30, 2024
Dividends declared per share	\$ 0.29	\$ 0.29
Dividends payment date	April 15, 2024	July 15, 2024
Dividends payable as of record date	\$ 41,192	\$ 44,721
Dividends record date	March 28, 2024	June 28, 2024

9. STOCK-BASED COMPENSATION

All stock-based awards are subject to the terms of the CareTrust REIT, Inc. and CTR Partnership, L.P. Incentive Award Plan (the “Plan”). The Plan provides for the granting of stock-based compensation, including stock options, restricted stock, performance awards, restricted stock units, relative total stockholder return based stock awards and other incentive awards to officers, employees and directors in connection with their employment with or services provided to the Company. Under the Plan, 5,000,000 shares have been authorized for awards.

Under the Plan, restricted stock awards (“RSAs”) vest in equal annual installments over a three year period for the RSAs granted after 2020 and a four year period for the RSAs granted in 2020. RSAs granted to non-employee members of the board of directors (“Board Awards”) vest in full on the earlier to occur of the Company’s next Annual Meeting of Stockholders or one year. Performance stock awards (“PSAs”) granted were subject to both time and performance based conditions and vested over a one-to-three year period for PSAs granted in 2021 and over a one-to-four year period for PSAs granted in 2020. The amount of such PSAs that ultimately vested was dependent on the Company’s Normalized Funds from Operations (“NFFO”) per share, as defined by the Compensation Committee, meeting or exceeding a specified per share amount for the applicable vesting period. Relative total shareholder return units (“TSR Units”) granted are subject to both time and market based conditions and cliff vest after a three-year period. The amount of such market awards that will ultimately vest is dependent on the Company’s total shareholder return (“TSR”) performance relative to a custom TSR peer group consisting of other publicly traded healthcare REITs and will range from 0% to 200% of the TSR Units initially granted. The RSAs and Board Awards are valued on the date of grant based on the closing price of the Company’s common stock, while the TSR Units are valued on the date of grant using a Monte Carlo valuation model. The vesting of certain awards may accelerate, as defined in the grant agreement, upon retirement, a change in control or other events.

The following table summarizes the status of the restricted stock award and performance award activity for the six months ended June 30, 2024:

	Shares	Weighted Average Share Price
Unvested balance at December 31, 2023	510,596	\$ 21.01
Granted:		
Board Awards	21,712	23.95
Vested	(169,811)	20.67
Forfeited	(35,161)	20.48
Unvested balance at June 30, 2024	327,336	\$ 21.43

As of June 30, 2024, the weighted-average remaining vesting period of such awards was 1.7 years.

The following table summarizes the stock-based compensation expense recognized for the periods presented (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Stock-based compensation expense	\$ 1,406	\$ 924	\$ 3,526	\$ 1,860

For the three and six months ended June 30, 2023, approximately \$0.6 million of previously recognized stock-based compensation expense related to the PSAs was reversed as the awards were not expected to meet the performance

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conditions. For the six months ended June 30, 2023, approximately \$0.9 million of previously recognized stock-based compensation expense was reversed due to forfeitures of stock awards.

As of June 30, 2024, there was \$7.4 million of unamortized stock-based compensation expense related to the unvested RSAs and TSR Units.

10. EARNINGS (LOSS) PER COMMON SHARE

The following table presents the calculation of basic and diluted earnings (loss) per common share attributable to CareTrust REIT, Inc. ("EPS") for the Company's common stock for the three and six months ended June 30, 2024 and 2023, and reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS (amounts in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss) attributable to CareTrust REIT, Inc.	\$ 10,758	\$ (484)	\$ 39,504	\$ 18,743
Less: Net income allocated to participating securities	(95)	(89)	(191)	(178)
Numerator for basic and diluted earnings available to common stockholders	<u>\$ 10,663</u>	<u>\$ (573)</u>	<u>\$ 39,313</u>	<u>\$ 18,565</u>
Denominator:				
Weighted-average basic common shares outstanding	144,895	99,117	138,866	99,090
Dilutive potential common shares - TSR Units	363	—	364	90
Dilutive potential common shares - forward equity agreements	—	—	—	14
Weighted-average diluted common shares outstanding	<u>145,258</u>	<u>99,117</u>	<u>139,230</u>	<u>99,194</u>
Earnings (loss) per common share attributable to CareTrust REIT, Inc., basic	<u>\$ 0.07</u>	<u>\$ (0.01)</u>	<u>\$ 0.28</u>	<u>\$ 0.19</u>
Earnings (loss) per common share attributable to CareTrust REIT, Inc., diluted	<u>\$ 0.07</u>	<u>\$ (0.01)</u>	<u>\$ 0.28</u>	<u>\$ 0.19</u>
Antidilutive unvested RSAs, TSR Units and PSAs excluded from the computation ⁽¹⁾	<u>327</u>	<u>500</u>	<u>327</u>	<u>316</u>

(1) For the three and six months ended June 30, 2024, RSAs are antidilutive. For the three months ended June 30, 2023, RSAs and TSR Units are antidilutive. For the six months ended June 30, 2023, certain TSR Units and RSAs are antidilutive.

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11. VARIABLE INTEREST ENTITIES

Noncontrolling Interests—The Company has entered into multiple ventures with unrelated third parties to own real estate and has concluded that such ventures are VIEs. As the Company exercises power over and receives economic benefits from the VIEs, the Company is considered the primary beneficiary and consolidates the VIEs. Pursuant to the Company's joint ventures ("JVs"), the Company typically contributes 97.5% of the JV's total investment amount and the Company receives 100% of the preferred equity interest in the JV in exchange for 95% of that total investment and a 50% common equity interest in the JV in exchange for the remaining 2.5% of that investment. The JV partner contributes the remaining 2.5% of the JV's total investment amount in exchange for a 50% common ownership interest in the JV. As of June 30, 2024, the Company held three SNFs, two multi-service campuses and one ALF in multiple VIEs.

On January 3, 2024, the Company entered into a JV, pursuant to which the Company contributed \$10.8 million into the JV that purchased one ALF located in California for \$11.0 million. The JV partner contributed the remaining \$0.2 million of the total investment.

On April 1, 2024, the Company entered into a JV, pursuant to which the Company contributed \$28.1 million into the JV that purchased two multi-service campuses located in California for \$28.8 million. The JV partner contributed the remaining \$0.7 million of the total investment.

Total assets and total liabilities include VIE assets and liabilities as follows (dollars in thousands):

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
Assets:		
Real estate investments, net	\$ 106,439	\$ 68,106
Cash and cash equivalents	1,013	—
Accounts and other receivables	246	—
Prepaid and other assets	—	2,800
Total assets	<u>107,698</u>	<u>70,906</u>
Liabilities:		
Accounts payable, accrued liabilities and deferred rent liabilities	6,775	7,239
Total liabilities	<u>\$ 6,775</u>	<u>\$ 7,239</u>

12. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of business, which are not individually or in the aggregate anticipated to have a material adverse effect on the Company's results of operations, financial condition or cash flows. Claims and lawsuits may include matters involving general or professional liability asserted against the Company's tenants, which are the responsibility of the Company's tenants and for which the Company is entitled to be indemnified by its tenants under the insurance and indemnification provisions in the applicable leases.

In the normal course of business, the Company enters into various commitments, typically consisting of funding of capital expenditures and short-term working capital loans to existing tenants while they await licensure and certification or are conducting turnaround work in one or more of the Company's properties.

Capital expenditures for each property leased under the Company's triple-net leases are generally the responsibility of the tenant, except for the facilities leased under certain master lease agreements, with subsidiaries of Ensign and Pennant, under which the tenant will have an option to require the Company to finance certain capital expenditures up to an aggregate of 20% of the Company's initial investment in such property, subject to a corresponding rent increase at the time of funding. For the Company's other triple-net master leases, the tenants also have the option to request capital expenditure funding that would generally be subject to a corresponding rent increase at the time of funding, which are subject to tenant compliance with the conditions to the Company's approval and funding of their requests. The Company has also provided select tenants with strategic capital for facility upkeep and modernization. The Company's Tenant Code of Conduct and Corporate Responsibility policy (the "Tenant ESG Program") provides eligible triple-net tenants of the Company with monetary inducements to make sustainable improvements to the Company's properties. Incentive options include a wide variety of opportunities for tenants to

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upgrade everything from energy and environmental systems to water-saving landscaping and more. The Company's board of directors has authorized annual allocations of up to \$500,000 to fund the Tenant ESG Program.

The table below summarizes the Company's existing, known commitments and contingencies as of June 30, 2024 (in thousands):

	Remaining Commitment
Capital expenditures ⁽¹⁾	\$ 14,302
Mortgage loans ⁽²⁾	4,700
Other loans receivable ⁽³⁾	415
	<u>\$ 19,417</u>

(1) As of June 30, 2024, the Company had committed to fund expansions, construction, capital improvements and ESG incentives at certain triple-net leased facilities totaling \$14.3 million, of which \$6.5 million is subject to rent increase at the time of funding.

(2) One mortgage loan includes an earnout advance upon satisfaction of certain conditions.

(3) Represents working capital loan commitments.

13. CONCENTRATION OF RISK

Concentrations of credit risk arise when one or more tenants, operators, or obligors related to the Company's investments are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions.

Major operator concentration – The Company has operators from which it derived 10% or more of its revenue for the three and six months ended June 30, 2024 and 2023. The following table sets forth information regarding the Company's major operators as of June 30, 2024 and 2023:

Operator	Number of Facilities			Number of Beds/Units			Percentage of Total Revenue	
	SNF	Campus	ALF/ILF	SNF	Campus	ALF/ILF	Three Months Ended	Six Months Ended
June 30, 2024⁽¹⁾								
Ensign ⁽³⁾	87	8	7	9,290	997	661	29 %	29 %
Priority Management Group	13	2	—	1,742	402	—	13 %	13 %
June 30, 2023⁽²⁾								
Ensign ⁽³⁾	83	8	7	8,741	997	661	36 %	36 %
Priority Management Group	13	2	—	1,742	402	—	16 %	16 %

(1) The Company's rental income and interest income on other real estate related investments, exclusive of operating expense reimbursements and adjustments for collectibility.

(2) The Company's rental income, exclusive of operating expense reimbursements and adjustments for collectibility.

(3) Ensign is subject to the registration and reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. Ensign's financial statements, as filed with the SEC, can be found at <http://www.sec.gov>. The Company has not verified this information through an independent investigation or otherwise.

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Major geographic concentration – The following table provides information regarding the Company’s concentrations with respect to certain states, from which the Company derived 10% or more of its revenue for the three and six months ended June 30, 2024 and 2023:

State	Number of Facilities			Number of Beds/Units			Percentage of Total Revenue	
	SNF	Campus	ALF/ILF	SNF	Campus	ALF/ILF	Three Months Ended	Six Months Ended
June 30, 2024⁽¹⁾								
CA	42	12	9	5,000	2,008	734	30 %	30 %
TX	41	4	2	5,193	630	212	20 %	20 %
June 30, 2023⁽²⁾								
CA	29	9	5	3,307	1,527	437	28 %	28 %
TX	40	3	2	5,126	536	212	23 %	23 %

(1) Based on the Company’s rental income and interest income on other real estate related investments, exclusive of operating expense reimbursements and adjustments for collectibility.

(2) Based on the Company’s rental income, exclusive of operating expense reimbursements and adjustments for collectibility.

14. SUBSEQUENT EVENTS

The Company evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. The Company evaluates subsequent events up until the date the condensed consolidated financial statements are issued.

Recent Investments

On August 1, 2024, the Company extended a \$260.0 million mortgage loan to a skilled nursing real estate owner. The loan is secured by a first priority mortgage lien on a real estate portfolio of 37 SNFs, ALFs and multi-service campuses located in various states and bears interest at a fixed rate of 8.40%, payable monthly. The mortgage loan is set to mature on August 1, 2029 and has a 24-month lockout period on prepayment subject to certain exceptions. The mortgage loan may otherwise be prepaid in part or in whole after the 24-month lockout period with agreed upon exit fees, as applicable. In addition, on August 1, 2024, the Company funded a \$43.0 million preferred equity investment in an uptier holding company of the 37-property skilled nursing and assisted living portfolio. The Company's initial contractual yield on its preferred equity investment is 11%.

Secured Borrowing

On July 30, 2024, the Company exercised the call option on the \$75.0 million secured borrowing at a call purchase price equal to the principal amount plus accrued and unpaid interest and a prepayment penalty of \$0.4 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

Certain statements in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements regarding: future financing plans, business strategies, growth prospects and operating and financial performance; expectations regarding the making of distributions and the payment of dividends; and compliance with and changes in governmental regulations.

Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "believe(s)," "may," "will," "would," "could," "should," "seek(s)" and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to: (i) the ability and willingness of our tenants to meet and/or perform their obligations under the triple-net leases we have entered into with them, including, without limitation, their respective obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities; (ii) the risk that we may have to incur additional impairment charges related to our assets held for sale if we are unable to sell such assets at the prices we expect; (iii) the impact of healthcare reform legislation, including minimum staffing level requirements, on the operating results and financial conditions of our tenants; (iv) the ability of our tenants to comply with applicable laws, rules and regulations in the operation of the properties we lease to them; (v) the ability and willingness of our tenants to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant, as well as any obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant; (vi) the availability of and the ability to identify (a) tenants who meet our credit and operating standards, and (b) suitable acquisition opportunities, and the ability to acquire and lease the respective properties to such tenants on favorable terms; (vii) the ability to generate sufficient cash flows to service our outstanding indebtedness; (viii) access to debt and equity capital markets; (ix) fluctuating interest rates; (x) the impact of public health crises, including significant COVID-19 outbreaks as well as other pandemics or epidemics; (xi) the ability to retain our key management personnel; (xii) the ability to maintain our status as a real estate investment trust ("REIT"); (xiii) changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs; (xiv) other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and (xv) any additional factors included under Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC").

Forward-looking statements speak only as of the date of this report. Except in the normal course of our public disclosure obligations, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any statement is based.

Overview

CareTrust REIT is a self-administered, publicly-traded REIT engaged in the ownership, acquisition, financing, development and leasing of skilled nursing, seniors housing and other healthcare-related properties. As of June 30, 2024, we owned, directly or indirectly through joint ventures, and leased to independent operators 235 skilled nursing facilities ("SNFs"), multi-service campuses, assisted living facilities ("ALFs") and independent living facilities ("ILFs") consisting of 25,058 operational beds and units located in 30 states with the highest concentration of properties by rental income located in California and Texas. As of June 30, 2024, we also had other real estate related investments consisting of two preferred equity investments, 11 real estate secured loans receivable and four mezzanine loans receivable with a carrying value of \$433.5 million.

Recent Developments

Market Trends and Uncertainties

Current macroeconomic conditions, particularly inflation (including higher wages and supply costs), elevated interest rates and related changes to consumer spending, including, but not limited to, causing individuals to delay or defer

moves to seniors housing, has adversely impacted and could continue to adversely impact our tenants' ability to meet some of their financial obligations to us. Higher interest rates also increase our costs of capital to finance acquisitions and increase our borrowing costs. In addition, current macroeconomic conditions and the resulting market volatility may adversely impact our ability to sell properties on acceptable terms, if at all, which could result in additional impairment charges.

As a result of the above factors, our tenants are continuing to experience increased operating costs at their facilities. Our tenants are also experiencing labor shortages resulting in higher operating costs. At a portfolio wide level, occupancy levels at our seniors housing facilities, comprising our ALFs and ILFs, continue to remain below occupancy levels at the onset of the COVID-19 pandemic. Within our SNFs, occupancy levels have continued to improve since their trough in January 2021 and remained stable for the three months ended March 31, 2024 compared to the three months ended December 31, 2023, for most of our tenants.

As a result of impacts experienced by our operators since the onset of the COVID-19 pandemic, the ability of some of our tenants and borrowers to meet their financial obligations to us in full has been negatively impacted. From time to time in the past, we have taken actions to reposition one or more properties with a replacement tenant or sell the property and, in certain cases, we have also restructured tenants' long-term obligations. See "Impairment of Real Estate Assets, Assets Held for Sale and Asset Sales" below. During the three months ended June 30, 2024, we collected 98.3% of contractual rents and interest due from our operators and borrowers excluding cash deposits. In the event our tenants or borrowers are unable to satisfy their obligations to us and we are unable to effect these actions on terms that are as favorable to us as those currently in place, our rental and interest income would be adversely impacted and we may incur additional expenses or obligations and be required to recognize additional impairment charges or fair value adjustments.

Regulatory Updates

On October 13, 2023, California Senate Bill No. 525 ("SB 525") was signed into law, requiring a substantial increase in the minimum wage for workers operating in certain health care facilities. As a result of SB 525, certain health care facilities (including licensed skilled nursing facilities) operating in California are required to increase the wages of their covered health care employees to at least \$21 per hour, which was initially required to be effective from June 1, 2024 to May 31, 2026, \$22 or \$23 per hour (depending on facility type) from June 1, 2026 to May 31, 2028, and \$25 per hour after June 1, 2028. On June 22, 2024, the Governor of California announced that the implementation of SB 525 will be delayed until October 15, 2024 at the earliest and no later than January 1, 2025.

In March 2024, The Centers for Medicare and Medicaid Services ("CMS") proposed a payment rate update to SNF reimbursements for fiscal 2025, which includes a net increase of 4.1%, or approximately \$1.4 billion in Medicare Part A payments to SNFs. In July 2023, CMS approved its payment rate update to SNF reimbursements for fiscal 2024, which commenced October 1, 2023, and includes a net increase of 4.0%, or approximately \$1.4 billion, in Medicare Part A payments to SNFs. These increases are expected to partially offset some of our tenants' higher operating costs.

On April 22, 2024, CMS issued a final rule regarding minimum staffing requirements and increased inspections at nursing homes in order to establish comprehensive nurse staffing requirements. The rule consists of three core staffing requirements: (1) overall minimum standard of 3.48 total nurse staff hours per resident day; (2) minimum nurse staffing standards of 0.55 hours per resident day for registered nurses and 2.45 hours of care from a certified nurse's aid per resident per day; and (3) a requirement to have a registered nurse onsite 24 hours a day, seven days a week. The rule includes a staggered implementation approach for which CMS will publish additional details on compliance as the implementation dates approach. The rule also includes possible waivers and temporary hardship exemptions for select facilities, however no funding for the additional staff will be provided. We are currently evaluating the impact of the rule, but believe the unfunded mandate to increase staff may have a material and adverse impact on the financial condition of our tenants.

Recent Investments

The following table summarizes our acquisitions from January 1, 2024 through August 1, 2024 (dollars in thousands):

Type of Property	Purchase Price ⁽¹⁾	Initial Annual Cash Rent ⁽²⁾	Number of Properties	Number of Beds/Units ⁽³⁾
Skilled nursing	\$ 119,222	\$ 10,331	7	638
Multi-service campuses ⁽⁵⁾	78,154	6,268	4	575
Assisted living ⁽⁴⁾	11,036	1,022	1	86
Total	<u>\$ 208,412</u>	<u>\$ 17,621</u>	<u>12</u>	<u>1,299</u>

(1) Purchase price includes capitalized acquisition costs.

(2) Initial annual cash rent represents initial cash rent for the first twelve months.

(3) The number of beds/units includes operating beds at acquisition date.

(4) Includes one ALF held through a joint venture. See Note 3, *Real Estate Investments, Net*, and Note 11, *Variable Interest Entities* for additional information.

(5) Includes two multi-service campuses held through a joint venture. See Note 3, *Real Estate Investments, Net*, and Note 11, *Variable Interest Entities* for additional information.

The following table summarizes our other real estate related investments from January 1, 2024 through August 1, 2024 (dollars in thousands):

Investment Type ⁽¹⁾	Investment	Annual Initial Interest Income ⁽²⁾	Number of Properties	Number of Beds/Units ⁽³⁾
Mortgage secured loan receivable	\$ 451,675	\$ 40,179	47	4,145
Mezzanine loans receivable	52,165	7,119	26	3,202
Preferred equity	52,000	5,734	N/A	N/A
Total	<u>\$ 555,840</u>	<u>\$ 53,032</u>	<u>73</u>	<u>7,347</u>

(1) Table excludes a \$1.0 million mortgage loan originated in connection with the sale of one ALF during the period presented.

(2) Represents annualized acquisition-date interest income, less subservicing fees, if applicable. For floating rate loans, interest income has been calculated using the benchmark rate at loan origination.

(3) The number of beds/units includes operating beds at the investment date.

Payment on Secured Borrowing

On July 30, 2024, we exercised the call option on the \$75.0 million secured borrowing. See Note 14, *Subsequent Events*, for additional information.

At-The-Market Offering of Common Stock

On May 6, 2024, we entered into a new equity distribution agreement to issue and sell, from time to time, up to \$500.0 million in aggregate offering price of our common stock through an “at-the-market” equity offering program (the “New ATM Program”) and terminated our previous \$500.0 million “at-the-market” equity offering program (the “Previous ATM Program” and together with the New ATM Program, the “ATM Program”). In addition to the issuance and sale of shares of our common stock, the ATM Program also provides for the ability to enter into one or more forward sales agreements (each, an “ATM forward contract”) with sales agents for the sale of our shares of common stock under the ATM Program.

In the event we enter into an ATM forward contract to sell shares of common stock pursuant to the ATM Program, we would expect to fully physically settle forward equity sales by delivery of shares of common stock to the forward purchaser and receive cash proceeds upon one or more settlement dates, which are typically a one-year term, at our discretion, prior to the final settlement date, at which time we would expect to receive aggregate net cash proceeds at settlement equal to the number of shares sold on a forward basis multiplied by the relevant forward price per share. The weighted average forward sale price that we would expect to receive upon physical settlement would be subject to adjustment for (i) a floating interest rate factor equal to a specified daily rate less a spread, (ii) the forward purchaser’s stock borrowing costs and (iii) scheduled dividends through the settlement.

The following tables summarize the ATM Program activity for the three and six months ended June 30, 2024 (in thousands, except per share amounts).

	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2024
Number of shares	12,145	23,745
Average sales price per share	\$ 25.24	\$ 24.42
Gross proceeds ⁽¹⁾	\$ 306,534	\$ 579,767

(1) Total gross proceeds is before \$3.8 million and \$7.2 million of commissions paid to the sales agents during the three and six months ended June 30, 2024, respectively, under the ATM Program.

During the three and six months ended June 30, 2023, we executed forward equity sales under the ATM Program with a financial institution acting as a forward purchaser to sell 6,736,089 shares of common stock at a weighted average sales price of \$19.71 per share before commissions and offering expenses. We did not receive any proceeds from the sales of our shares of common stock by the forward sellers. As of June 30, 2023, we had not settled any portion of these forward equity sales, which were subsequently settled during the second half of 2023. No forward equity sales were executed or settled under the ATM Program during the three and six months ended June 30, 2024, and there were no outstanding ATM forward contracts that had not settled as of June 30, 2024.

As of June 30, 2024, we had \$193.5 million available for future issuances under the New ATM Program.

Impairment of Real Estate Assets, Assets Held for Sale, and Asset Sales

During the three months ended June 30, 2024, we determined that a portfolio of eight ALFs met the held for sale criteria and classified these properties as held for sale at June 30, 2024. During the three and six months ended June 30, 2024, we recognized an impairment charge of \$25.7 million and \$28.5 million, respectively, related to properties held for sale, which is reported in impairment of real estate investments in the condensed consolidated statements of operations.

Asset Sales and Held for Sale Reclassifications

We periodically reassess our investments and tenant relationships, and from time to time we have selectively disposed of certain facilities or investments, or terminated tenant relationships, and we expect to continue making such reassessments and, where appropriate, taking such actions. We classify our real estate investments as held for sale when the applicable criteria have been met, which includes a formal plan to sell the properties that is expected to be completed within one year, among other criteria. Upon designation as held for sale, we cease depreciation and record the investment at the lower of carrying value or estimated fair value less costs to sell, which could result in an impairment of the real estate investments held for sale, if necessary.

The following table summarizes our dispositions for the three and six months ended June 30, 2024 and 2023 (dollars in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Number of facilities	1	3	3	4
Net sales proceeds	\$ 94	\$ 13,234	\$ 1,140	\$ 16,464
Net carrying value	73	11,206	1,108	14,506
Net gain on sale	\$ 21	\$ 2,028	\$ 32	\$ 1,958

The following table summarizes our assets held for sale activity for the periods presented (dollars in thousands):

	Net Carrying Value	Number of Facilities
December 31, 2023	\$ 15,011	14
Additions to assets held for sale	43,305	9
Assets sold	(1,108)	(3)
Impairment of real estate held for sale	(28,455)	—
June 30, 2024	<u>\$ 28,753</u>	<u>20</u>

Results of Operations

Three Months Ended June 30, 2024 Compared to Three Months Ended March 31, 2024:

	Three Months Ended		Increase (Decrease)	Percentage Difference
	June 30, 2024	March 31, 2024		
	(dollars in thousands)			
Revenues:				
Rental income	\$ 55,407	\$ 53,502	\$ 1,905	4 %
Interest and other income	13,484	9,568	3,916	41 %
Expenses:				
Depreciation and amortization	13,860	13,448	412	3 %
Interest expense	8,679	8,228	451	5 %
Property taxes	1,976	1,801	175	10 %
Impairment of real estate investments	25,711	2,744	22,967	*
Property operating expenses	255	660	(405)	(61)%
General and administrative	6,136	6,838	(702)	(10)%
Other loss:				
Gain on sale of real estate, net	21	11	10	91 %
Unrealized loss on other real estate related investments, net	(1,877)	(612)	(1,265)	*
Net income				
Net (loss) income attributable to noncontrolling interests	(340)	4	(344)	*

• Not meaningful

Rental income. Rental income increased by approximately \$1.9 million as detailed below:

	Three Months Ended		Increase/(Decrease)
(in thousands)	June 30, 2024	March 31, 2024	
Contractual cash rent	\$ 52,972	\$ 51,430	\$ 1,542
Tenant reimbursements	1,871	1,504	367
Total contractual rent	54,843	52,934	1,909
Straight-line rent	(7)	(7)	—
Amortization of lease incentive	(4)	—	(4)
Amortization of below market lease intangible	575	575	—
Total amount in rental income	<u>\$ 55,407</u>	<u>\$ 53,502</u>	<u>\$ 1,905</u>

Total contractual rent includes initial contractual cash rent and tenant operating expense reimbursements, as adjusted for applicable rental escalators and rent increases due to capital expenditures funded by the Company. For tenants on a cash basis, this represents the lesser of the amount that would be recognized on a straight-line basis or cash that has been received. Total contractual cash rent increased by \$1.9 million due to a \$2.4 million increase in rental income from real estate investments made after January 1, 2024, a \$0.4 million increase in rental rates for our existing tenants, and a \$0.4 million

increase in tenant reimbursements, partially offset by a \$1.3 million decrease in rental income related to certain tenants on a cash basis method of accounting.

Interest and other income. The \$3.9 million, or 41%, increase in interest and other income was primarily due to an increase of \$2.3 million of interest income on new loan investments made after January 1, 2024, an increase of \$1.5 million on money market funds and an increase of \$0.2 million related to a loan origination fee received during the three months ended June 30, 2024.

Depreciation and amortization. The \$0.4 million, or 3%, increase in depreciation and amortization was primarily due to an increase of \$0.7 million due to acquisitions and capital improvements made after January 1, 2024, partially offset by a decrease of \$0.3 million due to assets becoming fully depreciated after January 1, 2024.

Interest expense. Interest expense increased by approximately \$0.5 million as detailed below:

	Change in interest expense for the three months ended June 30, 2024 compared to the three months ended March 31, 2024	
	(in thousands)	
Interest on the secured borrowing	\$	456
Decrease in interest for the Term Loan (as defined below)		(5)
Total change to interest expense	\$	451

Property taxes. The \$0.2 million, or 10%, increase in property taxes was primarily due to a \$0.3 million increase related to acquisitions made after January 1, 2024, partially offset by a decrease of \$0.1 million due to the sale of one SNF.

Impairment of real estate investments. During the three months ended June 30, 2024, we recognized impairment charges of \$25.7 million related to properties held for sale. See above under “Recent Developments — Impairment of Real Estate Assets, Assets Held for Sale, and Asset Sales” for additional information. During the three months ended March 31, 2024, we recognized an impairment charge of \$2.7 million related to properties held for sale.

Property operating expenses. During the three months ended June 30, 2024 and March 31, 2024, we recognized \$0.3 million and \$0.7 million, respectively, of property operating expenses related to assets we plan to sell or repurpose, re-tenant, or have sold.

General and administrative expense. General and administrative expense decreased by \$0.7 million as detailed below:

(in thousands)	Three Months Ended		
	June 30, 2024	March 31, 2024	Increase/(Decrease)
Cash compensation	\$ 1,542	\$ 1,765	\$ (223)
Incentive compensation	1,500	1,500	—
Share-based compensation	1,406	2,120	(714)
Professional services	628	738	(110)
Taxes and insurance	345	205	140
Other expenses	715	510	205
General and administrative expense	\$ 6,136	\$ 6,838	\$ (702)

Gain on sale of real estate, net. During the three months ended June 30, 2024, we recorded a \$21,000 gain on sale of real estate related to the sale of one SNF. During the three months ended March 31, 2024, we recorded an \$11,000 gain on sale of real estate, net related to the sale of one SNF and one ALF.

Unrealized loss on other real estate related investments, net. During the three months ended June 30, 2024, we recorded a \$2.4 million unrealized loss on our secured and mezzanine loans receivable due to an increase in estimated credit spreads, partially offset by unrealized gains of \$0.5 million due to an increase in expected cash flows on floating rate loans. During the three months ended March 31, 2024, we recorded an \$0.8 million unrealized loss on our secured and mezzanine loans receivable due to an increase in interest rates, partially offset by unrealized gains of \$0.2 million due to an increase in expected cash flows on floating rate loans.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023:

	Six Months Ended		Increase (Decrease)	Percentage Difference
	June 30, 2024	June 30, 2023		
(dollars in thousands)				
Revenues:				
Rental income	\$ 108,909	\$ 93,908	\$ 15,001	16 %
Interest and other income	23,052	8,251	14,801	179 %
Expenses:				
Depreciation and amortization	27,308	24,954	2,354	9 %
Interest expense	16,907	20,867	(3,960)	(19)%
Property taxes	3,777	2,270	1,507	66 %
Impairment of real estate investments	28,455	23,278	5,177	22 %
Property operating expenses	915	1,621	(706)	(44)%
General and administrative	12,974	9,779	3,195	33 %
Other loss:				
Gain on sale of real estate, net	32	1,958	(1,926)	(98)%
Unrealized losses on other real estate related investments, net	(2,489)	(2,605)	116	(4)%
Net income				
Net loss attributable to noncontrolling interests	(336)	—	(336)	*

• Not meaningful

Rental income. Rental income increased by \$15.0 million as detailed below:

(in thousands)	Six Months Ended		Increase/(Decrease)
	June 30, 2024	June 30, 2023	
Contractual cash rent	\$ 104,402	\$ 91,997	\$ 12,405
Tenant reimbursements	3,375	1,925	1,450
Total contractual rent	107,777	93,922	13,855
Straight-line rent	(14)	(14)	—
Amortization of lease incentives	(4)	—	(4)
Amortization of below market lease intangible	1,150	—	1,150
Total amount in rental income	\$ 108,909	\$ 93,908	\$ 15,001

Total contractual rent includes initial contractual cash rent and tenant operating expense reimbursements, as adjusted for applicable rental escalators and rent increases due to capital expenditures funded by the Company. For tenants on a cash basis, this represents the lesser of the amount that would be recognized on a straight-line basis or cash that has been received. Total contractual cash rent increased by \$13.9 million due to a \$9.8 million increase in rental income from real estate investments made after January 1, 2023, a \$2.5 million increase in rental rates for our existing tenants, a \$1.5 million increase in tenant reimbursements, and a \$0.5 million increase in rental income related to certain tenants on a cash basis method of accounting, partially offset by a \$0.4 million decrease in rental income related to dispositions made after January 1, 2023.

Interest and other income. The \$14.8 million increase in interest and other income was primarily due to an increase of \$8.3 million of interest income on money market funds, an increase of \$7.4 million due to the origination of loans receivable after January 1, 2023, an increase of \$0.4 million due to originations of other loans, and an increase of \$0.2 million related to a loan origination fee received during the six months ended June 30, 2024, partially offset by a decrease of \$1.0 million of interest income due to loan repayments and a decrease of \$0.5 million related to a prepayment penalty on one mezzanine loan receivable during the six months ended June 30, 2023.

Depreciation and amortization. The \$2.4 million, or 9%, increase in depreciation and amortization was primarily due to an increase of \$4.3 million related to acquisitions and capital improvements made after January 1, 2023, partially offset by a decrease of \$1.2 million due to assets becoming fully depreciated after January 1, 2023 and a decrease of \$0.7 million due to classifying assets as held for sale after January 1, 2023.

Interest expense. Interest expense decreased by \$4.0 million as detailed below:

	Change in interest expense for the six months ended June 30, 2024 compared to the six months ended June 30, 2023	
	(in thousands)	
Decrease in interest due to reduction in outstanding borrowing amount for the Revolving Facility, net	\$	(4,990)
Increase in interest rates for the Term Loan		608
Interest on the secured borrowing		456
Other changes in interest expense		(34)
Total change to interest expense	\$	(3,960)

Property taxes. The \$1.5 million, or 66%, increase in property taxes was due to a \$1.9 million increase related to acquisitions made after January 1, 2023, partially offset by \$0.4 million of changes in estimates during the six months ended June 30, 2024 of property taxes paid directly by us as a result of certain assets being designated as held for sale.

Impairment of real estate investments. During the six months ended June 30, 2024, we recognized impairment charges of \$28.5 million related to properties held for sale. See above under “Recent Developments — Impairment of Real Estate Assets, Assets Held for Sale, and Asset Sales” for additional information. During the six months ended June 30, 2023, we recognized an impairment charge of \$23.3 million related to properties classified as held for sale.

Property operating expenses. During the six months ended June 30, 2024 and 2023, we recognized \$0.9 million and \$1.6 million, respectively, of property operating expenses related to assets we plan to sell or repurpose, re-tenant or have sold.

General and administrative expense. General and administrative expense increased by \$3.2 million as detailed below:

(in thousands)	Six Months Ended		Increase/(Decrease)
	June 30, 2024	June 30, 2023	
Share-based compensation	\$ 3,526	\$ 1,860	\$ 1,666
Cash compensation	3,307	2,817	490
Incentive compensation	3,000	2,575	425
Professional services	1,366	1,179	187
Taxes and insurance	550	480	70
Other expenses	1,225	868	357
General and administrative expense	\$ 12,974	\$ 9,779	\$ 3,195

Gain on sale of real estate, net. During the six months ended June 30, 2024, we recorded a \$32,000 gain on sale of real estate, net related to the sale of two SNFs and one ALF. During the six months ended June 30, 2023, we recorded a \$2.0 million gain on sale of real estate, net related to the sale of three ALFs and one SNF.

Unrealized losses on other real estate related investments, net. During the six months ended June 30, 2024, we recorded a \$3.2 million unrealized loss on our secured and mezzanine loans receivable due to an increase in interest rates, partially offset by unrealized gains of \$0.7 million due to an increase in expected cash flows on floating rate loans due to an increase in projected forward interest rates. During the six months ended June 30, 2023, we recorded a \$2.8 million unrealized loss on our secured and mezzanine loans receivable and a \$0.3 million loss due to a loan origination fee paid, partially offset by a \$0.5 million reversal of a previously recognized unrealized loss related to the prepayment of one mezzanine loan receivable.

Liquidity and Capital Resources

To qualify as a REIT for federal income tax purposes, we are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our stockholders on an annual basis. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly

dividends to common stockholders from cash flow from operating activities. All such dividends are at the discretion of our board of directors.

Our short-term liquidity requirements consist primarily of operating and interest expenses directly associated with our properties, including:

- interest expense and scheduled debt maturities on outstanding indebtedness;
- general and administrative expenses;
- dividend plans;
- operating lease obligations; and
- capital expenditures for improvements to our properties.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions and other investments (including mortgage and mezzanine loan originations), capital expenditures, and scheduled debt maturities. We intend to invest in and/or develop additional healthcare and seniors housing properties as suitable opportunities arise and so long as adequate sources of financing are available. We expect that future investments in and/or development of properties, including any improvements or renovations of current or newly-acquired properties, will depend on and will be financed by, in whole or in part, our existing cash, borrowings available to us under the Second Amended Credit Facility (as defined below), future borrowings or the proceeds from sales of shares of our common stock pursuant to our ATM Program or additional issuances of common stock or other securities. In addition, we may seek financing from U.S. government agencies, including through Fannie Mae and the U.S. Department of Housing and Urban Development, in appropriate circumstances in connection with acquisitions and refinancing of existing mortgage loans.

We believe that our expected operating cash flow from rent collections and interest payments on our other real estate related investments, together with our cash balance, available borrowing capacity under the Revolving Facility (as defined below) and availability under the ATM Program will be sufficient to meet ongoing debt service requirements, dividend plans, operating lease obligations, capital expenditures, working capital requirements and other needs for at least the next 12 months. We expect to meet our long-term liquidity needs with cash flows from operations and financing arrangements. While we may from time to time sell properties as part of our hold / investment strategy on an investment-by-investment basis, we currently do not expect to sell any of our properties to meet liquidity needs. Our quarterly cash dividend and any failure of our operators to pay rent or of our borrowers to make interest or principal payments may impact our available capital resources.

We have filed an automatic shelf registration statement with the U.S. Securities and Exchange Commission that expires in February 2026 and at or prior to such time we expect to file a new shelf registration statement. The shelf registration statement allows us or certain of our subsidiaries, as applicable, to offer and sell shares of common stock, preferred stock, warrants, rights, units and debt securities through underwriters, dealers or agents or directly to purchasers, in one or more offerings on a continuous or delayed basis, in amounts, at prices and on terms we determine at the time of the offering. On May 6, 2024, we entered into the New ATM Program. In addition to the issuance and sale of shares of our common stock, we may also enter into one or more ATM forward contracts with sales agents for the sale of shares of our common stock under the ATM Program. See “At-The-Market Offering of Common Stock” for information regarding activity under the ATM Program.

Although we are subject to restrictions on our ability to incur indebtedness, we expect that we will be able to refinance existing indebtedness or incur additional indebtedness for acquisitions or other purposes, if needed. However, there can be no assurance that we will be able to refinance our indebtedness, incur additional indebtedness or access additional sources of capital, such as by issuing common stock or other debt or equity securities, on terms that are acceptable to us or at all.

As of June 30, 2024, we are in compliance with all debt covenants on our outstanding indebtedness.

Cash Flows

The following table presents selected data from our condensed consolidated statements of cash flows for the periods presented (dollars in thousands):

	For the Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	\$ 101,795	\$ 66,986
Net cash used in investing activities	(468,637)	(176,644)
Net cash provided by financing activities	567,528	97,625
Net increase (decrease) in cash and cash equivalents	200,686	(12,033)
Cash and cash equivalents as of the beginning of period	294,448	13,178
Cash and cash equivalents as of the end of period	\$ 495,134	\$ 1,145

Net cash provided by operating activities increased for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. Operating cash inflows are derived primarily from the rental payments received under our lease agreements, including as a result of new investments, and interest payments on our other real estate related investments. Operating cash outflows consist primarily of interest expense on our borrowings and general and administrative expenses. The net increase of \$34.8 million in cash provided by operating activities for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 is primarily due to an increase in rental income received, an increase in interest income received on our other real estate related investments, and a decrease in cash paid for interest expense, partially offset by an increase in cash paid for general and administrative expense.

Cash used in investing activities for the six months ended June 30, 2024 was primarily comprised of \$458.5 million in acquisitions of real estate, investment in real estate related investments and other loans receivable and escrow deposits for potential acquisitions of real estate, \$9.0 million in preferred equity investments and \$1.3 million of purchases of equipment, furniture and fixtures and improvements to real estate. Cash used in investing activities for the six months ended June 30, 2023 was primarily comprised of \$200.0 million in acquisitions of real estate, investment in real estate related investments and other loans receivable and escrow deposits for potential acquisitions of real estate and \$6.4 million of purchases of equipment, furniture and fixtures and improvements to real estate, partially offset by \$15.3 million of principal payments received from our other real estate related investments and other loans receivable and \$14.5 million in net proceeds from real estate sales.

Our cash flows provided by financing activities for the six months ended June 30, 2024 were primarily comprised of \$572.2 million in net proceeds from the issuance of common stock, \$75.0 million in proceeds from a secured borrowing and \$0.6 million in contributions from noncontrolling interests, partially offset by \$77.7 million in dividends paid and a \$2.5 million net settlement adjustment on restricted stock. Our cash flows provided by financing activities for the six months ended June 30, 2023 were primarily comprised of \$155.0 million in borrowings under our Revolving Facility (as defined below), partially offset by \$55.2 million in dividends paid, a \$1.5 million net settlement adjustment on restricted stock and \$0.6 million in costs paid for the issuance of common stock.

Material Cash Requirements

Our material cash requirements from known contractual and other obligations include:

3.875% Senior Unsecured Notes due 2028

On June 17, 2021, our wholly owned subsidiary, CTR Partnership, L.P. (the “Operating Partnership”), and its wholly owned subsidiary, CareTrust Capital Corp. (together with the Operating Partnership, the “Issuers”), completed a private offering of \$400.0 million aggregate principal amount of 3.875% Senior Notes due 2028 (the “Notes”). The Notes mature on June 30, 2028. The Notes accrue interest at a rate of 3.875% per annum payable semiannually in arrears on June 30 and December 30 of each year, commencing on December 30, 2021. The obligations under the Notes are guaranteed, jointly and severally, on an unsecured basis, by us and all of our subsidiaries (other than the Issuers) that guarantee obligations under the Second Amended Credit Facility (as defined below). As of June 30, 2024, we were in compliance with all applicable financial covenants under the indenture governing the Notes. See Note 7, *Debt*, to our condensed consolidated financial statements included in this report for further information about the Notes.

Unsecured Revolving Credit Facility and Term Loan

On December 16, 2022, we, together with certain of our subsidiaries, entered into a second amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender (as amended from time to time, the “Second Amended Credit Agreement”). The Operating Partnership is the borrower under the Second Amended Credit Agreement, and the obligations thereunder are guaranteed, jointly and severally, on an unsecured basis, by us and substantially all of our subsidiaries. The Second Amended Credit Agreement, which amends and restates our amended and restated credit and guaranty agreement, dated as of February 8, 2019 (as amended, the “Prior Credit Agreement”) provides for: (i) an unsecured revolving credit facility (the “Revolving Facility”) with revolving commitments in an aggregate principal amount of \$600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) the continuation of the unsecured term loan credit facility which was previously extended under the Prior Credit Agreement (the “Term Loan” and together with the Revolving Facility, the “Second Amended Credit Facility”) in an aggregate principal amount of \$200.0 million. Future borrowings under the Second Amended Credit Facility will be used for working capital purposes, for capital expenditures, to fund acquisitions and for general corporate purposes.

On October 10, 2023, we entered into the First Amendment to the Second Amended Credit Agreement with KeyBank National Association (the “First Amendment”). The First Amendment restates the definition of Consolidated Total Asset Value to include net proceeds from at-the-market forward commitments executed but not yet closed as of the relevant date as if such proceeds had actually been received.

As of June 30, 2024, we had \$200.0 million outstanding under the Term Loan and no borrowings outstanding under the Revolving Facility. The Revolving Facility has a maturity date of February 9, 2027, and includes, at our sole discretion, two six-month extension options. The Term Loan has a maturity date of February 8, 2026.

The interest rates applicable to loans under the Revolving Facility are, at the Operating Partnership’s option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR (each as defined in the Second Amended Credit Agreement) plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and our consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if we obtain certain specified investment grade ratings on our senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Operating Partnership’s option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and our consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if we obtain certain specified investment grade ratings on our senior long-term unsecured debt). In addition, the Operating Partnership will pay a facility fee on the revolving commitments under the Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and our consolidated subsidiaries (unless we obtain certain specified investment grade ratings on our senior long-term unsecured debt and the Operating Partnership elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based off the credit ratings of our senior long-term unsecured debt).

As of June 30, 2024, we were in compliance with all applicable financial covenants under the Second Amended Credit Agreement. See Note 7, *Debt*, to our condensed consolidated financial statements included in this report for further information about the Second Amended Credit Agreement.

Secured Borrowing

On June 3, 2024, KeyBank National Association purchased a \$75.0 million undivided participation interest in a \$165.0 million mortgage loan from us (see Note 5, *Other Real Estate Related and Other Investments*, for additional information), which bears interest at a rate of SOFR, with a term SOFR floor of 3.0%, plus 2.5% or 2.25%, depending on the debt yield of the loan, and payable monthly. As the transaction did not qualify as a sale in accordance with GAAP, we recorded the participation interest as a secured borrowing in the amount of \$75.0 million in the condensed consolidated balance sheet. The participating interest may be prepaid in whole before the maturity date for an exit fee of up to 0.50% of the loan plus unpaid interest. The participation interest provides for a put option, subject to certain restrictions and a call option for the then-outstanding loan amount plus accrued and unpaid interest. As of June 30, 2024, the interest rate in effect for the secured borrowing was 7.83%. On July 30, 2024, we exercised the call option on the \$75.0 million secured borrowing.

Capital Expenditures

As of June 30, 2024, we had committed to fund expansions, construction, capital improvements and ESG incentives, which provides eligible triple-net tenants with monetary inducements to make sustainable improvements to our properties, at certain triple-net leased facilities totaling \$14.3 million, of which \$6.5 million is subject to rent increase at the

time of funding. We expect to fund the capital expenditures in the next one to two years. See Note 12, *Commitments and Contingencies*, to our condensed consolidated financial statements included in this report for further information regarding our obligation to finance certain capital expenditures under our triple-net leases.

Dividend Plans

We are required to pay dividends in order to maintain our REIT status and we expect to make quarterly dividend payments in cash with the annual dividend amount no less than 90% of our annual REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. See Note 8, *Equity*, to our condensed consolidated financial statements included in this report for a summary of the cash dividends per share of our common stock declared by our board of directors for the three months ended June 30, 2024.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information set forth in the Accounting Standards Codification, as published by the Financial Accounting Standards Board. GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to “Critical Accounting Policies and Estimates” in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 8, 2024, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no material changes in such critical accounting policies during the six months ended June 30, 2024.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our primary market risk exposure is interest rate risk with respect to our variable rate indebtedness.

Our Second Amended Credit Agreement provides for revolving commitments in an aggregate principal amount of \$600.0 million and an unsecured term loan facility in an aggregate principal amount of \$200.0 million from a syndicate of banks and other financial institutions.

The interest rates applicable to loans under the Revolving Facility are, at the Company’s option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR (each as defined in the Second Amended Credit Agreement) plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Operating Partnership’s option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or Adjusted Term SOFR or Adjusted Daily Simple SOFR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). As of June 30, 2024, we had a \$200.0 million Term Loan outstanding and had no borrowings outstanding under the Revolving Facility.

An increase in interest rates could make the financing of any acquisition by us more costly as well as increase the costs of our variable rate debt obligations. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. Increased inflation may also have a pronounced negative impact on the interest expense we pay in connection with our outstanding indebtedness, as these costs could increase at a rate higher than our rents.

Based on our outstanding debt balance as of June 30, 2024 described above and the interest rates applicable to our outstanding debt at June 30, 2024, assuming a 100 basis point increase in the interest rates related to our variable rate debt, interest expense would have increased approximately \$1.4 million for the six months ended June 30, 2024.

We may, in the future, manage, or hedge, interest rate risks related to our borrowings by means of interest rate swap agreements. However, the REIT provisions of the Internal Revenue Code of 1986, as amended, substantially limit our ability to hedge our assets and liabilities. See “Risk Factors — Risks Related to Our Status as a REIT — Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities,” which is included in our Annual Report on Form 10-K for the year ended December 31, 2023. As of June 30, 2024, we had no swap agreements to hedge our interest rate risks. We also expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2024, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of June 30, 2024.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its subsidiaries are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of business, but none of the Company or any of its subsidiaries is, and none of their respective properties are, the subject of any material legal proceedings. Claims and lawsuits may include matters involving general or professional liability asserted against its tenants, which are the responsibility of its tenants and for which the Company is entitled to be indemnified by its tenants under the insurance and indemnification provisions in the applicable leases.

Item 1A. Risk Factors.

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 risk factors which materially affect our business, financial condition, or results of operations. There have been no material changes from the risk factors previously disclosed, other than as set forth below.

Any event that materially and adversely affects the business, financial position or results of operations of our borrowers could materially and adversely affect our business, financial position or results of operations.

From time to time, we originate loans receivable to certain borrowers in the form of mortgage secured loans or mezzanine loans, which are directly or indirectly secured by underlying properties owned by the borrowers. The ability of our borrowers to repay the loans is typically dependent primarily on the successful operation of the properties securing the loans. Because these properties are owned and operated by our borrowers, their affiliates, or unrelated third parties, we are unable to directly implement strategic business decisions regarding the daily operation of these properties. Any failure by a borrower to effectively conduct its operations in such a way to generate sufficient income, or any material adverse event that interferes with a borrower’s ability to generate sufficient income, may cause the borrower to be unable to make timely loan payments or to default on the loan.

In the event of any default under any loan receivable held by us, we will bear a risk of loss of principal and accrued interest to the extent of any deficiency between the value of the underlying property directly or indirectly securing the loan and the principal and accrued interest of the loan, which could have a material adverse effect on our business, financial position or results of operations. In addition, with respect to a default of any of our mezzanine loans, we are not entitled to any payment until all senior debt holders are paid in full. Foreclosure on a property or other interest that secures a loan receivable can be an expensive and lengthy process that could have a substantial negative effect on our anticipated return on the foreclosed investment. In the event of the bankruptcy of a loan borrower, the loan to such borrower will be deemed to be secured only to the extent of the value of the underlying property or other assets, as applicable, at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Item 5. Other Information.

None.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Description of the Document</u>
<u>3.1</u>	<u>Articles of Amendment and Restatement of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Registration Statement on Form 10, filed on May 13, 2014, is incorporated herein by reference).</u>
<u>3.2</u>	<u>Articles of Amendment, dated May 30, 2018, to the Articles of Amendment and Restatement of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on May 31, 2018, is incorporated herein by reference).</u>
<u>3.3</u>	<u>Amended and Restated Bylaws of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on March 7, 2019, is incorporated herein by reference).</u>
<u>*31.1</u>	<u>Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>*31.2</u>	<u>Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>**32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
*101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
*101.SCH	Inline XBRL Taxonomy Extension Schema Document
*101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
*104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 1, 2024	CareTrust REIT, Inc. By: /s/ David M. Sedgwick David M. Sedgwick President and Chief Executive Officer (duly authorized officer)
August 1, 2024	By: /s/ William M. Wagner William M. Wagner Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)

CERTIFICATION

I, David M. Sedgwick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CareTrust REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David M. Sedgwick

David M. Sedgwick
President and Chief Executive Officer

Date: August 1, 2024

CERTIFICATION

I, William M. Wagner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CareTrust REIT, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ William M. Wagner

William M. Wagner

Chief Financial Officer and Treasurer

Date: August 1, 2024

Certification of Chief Executive Officer and
Chief Financial Officer Pursuant to
18 U.S.C. Section 1350, As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of CareTrust REIT, Inc. (the “Company”) for the quarterly period ended June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), David M. Sedgwick, as President and Chief Executive Officer of the Company, and William M. Wagner, as Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. Sedgwick

Name:

David M. Sedgwick

Title: President and Chief Executive Officer

Date: August 1, 2024

/s/ William M. Wagner

Name: William M. Wagner

Title: Chief Financial Officer and Treasurer

Date: August 1, 2024