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RHE PR A - REGIONAL HEALTH PROPERTIE

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1252

█	CHANGES	154
█	DELETIONS	695
█	ADDITIONS	403

**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 **September 30, March 31, 2023** **2024**

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 **001-33135**

Regional Health Properties, Inc.

(Exact name of registrant as specified in its charter)

Georgia

81-5166048

**(State or other jurisdiction
of incorporation)**

(I.R.S. Employer

Identification Number)

1050 Crown Pointe Parkway, Suite 720, Atlanta, GA 30338

(Address of principal executive offices)

(678) 869-5116

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, no par value	RHE	NYSE American
Series A Redeemable	RHE-PA	NYSE American
Preferred		
Stock, no par value		

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 definition of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. Yes No

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of **November 14, 2023** **May 13, 2024** the registrant had **1,883,028** **1,839,028** shares of common stock, no par value, outstanding.

Regional Health Properties, Inc.
Form 10-Q

Table of Contents

	Page Number
Part I. <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited)</u>	3
<u>Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	4
<u>Consolidated Statements of Stockholders' Equity (Deficit) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	5
<u>Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023</u>	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29 23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	38 30
Item 4. <u>Controls and Procedures</u>	38 30
Part II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	38 30
Item 1A. <u>Risk Factors</u>	38 30
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41 30
Item 3. <u>Defaults upon Senior Securities</u>	41 31
Item 4. <u>Mine Safety Disclosures</u>	41 31
Item 5. <u>Other Information</u>	41 31
Item 6. <u>Exhibits</u>	41 31
<u>Signatures</u>	44 33

Part I. Financial Information

Item 1. Financial Statements

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in 000's)

	Sept embe r 30, 2023	Dece mber 31, 2022	March 31, 2024	December 31, 2023
	(Un audi ted)	(Unaudited)		
<u>ASSETS</u>				
Property and equipment, net	45 ,8 \$ 06	46 ,6 \$ 11	\$ 44,885	\$ 45,337
Cash	1, 42 7	84 3	752	953
Restricted cash	3, 20 8	3, 06 6	3,223	3,231
Accounts receivable, net of allowances of \$1,579 and \$1,298	2, 03 5	6, 28 9		
Accounts receivable, net of allowances of \$2,056 and \$2,040			1,464	1,403
Prepaid expenses and other	90 3	74 6	410	609
Notes receivable	1, 06 0	1, 09 9	1,034	1,044

Intangible assets - bed licenses	2, 47	2, 47		
	1	1	2,471	2,471
Intangible assets - lease rights, net		11		
	92	0	83	87
Right-of-use operating lease assets	2, 58	2, 84		
	8	8	2,455	2,556
Goodwill	1, 58	1, 58		
	5	5	1,585	1,585
Lease deposits and other deposits	4	—	4	4
Straight-line rent receivable	2, 83	2, 91		
	0	2	2,859	2,901
Total assets	64	68		
	,0	,5		
	\$ 09	\$ 80	\$ 61,225	\$ 62,181

LIABILITIES AND EQUITY

LIABILITIES AND EQUITY (DEFICIT)

Senior debt, net	44	45		
	,2	,1		
	\$ 08	\$ 63	\$ 43,500	\$ 43,855
Bonds, net	5, 98	6, 12		
	9	0	5,993	5,991
Other debt, net	1, 18	— 89		
	1	5	516	889
Accounts payable	2, 78	3, 29		
	3	3	3,106	2,493
Accrued expenses	4, 80	5, 03		
	6	6	4,240	4,060

Operating lease obligation	2, 94	3, 22		
	8	6	2,807	2,917
Other liabilities	1, 70	1, 13		
	7	1	1,797	1,791
Total liabilities	63	64		
	,6	,8		
	22	64	61,959	61,996
Stockholders' equity:				
Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,894 and 1,793 shares issued and 1,883 and 1,784 shares outstanding at September 30, 2023 and December 31, 2022, respectively	63	62		
	,0	,7		
	23	02		
Stockholders' equity (deficit):				
Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,850 shares issued and 1,839 shares outstanding at March 31, 2024 and December 31, 2023			63,102	63,059
Preferred stock, no par value; 5,000 shares authorized (including amounts authorized for Series A and Series B); shares issued and outstanding designated as follows:				
Preferred stock, Series A, no par value; 560 shares authorized, issued and outstanding at September 30, 2023, with a redemption amount \$426 at September 30, 2023; 5,000 shares authorized, 2,812 shares issued and outstanding at December 31, 2022, with a redemption amount of \$70,288			62	
	42	,4		
	6	23		
Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at September 30, 2023, with a redemption amount \$18,602 at September 30, 2023; no shares authorized, issued and outstanding at December 31, 2022			18	
	,6			
	02	—		
Preferred stock, Series A, no par value; 560 shares authorized, issued and outstanding at March 31, 2024 and December 31, 2023, with a redemption amount \$426 at March 31, 2024 and December 31, 2023			426	426

Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at March 31, 2024 and December 31, 2023, with a redemption amount \$18,602 at March 31, 2024 and December 31, 2023		18,602	18,602
Accumulated deficit	(8 1, 66 4)	(1 21 ,4 09)	
			(82,864)
Total stockholders' equity	3, 38 7	71 6	
Total liabilities and stockholders' equity	64 ,0	68 ,5	
	\$ 09	\$ 80	
Total stockholders' equity (deficit)			(734) 185
Total liabilities and stockholders' equity (deficit)			\$ 61,225 \$ 62,181

See accompanying notes to unaudited consolidated financial statements.

3

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in 000's, except per share data) 000's

(Unaudited)

	Nine Months		Three Months Ended March 31,			
	Three Months Ended		Ended September			
	September 30, 2023	2022	30, 2023	2022	2024	2023
Revenues:						

Patient care revenues	2,1	7,7	6,5	14,			
	\$ 36	\$ 69	\$ 77	\$ 650	\$	2,309	\$ 1,916
Rental revenues	1,7	3,0	5,1	10,			
	39	00	70	326		1,818	1,708
Management fees	26	25					
	3	5	788	774	—		278
Other revenues	—	6	107	20	—	—	4
Total revenues		11,					
	4,1	03	12,	25,			
	38	0	642	770	4,127		3,906
Expenses:							
Patient care expense	2,3	7,4	7,0	14,			
	13	76	10	040	2,101		2,321
Facility rent expense	14	1,4		4,7			
	9	51	446	25	149		149
Cost of management fees	15	14					
	6	0	442	459	—		141
Depreciation and amortization	52	60	1,7	1,8			
	6	0	38	19	511		510
General and administrative expense	97	1,3	3,1	3,4			
	2	78	90	32	1,632		1,531
Doubtful accounts expense	22	1,5		3,7			
	9	15	269	42	28		16
Other operating expenses	19	44		1,4			
	7	1	511	09			
Total expenses		13,					
	4,5	00	13,	29,			
	42	1	606	626	4,421		4,668
Loss from operations		(1,					
	(40	97	(96	(3,8			
	4)	1)	4)	56)	(294)		(762)
Other (income) expense:							
Other expense:							
Interest expense, net	70	56	2,0	1,8			
	8	4	66	55	674		680

Other (income) expense, net	(2, 13 9)	16 4)	620	(1,0 88)	(6)	550
Total other (income) expense, net	56 9	60 0)	2,6 86	767		
Total other expense, net					668	1,230
Net loss	(97 \$ 3)	(37 \$ 1)	(3,6 \$ 50)	(4,6 \$ 23)	(962)	(1,992)
Preferred stock dividends - undeclared	(2, 24 —)	(6,7 — 48)				(2,249)
Preferred stock dividends - gain on extinguishment	43, 395 —	—				
Net profit (loss) attributable to Regional Health Properties, Inc. common stockholders	(97 \$ 3)	62 \$ 0)	39, \$ 745	(11, \$ 371)		
Net profit (loss) per share of common stock attributable to Regional Health Properties, Inc.						
Basic:	\$ (0.) 52	\$ (1.) 48	\$ 21. 18	\$ (6.4) 0		
Diluted:	\$ (0.) 52	\$ (1.) 48	\$ 21. 18	\$ (6.4) 0		
Net loss attributable to Regional Health Properties, Inc. common stockholders					\$ (962)	\$ (4,241)
Net loss per share of common stock attributable to Regional Health Properties, Inc.						
Basic and Diluted					\$ (0.52)	\$ (2.28)
Weighted average shares of common stock outstanding:						
Basic:	1,8 83, 02 8	1,7 68, 72 0	1,8 76, 138	1,7 75, 637		

Diluted:	1,8	1,7						
	83,	68,	1,8	1,7				
	02	72	76,	75,				
	8	0	138	637				
Basic and Diluted					1,839			1,862

See accompanying notes to unaudited consolidated financial statements.

4

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(Amounts in 000's)
(Unaudited)

	Shares	Shares	Share				Preferr	
	of	of	s of	Share	Common	Preferre	ed	
	Common	Preferr	Prefer	s of	stock and	d stock	stock	
	Stock	ed	red	Treas	additional	A,	B,	Accum
	Outstand	Stock	Stock	ury	paid-in	no par	no par	ulated
	ing	A	B	Stock	capital	value	value	Deficit
								Total
Balance, December 31, 2022		2,81				62,4		(121
	1,784	2	—	(9)	\$ 62,702	\$ 23	\$ —	\$,409)
Restricted stock issuance	99	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	81	—	—	81
Net loss								(1,
								99
								(1,9
								99
Balances, March 31, 2023		2,81				62,4		(123
	1,883	2	—	(9)	\$ 62,783	\$ 23	\$ —	\$,401)
								\$ 05

Extinguishment of Series A	(2,2)	—	—	—	(61,9)	—	—	(61)
Preferred Stock	52				97			,99
								7
Exchange of Series A to Series B								61,
		2,2				18,6	43,3	99
	—	—	52	—	—	—	02	95
								7
Stock-based compensation					155	—	—	15
	—	—	—	—	—	—	—	5
Forfeitures of stock-based awards			(2)	—	—	—	—	—
Net loss								(68)
	—	—	—	—	—	—	—	(685) 5
Balances, June 30, 2023		2,2				18,6	(80,	1,2
	1,883	560	52	(11)	\$ 62,938	\$ 426	\$ 02	\$ 691) \$ 75
Stock-based compensation	—	—	—	—	85	—	—	85
Net loss								(97)
	—	—	—	—	—	—	—	(973) 3
Balances, September 30, 2023		2,2				18,6	(81,	38
	1,883	560	52	(11)	\$ 63,023	\$ 426	\$ 02	\$ 664) \$ 7
	<u>1,883</u>	<u>560</u>	<u>52</u>	<u>(11)</u>	<u>\$ 63,023</u>	<u>\$ 426</u>	<u>\$ 02</u>	<u>\$ 664)</u> <u>\$ 7</u>

	Common								
	Stock								
	Shares		Shares		and				
	of		of		Additional		Preferred	Preferred	
	of		Preferre		Stock A,		Stock B,		Accumula
	Common	Stock	Common	Stock	Treasury	Paid-in	no par	no par	ted
	Stock	Stock	Stock	Stock	Stock	Capital	value	value	Deficit
									Total
Balance, December						63,05			
31, 2023	1,839	560	2,252	(11)	\$ 9	\$ 426	\$ 2	\$ 2	\$ 185
Stock-based									
compensation	—	—	—	—	43	—	—	—	43
Net loss	—	—	—	—	—	—	—	(962)	(962)
Balances, March 31,					63,10				
2024	1,839	560	2,252	(11)	\$ 2	\$ 426	\$ 2	\$ 4	\$ (734)
	<u>1,839</u>	<u>560</u>	<u>2,252</u>	<u>(11)</u>	<u>\$ 2</u>	<u>\$ 426</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ (734)</u>

	Shares	Shares	Share	Share	Common	Preferre	Preferr	Accum	Total
	of	of	s of	s of	Stock and	d stock	ed	ulated	

Restricted stock issuance	99	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	81	—	—	—	—	81
Net Loss	—	—	—	—	—	—	—	—	(1,992)	(1,992)
Balances, March 31, 2023	1,883	2,812	—	(9)	\$ 3	\$ 3	\$ —	\$ 01	\$ 1,805	

See accompanying notes to unaudited consolidated financial statements.

5

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000's)

(Unaudited)

	Nine Months Ended		Three Months Ended March 31,	
	September 30, 2023	2022	2024	2023
Cash flows from operating activities:				
Net loss	\$ (3,650)	\$ (4,623)	\$ (962)	\$ (1,992)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,738	1,819	511	510
Stock-based compensation expense	321	173	43	81
Rent expense (less than) in excess of cash paid	(18)	126		
Rent revenue less than (in excess) of cash received	(298)	(1,410)		
Rent expense less than cash paid			(9)	(4)
Rent revenue in excess of cash received			121	26

Amortization of deferred financing costs, debt discounts and premiums	56	67	25	19
Bad debt expense	269	3,742	28	16
Changes in operating assets and liabilities:				
Accounts receivable	4,053	(4,349)	(168)	3,357
Prepaid expenses and other assets	1,157	533	209	546
Lease deposits and other deposits	(4)	—		
Accounts payable and accrued expenses	(739)	2,013	793	(107)
Other liabilities	575	(262)	6	145
Net cash provided by (used in) operating activities	3,460	(2,171)		
Net cash provided by operating activities			597	2,597
Cash flows from investing activities:				
Purchase of property and equipment	(916)	(183)	(55)	(2)
Net cash used in investing activities	(916)	(183)	(55)	(2)
Cash flows from financing activities:				
Payment of senior debt	(988)	(1,219)	(378)	(322)
Payment of other debt	(813)	(882)	(373)	(363)
Debt extinguishment and issuance costs	(17)	—		
Proceeds from other debt	—	50		
Repurchase of common stock	—	(46)		
Net cash used in financing activities	(1,818)	(2,097)	(751)	(685)
Net change in cash and restricted cash	726	(4,451)	(209)	1,910
Cash and restricted cash, beginning	3,909	9,848	4,184	3,909
Cash and restricted cash, ending	\$ 4,635	\$ 5,397	\$ 3,975	\$ 5,819

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000's)

(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 2,004	\$ 1,797
Supplemental disclosure of non-cash activities:		
Vendor-financed insurance	\$ 962	\$ 1,078
Exchange of preferred stock Series A to Series B	\$ 18,602	\$ —
Gain on extinguishment of preferred stock	\$ 43,395	\$ —
Account receivable converted to note receivable	\$ 312	\$ —

	Three Months Ended March 31,	
	2024	2023
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 677	\$ 650

See accompanying notes to unaudited consolidated financial statements.

7

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

Notes to **Unaudited** Consolidated Financial Statements

September 30, 2023 **March 31, 2024**

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Regional Health Properties, Inc.'s (the "Company" or "Regional Health") predecessor was incorporated in Ohio on August 14, 1991, under the name Passport Retirement, Inc. In 1995, Passport Retirement, Inc. acquired substantially all of the assets and liabilities of AdCare Health Systems, Inc. and changed its name to AdCare Health Systems, Inc. ("AdCare"). AdCare completed its initial public offering in November 2006, relocated its executive offices and accounting operations to

Georgia in 2012, and changed its state of incorporation from Ohio to Georgia in December 2013. Regional Health Properties, Inc. is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior housing. Our The Company's business primarily consists of leasing such facilities to third-party tenants, which operate the facilities. The Company has two primary reporting segments: (i) Real Estate, Services, which consists of the leasing and subleasing of long-term care and senior living facilities to third-party tenants including the Company's management of three facilities on behalf of third-party owners; and (ii) Healthcare Services segment, which consists of the operation of the Meadowood and Glenvue facilities. Effective August 3, 2023, the Company's 12.5% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Stock") is quoted on the OTC Markets Group, Inc.'s OTCQX Venture Market under the symbol "RHEPB".

Basis of Presentation

The accompanying consolidated financial statements are prepared in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the 2022 2023 audited consolidated financial statements and notes thereto, which are included in our 2022 Annual Report on the 2023 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on April 14, 2023 ("Annual Report") April 1, 2024.

In the opinion of management, the unaudited consolidated financial statements for the interim periods presented include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position and the results of its operations and cash flows for such periods presented. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Reclassifications

Certain reclassifications have been made to the amounts reported in the prior periods period in order to conform to the current period's presentation. A reclassification has been made to the stock balances certain expenses reported on the consolidated statement statements of stockholders' equity operations in the prior periods period in order to conform to the current period's presentation.

Principles of Consolidations

The consolidated financial statements include the Company's majority owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated through consolidation.

Variable Interest Entities

The Company has a loan receivable with Peach Health, a sublessee. Such agreement creates a variable interest in the Peach Health sublessee that may absorb some or all of the expected losses of the entity. The Company does not consolidate the operating activities of the Peach Health sublessee as the Company does not have the power to direct the activities that most significantly impact the entity's economic performance.

Revenue Recognition and Allowances

Patient Care Revenue. ASC Topic 606, *Revenue from Contracts with Customers*, requires a company to recognize revenue when the company transfers control of promised goods and services to a customer. Revenue is recognized in an amount that reflects the consideration to which a company expects to receive in exchange for such goods and services. Revenue from our Healthcare Services business segment is derived from services rendered to patients in the Meadowood and Glenview facilities. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services ("CMS"); CMS; (ii) state governments under their respective Medicaid and similar programs; (iii) commercial insurers; and (iv) individual patients and clients. The vast majority (greater than 90%) of the revenue the Company recognizes has recognized is from government sources. The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and other price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. The Company recognizes revenue at the amount that reflects the consideration the Company expects to receive in exchange for the services provided. These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments from estimated reimbursements, if any, under reimbursement programs. Performance obligations, such as providing room and board, wound care, intravenous drug therapy, physical therapy, and quality of life activities amongst others, are determined based on the nature of the services provided are determined based

on the nature of the services provided. Revenue is recognized as performance obligations are satisfied. Estimated uncollectable amounts due from patients are generally considered implicit price concessions that are a direct reduction to net operating patient care revenues.

Triple-Net Leased Properties. The Company recognizes rental revenue in accordance with ASC 842, Leases. The Company's triple-net leases provide for periodic and determinable increases in rent. The Company recognizes rental revenues under these leases on a straight-line basis over the applicable lease term when collectability is probable. Recognizing rental income on a straight-line basis generally results in recognized revenues during the first half of a lease term exceeding the cash amounts contractually due from our tenants, creating a straight-line rent receivable that is included in the straight-line rent receivable on our consolidated balance sheets. In the event the Company cannot reasonably estimate the future collection of rent from one or more tenant(s) of the Company's facilities, rental income for the affected facilities is recognized only upon cash collection, and any accumulated straight-line rent receivable is expensed in the period in which the Company deems rent collection to no longer be probable.

Management Fee Revenues and Other Revenues. The Company recognizes management fee revenues as services are provided. provided in accordance with ASU 2014-09, *Revenue from Contracts with Customers*, as codified in ASC 606, which requires revenue to be recognized in an amount that reflects the consideration to which a company expects to receive in exchange for such goods and services. The Company has had one contract to manage three facilities (the "Management Contract" "Management Contract"), with payment for each month of service generally received in full which ended on a monthly basis. The maximum penalty for service contract nonperformance under the Management Contract is \$50,000 per year, payable after the end of the year December 31, 2023. Further, the Company recognizes interest income from loans and investments, using the effective interest method when collectability is probable. The Company applies the effective interest method on a loan-by-loan basis. On June 30, 2023, the Company received a notice of termination, pursuant to which the Management Contract will terminate on December 31, 2023.

Allowances. The Company assesses the collectability of its rent receivables, including straight-line rent receivables and working capital loans to tenants and patient reimbursement tenants. The Company bases its assessment of the collectability of rent receivables and working capital loans to tenants on several factors, including payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, and current economic conditions. If the Company's evaluation of these factors indicates it is probable that the Company will be unable to receive the rent payments or payments on a working capital loan, then the Company provides a reserve against the recognized straight-line rent receivable asset or working capital loan for the portion that we estimate may not be recovered. Payments received on impaired loans are applied against the allowance. If the Company changes its assumptions or estimates regarding the collectability of future rent payments required by a lease or required from a working capital loan to a tenant, then the Company may adjust its reserve to increase or reduce the rental revenue or interest revenue from working capital loans to tenants recognized in the period the Company makes such change. change in its assumptions or estimates. See Note 6 – *Leases.* Leases Regarding patient reimbursements, the Company assesses the patient receivable based on payor type and age of the receivable amongst several other factors. The Company has reserved for approximately 1.5% of our patient care revenue receivables based on the historical performance historic industry standards and industry practices. continues to assess the adequacy of such reserve.

As of September 30, 2023 and December 31, 2022, the Company reserved for approximately \$1.6 million and \$1.3 million, respectively, of uncollected receivables. Accounts receivable, net of allowance, totaled \$2.0 million at September 30, 2023 and \$6.3 million at December 31, 2022.

The following table presents the Company's Accounts receivable, net of allowance for the periods presented:

(Amounts in 000's)	September 30, 2023	December 31, 2022	March 31,		December 31,	
			2024	2023	2024	2023
Gross receivables						
Real Estate Services	\$ 908	\$ 1,094	\$ 656	\$ 693		
Healthcare Services	2,706	6,493	2,864	2,750		
Subtotal	3,614	7,587	3,520	3,443		
Allowance						
Real Estate Services	(338)	(338)	—	—		
Healthcare Services	(1,241)	(960)	(2,056)	(2,040)		
Subtotal	(1,579)	(1,298)	(2,056)	(2,040)		
Accounts receivable, net of allowance	\$ 2,035	\$ 6,289	\$ 1,464	\$ 1,403		

Prepaid Expenses and Other

As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the Company had approximately **\$0.9** **0.4** million and **\$0.7** **0.6** million, respectively, in prepaid expenses and other; the **\$0.2** million **increase** **decrease** is related to insurance for the Meadowood and Glenvue facility operations, while the other amounts are predominantly for directors' and officers' insurance, NYSE American annual fees, and mortgage insurance premiums.

9

Accounts Payable

The following table presents the Company's Accounts payable for the periods presented:

(Amounts in 000's)	September 30, 2023	December 31, 2022	March 31,		December 31,	
			2024	2023	2024	2023
Accounts payable						
Real Estate Services	\$ 1,052	\$ 797	\$ 1,410	\$ 751		
Healthcare Services	1,731	2,496	1,696	1,742		

Total Accounts payable	\$ 2,783	\$ 3,293	\$ 3,106	\$ 2,493
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Other Liabilities

As of March 31, 2024 and December 31, 2023, the Company had approximately \$1.8 million and \$1.8 million, respectively in Other liabilities, consisting of security lease deposits and sublease improvement funds.

Other Expense, net

The Company had retained a law firm to evaluate and assist with possible opportunities to improve the Company's capital structure. For the three months ended September 30, 2023 and September 30, 2022, these costs were \$ See Note 2 – 0.3 Series A Preferred million and \$0.2 Exchange Offer. million, respectively. For the nine months ended September 30, 2023 and September 30, 2022, these costs were \$0.8 million and \$1.1 million, respectively.

Leases and Leasehold Improvements

The Company leases certain facilities and equipment in the normal course of business. At the inception of each lease, the Company performs an evaluation to determine whether the lease should be classified as an operating lease or finance lease. As of September 30, 2023 March 31, 2024, all of the Company's leased facilities are facility is accounted for as an operating leases. lease. For operating leases that contain scheduled rent increases, the Company records rent expense on a straight-line basis over the term of the lease. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term.

The Company recognizes both right of use assets and lease liabilities for leases in which we lease land, real property, or other equipment. We assesses any new contracts or modification of contracts in accordance with ASC 842, Leases, to determine the existence of a lease and its classification.

We report are reporting revenues and expenses for real estate taxes and insurance where the lessee has not made those payments directly to a third-party third party in accordance with its their respective leases with us. Additionally, we expense certain leasing costs, other than leasing commissions, as they are incurred. The present value of minimum lease payments was calculated on each lease, using a discount rate that approximated our incremental borrowing rate and the current lease term. See Note 6– Leases for more information on the Company's operating leases.

Insurance

We maintain general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles we believe are appropriate, based on the nature and risks of our business, historical experience, availability, and industry standards, including for the operations at the Glenview and Meadowood facilities. Our current policies provide for deductibles for each claim and contain various exclusions from coverage. The Company has self-insured against

professional and general liability claims related to its healthcare operations that were discontinued during 2014 and 2015 in connection with its transition from an owner and operator of healthcare properties to a healthcare property holding and leasing company (the "Transition"). For further information, see Note 11 – *Commitments and Contingencies*, and Note 13.12 – *Commitments and Contingencies*, to the consolidated financial statements for the year ended December 31, 2022 for more information. The Company evaluates quarterly the adequacy of its self-insurance reserve based on a number of factors, including: (i) the number of actions pending and the relief sought; (ii) analyses provided by defense counsel, medical experts or other information which comes to light during discovery; (iii) the legal fees and other expenses anticipated to be incurred in defending the actions; (iv) the status and likely success of any mediation or settlement discussions, including estimated settlement amounts and legal fees and other expenses anticipated to be incurred in such settlement, as applicable; and (v) the venues in which the actions have been filed or will be adjudicated. The Company believes that most of the professional and general liability actions are defensible and intends to defend them through final judgment unless settlement is more advantageous to the Company. Accordingly, the self-insurance reserve reflects the Company's estimate of settlement amounts for the pending actions, if applicable, and legal costs of settling or litigating the pending actions, as applicable. Because the self-insurance reserve is based on estimates, the amount of the self-insurance reserve may not be sufficient to cover the settlement amounts actually incurred in settling the pending actions, or the legal costs actually incurred in settling or litigating the pending actions. See Note 7 – *Accrued Expenses*. In addition, the Company maintains certain other insurance programs, including commercial general liability, property, casualty, directors' and officers' liability, crime, and employment practices liability.

Discontinued Operations 10

Prior to December 2015, the Company's business focused primarily on owning and operating skilled nursing facilities ("SNF") and managing such facilities for unaffiliated owners with whom the Company had management contracts. These operations were discontinued and transitioned to the leasing model of business.

As of September 30, 2023 and December 21, 2022 the Company determined remaining escheatment liabilities for discontinued operations are \$0.8 million and are included in accrued expenses.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the respective period. Diluted earnings per share is similar to basic net loss per share except that the net loss is adjusted by the impact of the weighted-average number of shares of common stock outstanding including potentially dilutive securities (such as options, warrants and non-vested common stock) when such securities are not anti-dilutive. Potentially dilutive securities from options, warrants and unvested restricted shares are

calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all options and warrants with exercise prices exceeding the average market value are used to repurchase common stock at market value. The incremental shares remaining after the proceeds are exhausted represent the potentially dilutive effect of the securities.

Securities outstanding that were excluded from the computation, because they would have been anti-dilutive were as follows:

(Share amounts in 000's)	September 30,	
	2023	2022
Stock options	37	13
Warrants - employee	32	34
Warrants - non employee	1	5
Total anti-dilutive securities	70	52

11

(Share amounts in 000's)	March 31,	
	2024	2023
Stock options	33	13
Warrants - employee	32	34
Warrants - non employee	—	1
Total anti-dilutive securities	65	48

The weighted average contractual terms in years for these securities as of September 30, 2023 March 31, 2024, with no intrinsic value, are 6.3 6.6 years for the stock options and 1.2 0.8 years for the warrants.

New Recently Adopted Accounting Pronouncements Issued But Not Yet Effective

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements* (Topic 842) amendments, which requires entities to determine whether related party arrangements between entities under common control are leases. The amendments also address the accounting treatment of leasehold improvements associated with common control leases. They require the lessee to amortize leasehold improvements over the useful life of the improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset. If the lessee no longer controls the use of the asset, the leasehold improvements are accounted for as a transfer between entities under common control through an adjustment to equity. These improvements are also subject to impairment guidance in Topic 360, *Property, Plant, and Equipment*. The amendment is effective for public entities beginning

after December 15, 2023. The Company adopted ASU 2023-01 effective January 1, 2024. The adoption of ASU-2023-01 did not have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements Issued But Not Yet Effective

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires a public company to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. A public company with a single reportable segment is required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-01 2023-07.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires a public company, on its an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on the Company's consolidated financial statements.

No other new accounting pronouncement issued or effective has had, or is expected to have, a material impact on the Company's financial statements.

NOTE 2. LIQUIDITY

Overview

The Company intends to pursue measures to grow its operations, streamline its cost infrastructure and otherwise increase liquidity, including: (i) refinancing or repaying debt to reduce interest costs and mandatory principal repayments, with such repayment to be funded through potentially expanding borrowing arrangements with certain lenders; (ii) increasing future lease revenue through acquisitions and investments in existing properties; (iii) modifying the terms of existing leases; (iv) replacing certain tenants who default on their lease payment terms; and (v) reducing other and general and administrative expenses.

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, and debt refinancing during the twelve months following the date of this filing. At **September 30, 2023** **March 31, 2024**, the Company had **\$1.4** **0.8** million in unrestricted **cash**. **cash** and **\$1.5** million of net accounts receivable, mainly consisting of patient accounts receivable and rent receivables.

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Company's cash provided by operating activities was **\$3.5** **0.6** million primarily due to **collection** the timing of **the Employee Retention Tax Credit**. **accounts payable** and **accrued expense payments**. The Company is seeking collection of the past due rent. In addition, management is working to expedite the time it takes to collect and receive aged patient receivables. Cash flow from operations in the future will be based on the operational performance of the facilities under the company's management, Glenvue and Meadowood, as well as continued uncertainty of the COVID-19 pandemic and its impact on the Company's business, financial condition and results of operations.

Series A Preferred Stock Exchange Offer ("Exchange Offer")

In early 2020, the Company began ongoing efforts to investigate alternatives to retire or refinance our outstanding Series A Preferred Stock through privately negotiated transactions, open market repurchases, redemptions, exchange offers, tender offers, or otherwise.

On June 30, 2023, the Company closed the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Company's 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") for newly issued shares of the Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of **September 30, 2023** **March 31, 2024**, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 9 – *Common and Preferred Stock*.

The Company is current with all of its debt and other financial obligations.

Costs associated with these efforts have been expensed as incurred in "Other expense, net" and were \$0.6 million for the three months ended March 31, 2023, and there were no expenses incurred for the three months ended March 31, 2024.

Series A Preferred Dividend Suspension

Prior to the Exchange Offer, as discussed above, we suspended the quarterly dividend payment with respect to our Series A Preferred Stock commencing with the fourth quarter of 2017, and on June 8, 2018, the Board suspended quarterly dividend payments indefinitely with respect to the Series A Preferred Stock. The dividend suspension provided the Company with additional funds to meet its ongoing liquidity needs. As the Company had failed to pay cash dividends on the outstanding Series A Preferred Stock in full for more than four dividends periods, the annual dividend rate on the Series A Preferred Stock for the fifth and future missed dividend periods had increased to 12.875%, which was equivalent to approximately \$3.20 per share each year, commencing on the first day after the missed fourth quarterly payment (October

1, 2018) and continuing until the second consecutive dividend payment date following such time as the Company had paid all accumulated and unpaid dividends on the Series A Preferred Stock in full in cash. As discussed above, in connection with the completion of the Exchange Offer, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated.

12

Debt

As of **September 30, 2023** **March 31, 2024**, the Company had **\$51.4** **50.0** million in indebtedness, net of **\$1.1** **1.0** million deferred financing costs and unamortized discounts. The Company anticipates net principal repayments of approximately **\$2.3** **1.7** million during the next

12

twelve-month period, approximately \$1.5 million of routine debt service **amortization**, **\$0.7** million of insurance financing amortization and a \$0.1 million payment of bond debt.

Debt Extinguishment

On December 30, 2022, the Company extended the maturity date on approximately \$0.5 million other debt from August 25, 2023 to August 25, 2025 (the "Key Bank Exit Notes"). For further information, see Note 8 – Notes Payable and Other Debt.

On October 21, 2022, the Company, through wholly-owned subsidiaries, consummated a U.S. Department of Housing and Urban Development ("HUD") refinancing of its senior mortgages on three SNFs in Ohio. Funding was provided by Newpoint Real Estate Capital LLC ("Newpoint") pursuant to three HUD guaranteed secured Healthcare Facility Notes (the "HUD Notes"). Proceeds from the HUD Notes were used to pay off existing HUD guaranteed secured mortgages and pay transaction costs. Newpoint is the servicer on other loans extended to the Company.

Consequently, the Company recorded a net loss of approximately \$0.4 million on extinguishment of debt during the year ended December 31, 2022, consisting of a \$0.2 million prepayment penalty and \$0.2 million of expensed deferred financing fees associated with the extinguishment of the Eaglewood Care Center, The Pavilion Care Center, and Hearth & Care of Greenfield loans.

The aggregate principal amount of the three HUD Notes is \$7.6 million, and the interest rate on the three HUD Notes is 3.97% fixed for the full term of each HUD Note. The Northwood HUD Note has a principal amount of \$4.9 million and matures on November 1, 2052. The Greenfield HUD Note has a principal amount of \$1.9 million and matures on November

1, 2050. The Pavilion HUD Note has a principal amount of \$0.8 million and matures on December 1, 2039. Payments of principal and interest on the HUD Notes commenced on October 1, 2022. Each HUD Note is secured by a Healthcare Deed to Secure Debt, Security Agreement and Assignment of Rents covering the facilities. Newpoint may declare the loans, accrued interest and any other amounts immediately due and payable upon certain customary events of default.

Debt Covenant Compliance

At **September 30, 2023** **March 31, 2024**, the Company was in compliance with the various financial and administrative covenants related to all of the Company's credit facilities.

Changes in Operational Liquidity

COVID-19. Many of our operators have reported incurring significant cost increases as a result facilities except for one immaterial non-compliance. When management learned of the **COVID-19** pandemic. We believe these increases primarily stem from elevated labor costs, including increased use of overtime and bonus pay, as well as a significant increase in both non-compliance, the cost and usage of personal protective equipment, testing equipment, processes and supplies. In terms of occupancy levels, many of our operators have reported experiencing declines, in part due to non-compliance was cured after the elimination or suspension of elective hospital procedures, fewer discharges from hospitals to SNFs, and higher hospital readmittances from SNFs. The **COVID-19** pandemic may also lead to temporary closures of nursing facilities operated by our tenants, impairing our tenants' ability to make their rental payments to us pursuant to their respective lease agreements.

Portfolio Stabilization Measures. In the past, our operators did not provide lease guarantees from affiliated entities. Given this, certain operators have terminated their leases in light of operational difficulties caused by the **COVID-19** pandemic. While the Company is a self-managed real estate investment company that invests in real estate, when business conditions require, the Company undertakes portfolio stabilization measures. The table below summarizes the lease terminations related to existing properties as of September 30, 2023 since the onset of the **COVID-19** pandemic and the Company's resulting portfolio stabilization measures:

Date	Facility Name	Former Operator	Current Operator
April 2022	Meadowood	C.R. Management	Regional Health (managed by Cavalier Senior Living Operations)
August 2022	Glenview	C.R. Management	Regional Health

For more information, see Note 1 – *Organization and Significant Accounting Policies*, Note 6 – *Leases* and Note 12 – *Segment Results*.

Capital Requirements. The operation of the facilities listed above will require additional working capital, which is partially offset by cash flow received from the operation of these facilities. Since January, 2021, the Company's Accounts

Receivable, net of allowance and Accounts Payable for the Healthcare Services segment have grown to \$1.8 million and \$1.7 million, respectfully.

On December 30, 2022, the Company and Spring Valley, LLC ("Spring Valley") entered into a Lease Termination Agreement (the "Lease Termination Agreement") relating to the lease of the following eight nursing facilities: the Powder Springs facility, the Thomasville facility, the Jeffersonville facility, the Lumber City facility, the LaGrange facility, the Tara facility, the Oceanside facility and the Savannah Beach facility (collectively, the "Facilities"). The Lease Termination Agreement terminated the lease effective December 7, 2022 (the "Lease Termination Date"). Since the termination, management has been focusing on collecting the Accounts Receivable and paying the Accounts Payable associated with the referenced facilities.

balance sheet date.

Evaluation of the Company's Ability to Continue as a Going Concern

Under the accounting guidance related to the presentation of financial statements, the Company is required to evaluate, on a quarterly basis, whether or not the Company's current financial condition, including its sources of liquidity at the date that the consolidated financial statements are issued, will enable the Company to meet its obligations as they come due arising within one year of the date of the issuance of the Company's consolidated financial statements and to make a determination as to whether or not it is probable, under the application of this accounting guidance, that the Company will be able to continue as a going concern. The Company's consolidated financial statements have been presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

In applying applicable accounting guidance, management considered the Company's current financial condition and liquidity sources, including current funds available, forecasted future cash flows, the Company's obligations due over the next twelve months, and the Company's recurring business operating expenses.

The Company concluded that it is probable that the Company will be able to meet its obligations arising within one year of the date of issuance of these consolidated financial statements within the parameters set forth in the accounting guidance.

NOTE 3. CASH AND RESTRICTED CASH

The following presents the Company's cash and restricted cash:

(Amounts in 000's)	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
Cash	\$	1,427	\$	843	\$	752	\$	953
Restricted cash:								
Cash collateral	\$	118	\$	135		159		159
HUD and other replacement reserves			2,138	2,155		2,126		2,125

Escrow deposits	635	459	621	630
Restricted investments for debt obligations	317	317	317	317
Total restricted cash	3,208	3,066	3,223	3,231
Total cash and restricted cash	\$ 4,635	\$ 3,909	\$ 3,975	\$ 4,184

Cash collateral—In securing mortgage financing from certain lending institutions, the Company and certain of its wholly-owned subsidiaries are required to deposit cash to be held as collateral in accordance with the terms of such loan agreements.

HUD and other replacement reserves—The regulatory agreements entered into in connection with the financing secured through HUD require monthly escrow deposits for replacement and improvement of the HUD project assets.

14

Escrow deposits—In connection with financing secured through the Company's lenders, several wholly-owned subsidiaries of the Company are required to make monthly escrow deposits for taxes and insurance.

Restricted cash for debt obligations—In compliance with certain financing and insurance agreements, the Company and certain wholly-owned subsidiaries of the Company are required to deposit cash held as collateral by the lender or in escrow with certain designated financial institutions.

13

NOTE 4. PROPERTY AND EQUIPMENT

The following table sets forth the Company's property and equipment:

(Amounts in 000's)	Estimated			Estimated		
	Useful			Useful		
	Lives	September	December	Lives	March 31,	December 31,
	(Years)	30, 2023	31, 2022	Years)	2024	2023
Buildings and improvements	5-40	\$ 64,429	\$ 63,746	5-40	\$ 64,466	\$ 64,447

Equipment and computer related	2-10	1,615	1,807	2-10	1,095	1,187
Land (1)	—	2,774	2,774	—	2,774	2,774
Property and equipment		68,818	68,327		68,335	68,408
Less: accumulated depreciation and amortization		(23,012)	(21,716)		(23,450)	(23,071)
Property and equipment, net		\$ 45,806	\$ 46,611		\$ 44,885	\$ 45,337

(1) Includes \$0.1 million of land improvements with an average estimated useful remaining life of approximately 5.3 years as of March 31, 2024.

The following table summarizes total depreciation and amortization expense three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(Amounts in 000's)	Three Months		Nine Months		Three Months Ended March 31,			
	Ended		Ended					
	September 30, 2023		September 30, 2022					
	2023	2022	2023	2022	2024	2023		
Depreciation	41	49	1,4	1,4	\$ 403	\$ 400		
Amortization	11	11	32	32	108	110		
Total depreciation and amortization expense	52	60	1,7	1,8	\$ 511	\$ 510		

NOTE 5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill consist of the following:

(Amounts in 000's)	Bed licenses (included in property and equipme nt) (1)					Bed licenses (included in property and equipment) (1)								
	Bed Licenses	Leas ts	Total	Goodw ill (2)	Bed Licenses and Separabl e (2)	Lease Rights	Total	Goodwill (2)						
Balances, December 31, 2022														
Balances, December 31, 2023														
Gross	14,27	20	16,	1,58	\$ 6	\$ 2,471	\$ 6	\$ 953	\$ 5	\$ 14,276	\$ 2,471	\$ 176	\$ 16,923	\$ 1,585
Accumulated amortization		(9	(4,6							(4,997)		(89)	(5,086)	
Net carrying amount	(4,583)	—	6)	78)	—									
			11	12,										
				1,58										
	<u>\$ 9,693</u>	<u>\$ 2,471</u>	<u>\$ 0</u>	<u>\$ 275</u>	<u>\$ 5</u>					<u>\$ 9,279</u>	<u>\$ 2,471</u>	<u>\$ 87</u>	<u>\$ 11,837</u>	<u>\$ 1,585</u>
Balances, September 30, 2023														
Balances, March 31, 2024														
Gross	14,27	20	16,	1,58	6	2,471	6	953	5	\$ 14,276	\$ 2,471	\$ 176	\$ 16,923	\$ 1,585
Accumulated amortization		(1	(5,0							(5,101)		(93)	(5,194)	
Net carrying amount	(4,894)	—	14)	08)	—									
			11,	1,58										
	<u>\$ 9,382</u>	<u>\$ 2,471</u>	<u>\$ 92</u>	<u>\$ 945</u>	<u>\$ 5</u>					<u>\$ 9,175</u>	<u>\$ 2,471</u>	<u>\$ 83</u>	<u>\$ 11,729</u>	<u>\$ 1,585</u>

(1) Non-separable bed licenses are included in property and equipment as is the related accumulated amortization expense (see Note 4 – *Property and Equipment*).

(2) The Company does not amortize indefinite-lived intangibles, which consist of separable bed licenses and goodwill.

The following table summarizes amortization expense for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

(Amounts in 000's)	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	Bed licenses	10 \$ 4	10 \$ 4	31 \$ 1	31 \$ 1	
Lease rights	6	6	18	18		
Total amortizati on expense	11	11	32	32		
	\$ 0	\$ 0	\$ 9	\$ 9	\$ 108	\$ 110

14

Expected amortization expense for the years ending December 31, for all definite-lived intangibles, for each of the next five years and thereafter is as follows:

(Amounts in 000's)	Bed		Lease		Bed		Lease	
	Licenses	Rights	Licenses	Rights	Licenses	Rights	Licenses	Rights
2023 (3 months remaining)	\$ 103	\$ 6						
2024	414	24	\$ 311	\$ 14				
2025	414	24	414	18				
2026	414	24	414	18				
2027	414	14	414	18				
2028			414	15				
Thereafter	7,623	-	7,208	-				
Total expected amortization expense	\$ 9,382	\$ 92	\$ 9,175	\$ 83				

NOTE 6. LEASES

Facility and Office Lessee Operating Leases

As of **September 30, 2023** **March 31, 2024** and **December 31, 2023**, the Company **leased** **leases** one **SNF** **Skilled Nursing Facility** ("SNF") in Covington, Ohio under a non-cancelable **operating** lease, which **had** **has** rent escalation clauses and provisions for payments of real estate taxes, insurance, and maintenance costs. The remaining lease term for the Covington facility is approximately 4.7 years as of March 31, 2024. The Company subleases the Covington facility to a third party.

The Company also leased certain office space located in Suwanee, Georgia through the termination date of June 30, 2023. Effective July 1, 2023, the Company signed a sublease for 2,000 sq ft of office space in **Dunwoody, GA** **Atlanta, Georgia**. The sublease expires on **July 31, 2025** **July 31, 2025**.

The remaining lease term for this one facility and our office lease is approximately 5.6 years and 1.8 years, respectively. As of **September 30, 2023** **March 31, 2024**, the Company **was** **is** in compliance with all operating lease financial **covenants**. **covenants** except for one non-compliance. When management learned of the non-compliance, the non-compliance was cured after the balance sheet date.

Future Minimum Lease Payments

Future minimum lease payments for the twelve months ending December 31, for each of the next five years and thereafter is as follows:

(Amounts in 000's)	Operating			Operating		
	Future rental payment	Accretion of lease liability	lease obligatio n	Future rental payments	Accretion of lease liability (1)	lease obligation
	s	(1)	n			
2023 (3 months remaining)	\$ 156	\$ (2)	\$ 154			
2024	633	(39)	594	\$ 510	\$ (16)	\$ 494
2025	645	(85)	560	672	(66)	606
2026	658	(131)	527	658	(109)	549
2027	671	(174)	497	671	(155)	516
2028				685	(198)	487
Thereafter	914	(298)	616	230	(75)	155
Total	\$ 3,677	\$ (729)	\$ 2,948	\$ 3,426	\$ (619)	\$ 2,807

(1) Weighted average discount rate **3.85** **7.98%**.

Facilities Lessor

On August 11, 2023, the Company and its former tenant, SL SNF, LLC, entered into a lease amendment (the "Amendment") regarding the Southland facility. The amendment reduces the monthly rent to \$43,000 effective April 1, 2023 and includes a \$312,000 promissory note (the "Promissory Note"). The lease termination date under the amendment is October 31, 2024. Under the terms of the Promissory Note, the principal sum plus all accrued interest, accruing on the unpaid principal balance at

16

a rate of 8% per annum, is due and payable on December 1, 2024, with minimum monthly payments of principal and interest of \$18,353 per month beginning on July 1, 2023. As on September 30, 2023, no promissory note payments have been received from SL SNF, LLC.

As of **September 30, 2023** **March 31, 2024**, the Company was the lessor of 9 of its 11 owned facilities, and the sublessor of one facility. These leases are triple net basis leases, meaning that the lessee (i.e., the third-party tenant of the property) is obligated for all costs of operating the property, including insurance, taxes and facility maintenance, as well as the lease or sublease payments to the Company. The weighted average remaining lease term for our 10 owned and subleased out facilities is approximately **5.5** **5.3** years.

15

Future Minimum Lease Receivables

Future minimum lease receivables for the twelve months ending December 31, for each of the next five years and thereafter is as follows:

	(Amounts in 000's)	(Amounts in 000's)
2023 (3 months remaining)	\$ 1,577	
2024	6,187	\$ 4,948
2025	6,034	6,696
2026	5,362	6,801
2027	5,445	6,909
2028		6,758

Thereafter		11,605	8,227
Total		\$ 36,210	\$ 40,339

For further details regarding the Company's leased and subleased facilities to third-party operators, including a full summary of the Company's leases to third-parties and which comprise the future minimum lease receivables of the Company, see Note 6 - Leases and Leasing Transactions in Part II, Item 8, Financial Statements and Supplementary Data, included in the Annual Report.

NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following:

(Amounts in 000's)	December		March 31, 2024	December 31, 2023
	September 30, 2023	31, 2022		
Accrued employee benefits and payroll-related	\$ 328	\$ 539	\$ 365	\$ 255
Real estate and other taxes (1)	2,891	2,428	3,055	3,077
Self-insured reserve	62	80	—	61
Accrued interest	222	210	223	225
Unearned rental revenue	-	43		
Medicaid overpayment - Healthcare Services	56	169		
Insurance escrow	79	—	116	98
Other accrued expenses	1,168	1,567		
Other accrued expenses (2)			481	344
Total accrued expenses	\$ 4,806	\$ 5,036	\$ 4,240	\$ 4,060

(1) September 30, 2023 March 31, 2024 includes approximately \$2.5 million of franchise tax accruals for bed taxes in arrears related to the Wellington Transition in 2020 as well as \$2.0 million related to our own dates of operation under the Healthcare Services segment and approximately \$0.4 million property tax accrual for the Real Estate segment.

December 31, 2022 December 31, 2023 includes approximately \$2.2 million of franchise tax accruals for bed taxes in arrears related to the Wellington Transition in 2020 as well as \$1.9 million related to our own dates of operation under the Healthcare Services segment and approximately \$0.5 million property tax accrual for the twelve months ended December 31, 2023 for the Real Estate segment.

(2) As of March 31, 2024 and December 31, 2023, the remaining escheatment liabilities for discontinued operations are

\$0.3 million and are included in other accrued expenses.

17

16

NOTE 8. NOTES PAYABLE AND OTHER DEBT

See Note 8 – *Notes Payable and Other Debt* in Part II, Item 8, Financial Statements and Supplementary Data, included in the Annual Report for a detailed description of all the Company's debt facilities.

Notes payable and other debt consists of the following:

(Amounts in 000's)	December 31,		March 31,	December 31,	
	September 30, 2023	2022		2024	2023
Senior debt—guaranteed by HUD	\$ 29,183	\$ 29,782	\$ 28,774	\$ 28,979	
Senior debt—guaranteed by USDA (1)	7,332	7,526	7,186	7,259	
Senior debt—guaranteed by SBA(2)	562	580			
Senior debt—guaranteed by SBA(2)			552	557	
Senior debt—bonds	6,117	6,253	6,117	6,117	
Senior debt—other mortgage indebtedness	8,089	8,266	7,913	8,001	
Other debt	1,181	895	516	889	
Subtotal	52,464	53,302	51,058	51,802	
Deferred financing costs	(971)	(1,005)	(937)	(954)	
Unamortized discount on bonds	(115)	(119)	(112)	(113)	
Notes payable and other debt	\$ 51,378	\$ 52,178	\$ 50,009	\$ 50,735	

(1) U.S. Department of Agriculture ("USDA") (USDA)

(2) U.S. Small Business Administration ("SBA") (SBA)

The following is a detailed listing of the debt facilities that comprise each of the above categories:

(Amounts in 000's)	

Facility	M at ur Len der	y (1)	2023	2	Dec	Lender	Maturity	Interest Rate (1)	December	March 31,	31,
					Sept				2024		
Senior debt - guarantee d by HUD (2)											
The Pavilion Care Center	Ne wp oin t Ca pit al	1 2/ 0 1/ 2 0 3 1 3 8 1 3 7% d			Newpoint Capital						
Hearth and Care of Greenfield	Ne wp oin t Ca pit al	8/ 0 1/ 2 0 3 1 1 9 9 9 1 4 9 9 7% d			Newpoint Capital	12/01/2039	Fixed	3.97 %	\$ 792	\$ 801	
Woodland Manor	Ne wp oin t Ca pit al	1/ 0 1/ 2 0 3 4, 1 9 9 1 8 7% d				8/01/2050	Fixed	3.97 %	1,899	1,909	
		3 0			Newpoint Capital	11/01/2052	Fixed	3.97 %	4,868	4,891	

Glenview	1 Ne 0/ wp 0 oin 1/ t 2 3 7, , Ca 0 Fi . 1 2 pit 4 xe 7 3 9 al 4 d 5% 4 7	Newpoint Capital	10/01/2044	Fixed	3.75 %	7,021	7,077
Autumn Breeze	0 1/ 0 1/ 6 Ke 2 3 6, , yB 0 Fi . 2 3 an 4 xe 6 0 4 k 5 d 5% 3 4	KeyBank	01/01/2045	Fixed	3.65 %	6,106	6,154
Georgetown	1 Ne 0/ wp 0 oin 1/ 3 t 2 2 3, , Ca 0 Fi . 1 2 pit 4 xe 9 4 1 al 6 d 8% 4 4	Newpoint Capital	10/01/2046	Fixed	2.98 %	3,096	3,120
Sumter Valley	0 1/ 0 1/ 5 Ke 2 3 5, , yB 0 Fi . 0 1 an 4 xe 7 6 6 k 7 d 0% 1 3	KeyBank	01/01/2047	Fixed	3.70 %	4,992	5,027
Total	2 2 9 9, , 1 7 8 8 \$ 4 \$ 2					\$ 28,774	\$ 28,979

Senior debt - guarantee d by USDA (3)						
	1					
	2/ Pr					
	Co 2 im					
	m 4/ e 1 3					
	mu 2 + 0 3, ,					
	nity 0 1. . 5 6					
Mountain	B& 3 75 0 7 8					
Trace (4)	T 6 % 0% \$ 5 \$ 0					
	0					
	Ca 7/ Pr					
	de 2 im					
	nc 7/ e 3					
	e 2 + 9 3, ,					
	Ba 0 1. . 7 8					
Southland	nk, 3 50 7 5 4					
(5)	NA 6 % 5% 7 6					
Mountain		Prime +				
Trace	Community B&T	12/24/2036	1.75%	10.25 %	3,505	3,539
Southland	Cadence Bank,		Prime +			
	NA	07/27/2036	1.50%	10.00 %	3,681	3,720
Total	7 7, , 3 5 3 2 \$ 2 \$ 6				\$ 7,186	\$ 7,259
Senior debt - guarantee d by SBA						

0
Ca 7/ Pr
de 2 im
nc 7/ e 1
e 2 + 0
Ba 0 2. . 5 5
Southland(nk, 3 25 5 6 8
6) NA 6 % 0% \$ 2 \$ 0

Southland(4)	Cadence Bank,	Prime +				
	NA	07/27/2036	2.25%	10.75 %	552	557
Total	5 5					
	6 8					
	\$ 2 \$ 0				\$ 552	\$ 557

(1) Represents cash interest rates as of September 30, 2023 March 31, 2024 as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs which range from are approximately 0.09% to 0.53% 0.16% per annum.

18

(2) For the seven SNFs, SNF's, the Company has term loans with financial institutions that are insured 100% by HUD. The loans are secured by, among other things, an assignment of all rents paid under any existing or future leases and rental agreements with respect to the underlying facility. The loans contain customary events of default, including fraud or material misrepresentations or material omission, the commencement of a forfeiture action or proceeding, failure to make required payments, and failure to perform or comply with certain agreements. Upon the occurrence of certain events of default, the lenders may, after receiving the prior written approval of HUD, terminate the loans and all amounts under the loans will become immediately due and payable. In connection with entering into each loan, loans, the Company facilities entered into a healthcare regulatory agreement and a promissory note, each containing customary terms and conditions. Pursuant to the CARES Act, up to three months of debt service payments for six of the credit facilities can be made from our restricted cash reserves.

17

(3) For the two SNFs, SNF's, the Company has term loans with financial institutions, that which are insured 70% to 80% by the USDA. The loans have an annual renewal fee for the USDA guarantee of 0.25% of the guaranteed portion. The loans had have prepayment penalties of 1%, through 2020, capped at 1% for the remainder of the first 10 years of the term and 0% thereafter.

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(4) Pursuant to the CARES Act, the monthly principal and interest payments due May 1, 2020 through August 1, 2020 for the Mountain Trace Facility loan were deferred. Monthly payments that commenced on September 1, 2020 were being applied to current interest, then deferred interest until the deferred interest was paid in full on April 1, 2021. Payments have been re-amortized over the extended term of the loan.

(5) Pursuant to the CARES Act, the monthly principal and interest payments due May 1, 2020 through October 1, 2020 for the loan for that certain 126-bed SNF commonly known as Southland, located in Dublin, Georgia, were deferred as a part of the USDA Payment Program. Monthly payments recommenced on November 1, 2020 with payments through February 2021 being applied to principal and interest. Monthly payments that commenced on March 1, 2021 are being applied to current interest, then deferred interest until the deferred interest is paid in full, payments will be re-amortized over the extended term of the loan.

(6) For the one SNF, commonly known as Southland, the Company has a term loan with a financial institution, which is insured 75% insured by the SBA. The SBA funded two monthly debt payments during the three months ended March 31, 2021 and six payments commencing on March 1, 2020 and ending on August 1, 2020.

(Amounts in 000's)					
Facility	Lender	Maturity	Interest Rate (1)	September 30, 2023	December 31, 2022
Senior debt - bonds					
Eaglewood Bonds Series A	City of Springfield, Ohio	05/01/2042	Fixed	7.65% \$ 6,117	\$ 6,253

(Amounts in 000's)					
Facility	Lender	Maturity	Interest Rate (1)	March 31, 2024	December 31, 2023
Senior debt - bonds					
Eaglewood Bonds Series A	City of Springfield, Ohio	05/01/2042	Fixed	7.65% \$ 6,117	\$ 6,117

(1) Represents cash interest rates as of September 30, 2023 March 31, 2024. The rates exclude amortization of deferred financing of approximately 0.10% per annum.

(Amount s in 000's)	De ce m at ur Lende Facility						March 31, 2024	December 31, 2023			
	M	Sept	mb	Inte rest	er	31,					
Facility	re	ry	ye	(1)	2023	2	Lender	Maturity	Interest Rate (1)	2024	2023

Senior	Senior	Senior debt - other mortgage
debt -	debt -	indebtedness
other	other	
mortgag	mortgage	
e	indebtedne	
indebte	ss	
dness		
Meado	1	
wood	0/	
(2)	Exch 0	
	ange 1/ F 3	
	Bank 2 i 4 3, ,	
	of 0 x . 2 3	
	Alab 2 e 5 7 1	
	ama 6 d 0% \$ 9 \$ 9	Exchange Bank of Alabama 10/01/2026 Fixed 4.50% \$ 3,196 \$ 3,237
Coosa	1	
(3)	0/	
	Exch 1	
	ange 0/ F 4	
	Bank 2 i 3 4, ,	
	of 0 x . 8 9	
	Alab 2 e 9 1 4	
	ama 6 d 5% 0 6	Exchange Bank of Alabama 10/10/2026 Fixed 3.95% 4,717 4,764
Total	8	
	8, ,	
	0 2	
	8 6	
	\$ 9 \$ 6	\$ 7,913 \$ 8,001

(1) Represents cash interest rates as of September 30, 2023 March 31, 2024 as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs of 0.34% per annum.

(2) On October 1, 2021, the Exchange Bank of Alabama and the Company extended the maturity date of the The Meadowood Credit Facility which is secured by the Meadowood Facility and the assets of Coosa, and which is guaranteed by Regional Health Properties, Inc., from May 1, 2022 to October 1, 2026.

(3) On September 30, 2021, the Company refinanced the MCB Coosa Loan secured by the Coosa Facility, incurring approximately \$0.1 million in new fees. The Coosa Credit Facility, guaranteed by Regional Health Properties, Inc., includes customary terms, including events of default with an associated annual 5% default interest rate, and is secured by the Coosa Facility and the assets of Meadowood. Upon the occurrence of certain events of default, the lenders may terminate the Coosa Credit Facility and the Meadowood Credit Facility, and all amounts due under both credit facilities will become immediately due and payable. The Coosa Credit Facility has prepayment penalties of 5% in the first 1st year, 4% in the second 2nd year and 1% thereafter.

Lender	(Amounts in 000's)		Dece		March 31,		December 31,	
			Septemb	ber 30,	31,	Interest Rate	2024	2023
	Maturit	Interest	2023	2022	Maturity			
Other debt								
First Insurance	Various	Fixed	3.1%	1				
Funding (1)	2023	Fixed	9%	\$ 658	\$ 357	3/1/2024	Fixed	3.19%
Key Bank (2)	2025	Fixed	0%	495	495	08/25/2025	Fixed	0.00%
Marlin Capital Solutions	2027	Fixed	5.0%	28	43	06/1/2027	Fixed	5.00%
Total				\$ 1,181	\$ 895			
							\$ 516	\$ 889

(1) Annual Insurance financing primarily for the Company's directors and officers insurance and professional liability for the facilities where the company is the licensed operator insurance.

(2) On December 30, 2022, Key Bank and the Company extended the maturity date from August 25, 2023 to August 25, 2025.

Debt Covenant Compliance

As of September 30, 2023 March 31, 2024, the Company had 16 credit related instruments outstanding that include various financial and administrative covenant requirements. Covenant requirements include, but are not limited to, fixed charge coverage ratios, debt service coverage ratios, minimum earnings before interest, taxes, depreciation, and amortization or earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs, and current ratios. Certain financial covenant requirements are based on consolidated financial measurements whereas others are based on measurements at the subsidiary level (i.e., facility, multiple facilities or a combination of subsidiaries). The subsidiary level requirements are as follows: (i) financial covenants measured against subsidiaries of the Company; and (ii) financial covenants measured against third-party operator performance. Some covenants are based on annual financial metric measurements, whereas others are based on monthly and quarterly financial metric measurements. The Company routinely tracks and monitors its compliance with its covenant requirements.

As of **September 30, 2023** **March 31, 2024**, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related **instruments**. **instruments except for one immaterial non-compliance**. When management learned of the non-compliance, the non-compliance was cured after the balance sheet date.

Scheduled Maturities

The schedule below summarizes the scheduled gross maturities as of **September 30, 2023** **March 31, 2024** for each of the next five years and thereafter.

For the Twelve Months Ended December 31,	(Amounts in 000's)		(Amounts in 000's)
2023 (3 months remaining)	\$	660	
2024		2,046	
2024 (9 months remaining)			\$ 1,297
2025		2,269	2,265
2026		8,746	8,741
2027		1,562	1,560
2028			1,657
Thereafter		37,181	35,538
Subtotal	\$	52,464	\$ 51,058
Less: unamortized discounts		(115)	(112)
Less: deferred financing costs, net		(971)	(937)
Total notes and other debt	\$	51,378	\$ 50,009

NOTE 9. COMMON AND PREFERRED STOCK

On June 27, 2023, the Company convened a special meeting (the "Special Meeting") of the holders of its 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") and the holders of its common stock (the "Common Stock") and Series E Redeemable Preferred Shares (the "Series E Preferred Stock"). The Special Meeting was called to consider the proposals set forth in the Company's definitive proxy statement/prospectus filed with the SEC on May 25, 2023 (as supplemented or amended, the "Proxy Statement/Prospectus") in connection with the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Series A Preferred Stock for newly issued shares of the Company's Series B Preferred Stock. The expiration date (the "Expiration Date") for the Exchange Offer was 11:59 p.m., New York City time, on June 27, 2023.

All of the proposals presented at the Special Meeting were approved by the requisite votes of the applicable shareholders of the Company, including:

- certain amendments to the Company's Amended and Restated Articles of Incorporation (as in effect prior to such amendments, the "Prior Charter") with respect to the Series A Preferred Stock to significantly reduce the rights of holders of Series A Preferred Stock (the "Series A Charter Amendments" and, such proposal, the "Preferred Series A Charter Amendment Proposal"); and
- (i) a temporary amendment of the Prior Charter to increase the authorized number of shares of preferred stock to 6,000,000 shares and, following the consummation of the Exchange Offer, the subsequent amendment of the Prior Charter to decrease the authorized number of shares of preferred stock to 5,000,000 shares and (ii) the authorization, creation and designation by the Board of Directors of the Company (the "Board"), from the authorized but undesignated shares of preferred stock, of the Series B Preferred Stock (the "Series B Charter Amendments" and, such proposal, the "Series B Preferred Stock Proposal"); and
- certain amendments to the Prior Charter relating to (i) the Series A Charter Amendments and (ii) the temporary amendment of the Prior Charter to increase the authorized number of shares of the Company to 61,000,000 shares, consisting of 55,000,000 shares of common stock and 6,000,000 shares of preferred stock, and, following the consummation of the Exchange Offer, the subsequent amendment of the Prior Charter to decrease the authorized number of shares of the Company to 60,000,000 shares, consisting of 55,000,000 shares of common stock and 5,000,000 shares of preferred stock (such proposal, the "Common Charter Amendment Proposal").

On June 30, 2023, the Company closed the Exchange Offer. Continental Stock Transfer & Trust Company, the exchange agent in connection with the Exchange Offer, notified the Company that 2,252,272 shares of Series A Preferred Stock had been properly tendered (and not validly withdrawn) in the Exchange Offer, representing approximately 80.1% of the then outstanding shares of Series A Preferred Stock. All of the shares of Series A Preferred Stock properly tendered (and not validly withdrawn) prior to the Expiration Date pursuant to the Exchange Offer were accepted by the Company and were retired. On June 30, 2023, in exchange for each such share of Series A Preferred Stock, participating holders of Series A Preferred Stock received one share of Series B Preferred Stock, resulting in the issuance of 2,252,272 shares of Series B Preferred Stock. 559,263 shares of Series A Preferred Stock did not participate in the Exchange Offer and remain outstanding.

On July 3, 2023, in connection with the closing of the Exchange Offer, the Company filed Amended and Restated Articles of Incorporation (the "Charter") with the Secretary of State of the State of Georgia.

Common Stock

As of **September 30, 2023** **March 31, 2024**, the Company had 55,000,000 shares of Common Stock authorized and **1,893,908** **1,849,908** shares issued and **1,883,028** **1,839,028** shares outstanding. There were no dividends declared or paid on the common stock during the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**.

Preferred Stock

As of **September 30, 2023** **March 31, 2024**, the Company had 5,000,000 shares of Preferred Stock authorized and 2,811,535 shares issued and outstanding.

Series A Preferred Stock

On June 27, 2023, certain Preferred Series A Charter Amendments were approved at the Special Meeting to (i) reduce the liquidation preference of the Series A Preferred Stock to \$5.00 per share, (ii) eliminate accumulated and unpaid dividends on the Series A Preferred Stock, (iii) eliminate future dividends on the Series A Preferred Stock, (iv) eliminate penalty events and the right of holders of Series A Preferred Stock to elect directors upon the occurrence of a penalty event, (v) reduce the redemption price of the Series A Preferred Stock in the event of an optional redemption to \$5.00 per share, (vi) reduce the redemption price of the Series A Preferred Stock in the event of a "change of control" to \$5.00 per share and (vii) change the voting rights of holders of Series A Preferred Stock when voting as a single class with any other class or series of stock to one vote per \$5.00 liquidation preference.

The Company has accounted for the Series A Charter Amendments to the rights, preferences, and privileges of the Series A Preferred Stock as an extinguishment of the Series A Preferred Stock and issuance of new Series B Preferred Stock due to the significance of the modifications to the substantive contractual terms and the associated fundamental changes to the nature of the Series A Preferred Stock. Accordingly, the Company recorded an aggregate gain of \$43.4 million within stockholders' equity equal to the difference between the fair value of the new shares of Series B Preferred Stock issued and the carrying amount of the shares of Series A Preferred Stock extinguished. The gain on extinguishment is reflected in the calculation of net

21

income (loss) available to common stockholders in accordance with FASB ASC Topic 260, Earnings per Share. The fair value of the Series A Preferred Stock was \$0.76 per share based on a probability-weighted average of the expected return method.

On June 30, 2023, in connection with the closing of the Exchange Offer, 2,252,272 shares of Series A Preferred Stock were retired and exchanged for 2,252,272 shares of Series B Preferred Stock.

As of **September 30, 2023** **March 31, 2024**, the Company had 559,263 shares of Series A Preferred Stock issued and outstanding, and the accumulated and unpaid dividends on the Series A Preferred Stock in the amount of \$ outstanding.

There were

50.4 million were forfeited as part of the extinguishment. No no dividends were declared or paid on the Series A Preferred Stock for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**.

Series B Preferred Stock

The terms and provisions of the Series B Preferred Stock include, among other things: (i) no stated maturity and not being subject to any sinking fund or mandatory redemption, except following a change of control and the cumulative redemption provisions, (ii) ranks senior to our common stock, our Series A Preferred Stock and any other shares of our stock that we may issue in the future, the terms of which specifically provide that such stock ranks junior to the Series B Preferred Stock, in each case with respect to payment of dividends and amounts upon the occurrence of a liquidation event, (iii) dividend

rate is 12.5% per annum of the liquidation preference of the Series B Preferred Stock in effect on the first calendar day of the applicable dividend period, (iv) initial dividend period will commence July 1, 2027, (v) liquidation preference is initially be \$10.00 per share and will increase over time, pursuant to the terms set forth in the Charter, to \$25.00 per share upon the fourth anniversary date of the original issuance date, provided that once there are 200,000 or fewer shares of the Series B Preferred Stock outstanding, the liquidation preference will be reduced to \$5.00 per share; and (vi) the Company must redeem, repurchase or otherwise acquire certain amount of shares of Series B Preferred Stock through the fourth anniversary of the original date of issuance as provided in the Charter. The fair value of the Series B Preferred Stock was \$8.26 per share based on a probability-weighted average of the expected return method.

As of **September 30, 2023** **March 31, 2024**, the Company had 2,252,272 shares of Series B Preferred Stock issued and outstanding. **There were No** **no** **dividends were** declared or paid on the Series B Preferred Stock for the three **and nine** months ended **September 30, 2023 and 2022** **March 31, 2024**.

Series E Preferred Stock

On February 13, 2023, the Board declared a dividend of one one-thousandth of a share of Series E Preferred Stock for each outstanding share of common stock, payable on February 28, 2023 to shareholders of record at 5:00 p.m. Eastern Time on February 27, 2023 (the "Dividend Record Date"). The Articles of Amendment Establishing Series E Redeemable Preferred Shares were filed with the Secretary of State of the State of Georgia and became effective on February 14, 2023. The Series E Preferred Stock was distributed on February 28, 2023 to shareholders of record on the Dividend Record Date.

All shares of Series E Preferred Stock were redeemed in connection with the Special Meeting. The Series E Preferred Stock designation has been eliminated from the Charter and, as of September 30, 2023, there are no shares of Series E Preferred Stock issued and outstanding.

NOTE 10. STOCK BASED COMPENSATION

Stock Incentive Plans

On **November 4, 2020** **September 21, 2023**, our Board of Directors (the "Board") approved the Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan (the "2023 Plan"), which was approved by the Company's shareholders on November 16, 2023 at the 2023 Annual Meeting of Shareholders. The 2023 Plan is administered by the Compensation Committee of the Board **adopted**, of the Company. The 2023 Plan shall remain in effect, subject to the right of the Board to amend or terminate the 2023 Plan at any time, until the earlier of 11:59 p.m. (ET) on September 21, 2033, or the date all shares subject to the 2023 Plan shall have been issued and the restrictions on all restricted shares granted under the Plan shall have lapsed, according to the 2023 Plan's provisions.

Our 2023 Plan replaced the Regional Health Properties, Inc. 2020 Equity Incentive Plan (the "2020 Plan" "2020 Plan"). The Company's shareholders approved the 2020 Plan on December 16, 2020 at the 2020 Annual Meeting of Shareholders of the Company. The maximum number of shares of common stock authorized for issuance **Outstanding awards** under the 2020 Plan is 250,000 shares, subject **will continue** to **certain** **adjustments**. No awards may be **made** **under** **governed** by the 2020 Plan after the 10th anniversary of the date of shareholder approval **terms** of the 2020 Plan **and** **until** **exercised**, **expired** or otherwise terminated or canceled, but no **incentive** **stock** **options** **may** **further** **equity** **awards** **will** **be** **granted** **after** the 10th anniversary of the date of Board approval **under** the 2020 Plan.

As of **September 30, 2023** **March 31, 2024**, the number of securities remaining available for future issuance under the **2020** **2023** Plan is **52,805** **201,000**.

The 2020 Plan replaced the AdCare Health Systems, Inc. 2011 Stock Incentive Plan, as amended (the "2011 Plan"), which was assumed by Regional Health pursuant to the Merger. The 2011 Plan was originally due to expire on March 28, 2021 and provided for a maximum of 168,950 shares of common stock to be issued. No additional awards may be granted under the 2011 Plan.

The shares of common stock underlying any awards granted under the 2020 Plan or the 2011 Plan that are forfeited, canceled, or otherwise terminated (other than by exercise) will be added back to the shares of common stock available for issuance under the 2020 Plan. However, shares: (i) tendered or held back upon exercise of a stock option or other award under the 2020 Plan to cover the exercise price or tax withholding; and (ii) subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise thereof, will not be added back to the shares of common stock available for issuance under the 2020 Plan. In addition, shares of common stock repurchased by the Company on the open market will not be added back to the shares of common stock available for issuance under the 2020 Plan.

For the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, the Company recognized stock-based compensation expense as follows:

(Amounts in 000's)	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2023	2022	2023	2022
Employee compensation:				
Stock compensation expense	\$ 85	\$ 58	\$ 321	\$ 227
Forfeitures of stock based awards	—	—	—	(54)
Total employee stock-based compensation expense	\$ 85	\$ 58	\$ 321	\$ 173
Three Months Ended March 31,				
(Amounts in 000's)				
Employee compensation:				

Stock compensation expense	\$ 43	\$ 81
Total employee stock-based compensation expense	<u>\$ 43</u>	<u>\$ 81</u>

As of September 30, 2023, the remaining stock-based compensation expense that is expected to be recognized in future periods is \$0.3 million.

Restricted Stock

The following table summarizes the Company's restricted stock activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares (000's)	Weighted Avg. Grant Date (per Share)	Weighted Avg. Fair Value
Unvested, December 31, 2022	51	\$ 8.99	8.99
Granted	99	\$ 3.61	3.61
Vested	(26)	\$ 9.06	9.06
Unvested, September 30, 2023	<u>124</u>	<u>\$ 4.68</u>	<u>4.68</u>

	Number of Shares (000's)	Weighted Avg. Grant Date (per Share)	Weighted Avg. Fair Value
Unvested, December 31, 2023	80	\$ 5.27	5.27
Vested	(43)	\$ 6.67	6.67
Unvested, March 31, 2024	<u>37</u>	<u>\$ 3.61</u>	<u>3.61</u>

No restricted stock awards were granted for three months ended March 31, 2024. The remaining unvested shares at **September 30, 2023** **March 31, 2024** will vest over the next **2.0** **1.8** years with **\$0.3** **119** **million thousand** in compensation expense recognized over this period.

Common Stock Options

The following summarizes the Company's employee and non-employee stock option activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares (000's)	Weighted Average	Weighted Average	Aggregate Intrinsic Remaining

	Exercise Price	Contractual Term	Value (000's)
	(in years)		
Outstanding, December 31, 2022	13	\$ 47.53	1.6
Granted	24	\$ 3.32	
Outstanding and Vested, September 30, 2023	37	\$ 18.63	6.3

	Number of Shares (000's)	Weighted Average		Weighted Average		Remaining Contractual Term	Aggregate Intrinsic Value (000's)		
		Exercise Price		Exercise Price					
		(in years)		Exercise Price					
Outstanding, December 31, 2023	33	\$ 14.84				6.9	\$ —		
Granted	24	\$ 2.03							
Outstanding, March 31, 2024	57	\$ 9.41				8.0	\$ 10.1		
Outstanding and Vested, March 31, 2024	44	\$ 11.55				7.4	\$ 4.7		

A stock option to purchase

The aggregate intrinsic value 24,000 shares of options outstanding and vested common stock was calculated as the difference between the granted under our 2023 Plan to an employee with an exercise price of the options and the \$2.03 in January 2024. The weighted average fair value of the Company's common stock as option granted was \$1.76 and was estimated using the Black-Scholes option-pricing model with the following assumptions: (i) expected term of September 30, 2023. The fair value 5.27 years, (ii) risk free interest rate of 3.81%, (iii) dividend yield of 0.0%, and (iv) expected volatility of 127.14%. The remaining unvested shares at March 31, 2024 will vest over the common stock is the closing stock price of the Company's Common Stock next

0.8

23

years with \$17 thousand in compensation expense recognized over this period.

The following summary information reflects stock options outstanding, vested, and related details as of September 30, 2023 March 31, 2024:

Stock Options Outstanding	Stock Options Exercisable	Stock Options Outstanding	Stock Options Exercisable
------------------------------	------------------------------	---------------------------	---------------------------

Common Stock Warrants

The following summarizes the Company's employee and non-employee common stock warrant activity for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Outstanding and Exercisable				
			Weighted		
			Average		
			Weighted	Remaining	
			Average	Contractual	
	Number of		Exercise	Term	
	Shares (000's)		Price	(in years)	
Outstanding and Vested, December 31, 2022		35	\$ 53.31		1.9
Expired		(2)	\$ 70.80		
Outstanding and Vested, September 30, 2023		33	\$ 52.38		1.2

	Outstanding and Exercisable					
			Weighted			
			Average			
			Weighted		Remaining	Aggregate
			Average		Contractual	Intrinsic
	Number of		Exercise	Term		Value
	Warrants (000's)		Price	(in years)		(in 000's)
Outstanding, December 31, 2023		32	\$ 52.50		1.0	\$ —
Granted		—	\$ —			
Expired		—	\$ —			
Outstanding, March 31, 2024		32	\$ 52.50		0.7	\$ —

The No warrants were granted during the three months ended March 31, 2024. All outstanding warrants are vested, and the Company has no unrecognized compensation expense related to common stock warrants as of **September 30, 2023** **March 31, 2024**.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Regulatory Matters

Laws and regulations governing federal Medicare and state Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from certain governmental programs. As of **September 30, 2023** **March 31, 2024**, all of the Company's facilities operated by Regional or leased and subleased to third-party operators and managed for third-parties are certified by CMS and are operational. See Note 6 - Leases.

Legal Matters

The Company is a party to various legal actions and administrative proceedings and is subject to various claims arising in the ordinary course of business, including claims that the services the Company provided during the time it operated SNFs resulted in injury or death to the patients of the Company's facilities and claims related to professional and general negligence, employment, staffing requirements and commercial matters. Although the Company intends to vigorously defend itself in these matters, there is no assurance that the outcomes of these matters will not have a material adverse effect on the Company's business, results of operations and financial condition.

The Company previously operated, and the Company and its tenants now operate, in an industry that is highly regulated. As such, in the ordinary course of business, the Company and its tenants are continuously subject to state and federal regulatory scrutiny, supervision and control. Such regulatory scrutiny often includes inquiries, investigations, examinations, audits, site visits and surveys, some of which are non-routine. In addition, the Company believes that there has been, and will continue to be, an increase in governmental investigations of long-term care providers, particularly in the area of Medicare and Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Adverse determinations in legal proceedings or governmental investigations against or involving the Company or its tenants, whether currently asserted or

24

arising in the future, could have a material adverse effect on the Company's business, results of operations and financial condition.

Professional and General Liability Claims

Claims on behalf On February 16, 2024, the Regional's insurance carrier was able to reach a settlement with the family of the Company's Former Patients prior to the Transition Mable Polite within policy limits.

As of **September 30, 2023** **March 31, 2024**, the Company is has been named in three lawsuits pertaining to facilities it transitioned operations to other entities as a defendant lessor in one professional and general liability action commenced on behalf of one 2015. Even though the residents were not part of our former patients who received dates of service as the

operator of the buildings, the lawsuits claim the Company knew the new operator had a history of providing poor patient care at one of our facilities prior and therefore should not have leased or sold the premises to the Transition. The plaintiff new operator. We do not believe there is any basis in this action alleges negligence due law or fact to failure hold the previous operator/ lessor liable, and as a result management has concluded that the likelihood of a material adverse result is should be

remote. Despite our confidence in our legal position, we have to provide adequate and competent staff resulting in injuries, pain and suffering, mental anguish and malnutrition and seeks unspecified actual and compensatory damages, and unspecified punitive damages. This action acknowledge that jurors sometimes follow sympathy rather than the law. One of the three cases is covered by insurance, except that any punitive damages awarded would be excluded from coverage. The case is set scheduled to go to trial on October 23, 2023.

Claims on behalf of the Company's Former Patients After the Transition

On May 2, 2023, Plaintiff Danielle Taylor, as Guardian and Conservator of Lynette Taylor filed suit against Tara Operator, LLC alleging negligent care and treatment of Ms. Taylor during her residence at Thunderbolt from June 12, 2021 through September 13, 2021. Specifically, Plaintiff's claims relate to wound care management Ms. Taylor received while a resident at Thunderbolt. Plaintiff further alleges the Thunderbolt staff failed to develop reasonable interventions for Ms. Taylor's care after wound development, failed to properly document her wounds, failed to maintain a consistent turning schedule or offloading of pressure, and failed to modify her care plan accordingly. According to Plaintiff, these failures resulted in Ms. Taylor needing bilateral, above the knee amputations of both legs. Plaintiff's Complaint asserts the following causes of action: failure to exercise a reasonable degree of care and skill and breach of contract. Defendant responded with its Answer on June 28, 2023 and discovery is ongoing. November 2024.

On July 10, 2023, Plaintiff Sharon Hendricks filed suit against Tara Operator, LLC; ADK Georgia, LLC; Spring Valley, LLC; 3223 Falligant Avenue Associates, LP; Mansell Court Associates, LLC; and Wellington Healthcare Services II, LP alleging negligent care and treatment of Ms. Jones during her residence at Thunderbolt from July 12, 2021 through July 29, 2021. Specifically, Plaintiff's claims relate to a fall Ms. Jones had on July 17, 2021 while at Thunderbolt. Plaintiff further alleges the Thunderbolt staff failed to administer medications as ordered, failed to initiate appropriate seizure protocols, and failed to properly update Ms. Jones' care plan after the aforementioned fall. Plaintiff's Complaint asserts the following causes of action: violation of 42 CFR 483.1; violation of OCGA 31-8-100; violation of federal and state statutes and regulations in the operation of a nursing home; professional negligence, ordinary negligence, negligent management and operation; breach of contract; failure to provide sufficient and properly trained staff; imputed liability; estate tort claims; joint enterprise; wrongful death; and punitive damages.

Claims on behalf of the Company's Prior or Current Tenant's Former Patients after the Transition

As of September 30, 2023, the Company is a defendant in an aggregate of 9 additional professional and general liability actions. These 9 additional professional and general liability actions were commenced on behalf of former patients of our current or prior tenants. These actions generally seek unspecified compensatory and punitive damages for former patients who were allegedly injured or died due to professional negligence or understaffing at the applicable facility operated by our tenants. These actions all relate to events which occurred after the Company transitioned the operations of the facilities in question to a third-party operator (and of which four such actions relate to events which occurred after the Company sold such facilities) and are subject to such operators' indemnification obligations in favor of the Company. There is no assurance that our tenants will have sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their respective indemnification obligations.

During the nine months ended September 30, 2023, the following professional and general liability actions (included in the 10 actions mentioned above) related to our current or former tenant's former patients were filed against the Company.

The resident's daughter filed suit on behalf of Mr. Shellman on February 14, 2023 asserting claims of professional and ordinary negligence as well the alleged breach of various state and federal regulations. The lawsuit relates to Mr. Shellman's residence at Glenvue nursing facility which was operated by C.R. of Glenvue, LLC which is also named as a defendant. Plaintiff's counsel has agreed to extend the deadline for Glenvue H&R Property Holdings, LLC to respond to the lawsuit up to and including May 15, 2023 to enable him to review the response filed by C.R. of Glenvue, LLC and determine whether or not Plaintiff will agree to the dismissal of Glenvue H&R Property Holdings, LLC. If plaintiff does not agree, we intend to serve Plaintiff with a notice

25

that Glenvue H&R Property Holdings, LLC constitutes an excluded party pursuant to O.C.G.A. 31-7-3.3. Should Plaintiff still not agree to the dismissal of Glenvue H&R Property Holdings, LLC, we will file a motion for summary judgment seeking judgment in its favor. The Court may require Glenvue H&R Property Holdings, LLC to participate in discovery prior to ruling on this motion. In the event that occurs, Glenvue H&R Property Holdings, LLC can seek the recovery of its attorneys fees and expenses pursuant to the above-referenced excluded party statute.

The family of Mable Polite filed suit on March 15, 2023 asserting claims of professional and ordinary negligence as well the alleged breach of various state and federal regulations. The lawsuit relates to Ms. Polite's residence at the Thunderbolt nursing facility from March 19, 2020 to March 20, 2021. Plaintiff has also asserted claims against 3223 Falligant Avenue Associates, LP and other Wellington related entities. 3223 Falligant Avenue was the operator and licensee of the facility for the first part of Ms. Polite's residence prior to Tara Operator becoming the operator. Based upon the date the suit was filed, there is an argument that certain claimed acts of negligence are barred by the limitations period. Ms. Polite's daughter signed an arbitration agreement on her admission to Thunderbolt but we are not in possession of a power of attorney or

other documentation authorizing her to execute this agreement. Nonetheless, Tara Operator will file its answer to the Complaint (due April 14) via special appearance to reserve the right to seek arbitration should a power of attorney be located.

Dismissed Claims on behalf of the Company's Prior or Current Tenant's Former Patients after the Transition

In February 2023, the Company was dismissed from the case involving Ronald and Sarah Ross against our prior operator Symmetry Healthcare Management.

The Company established a self-insurance reserve for its professional and general liability claims, included within Accrued expenses on the Company's consolidated balance sheets of \$0.1 million and \$0.2 million as of September 30, 2023 and December 31, 2022, respectively. Additionally, as of September 30, 2023 and December 31, 2022, \$0.1 million and \$0.1 million, respectively, was reserved for settlement amounts in Accounts payable on the Company's consolidated balance sheets. For additional information regarding the Company's self-insurance reserve, see Note 13 – *Commitments and Contingencies* in Part II, Item 8, Financial Statements and Supplementary Data, included in the Annual Report.

NOTE 12. SEGMENT RESULTS

The Company has two primary reporting segments: (i) Real Estate Services, which consists of the leasing and subleasing of long-term care and senior living facilities to third-party tenants, including the Company's management of three facilities on behalf of third-party owners; owners which ended on December 31, 2023; and (ii) Healthcare Services, which consists of the operation of the Meadowood and Glenvue facilities.

The Company reports segment information based on the "management approach" defined in ASC 280, *Segment Reporting*. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of our reportable segments.

The table below presents the results of operations for our reporting segments for the periods presented.

26

(Amounts in 000's)	Three Months Ended September 30,			Three Months Ended September 30,		
	2023		2023	2022		2022
	Real Estate	Healthcare	Total	Real Estate	Healthcare	Real Estate
	Services	Services	Total	Services	Services	Total
Revenues:						
Patient care revenues	\$ —	\$ 2,136	\$ 2,136	\$ —	\$ 7,769	\$ 7,769
Rental revenues	1,739	—	1,739	3,000	—	3,000
Management fees	263	—	263	255	—	255
Other revenues	—	—	—	6	—	6
Total revenues	2,002	2,136	4,138	3,261	7,769	11,030

Expenses:

Patient care expense	—	2,313	2,313	—	7,476	7,476
Facility rent expense	149	—	149	923	528	1,451
Cost of management fees	156	—	156	140	—	140
Depreciation and amortization	472	54	526	590	10	600
General and administrative expense	950	22	972	975	403	1,378
Doubtful accounts expense	—	229	229	1,515	—	1,515
Other operating expenses	54	143	197	(80)	521	441
Total expenses	1,781	2,761	4,542	4,063	8,938	13,001
Income (loss) from operations	221	(625)	(404)	(802)	(1,169)	(1,971)
Other (income) expense:						
Interest expense, net	669	39	708	633	(69)	564
Other (income) expense, net	(541)	402	(139)	(2,164)	—	(2,164)
Total other (income) expense, net	128	441	569	(1,531)	(69)	(1,600)
Net income (loss)	\$ 93	\$ (1,066)	\$ (973)	\$ 729	\$ (1,100)	\$ (371)

(Amounts in 000's)	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2023			Three Months Ended March 31, 2024			Three Months Ended March 31, 2024		
	2023	2023	3	2022	2022	2	2024	2024	2024	2023	2023	2023
	Real	Health		Real	Health							
	Estate	care		Estate	care							
Revenues:				Services			Real Estate			Healthcare		
Patient care revenues				\$ 6,5	\$ 7	\$ 7	\$ 14,5	\$ 1,6	\$ 2,309	\$ 2,309	\$ 1,916	\$ 1,916
				\$ 77	\$ 0	\$ 0	\$ 14,5	\$ 1,6	\$ 2,309	\$ 2,309	\$ 1,916	\$ 1,916

			1		1						
Depreciation and amortization			,		,						
			7		8						
	1,5	3	1,7		1						
n	78	160	8	96	23	9	386	125	511	387	123
General and administrative expense			3		3						
			,		,						
			1		4						
ive	2,9	9	2,6		3						
expense	70	220	0	60	772	2	1,266	366	1,632	1,181	350
Doubtful accounts expense			2		7						
			6	3,7		4					
	—	269	9	42	—	2	—	28	28	—	16
Other operating expenses			5		4						
			1		0						
expenses	225	286	1	555	854	9					
Total expenses	5,6	7,9	0	13,	16,	2					
	61	45	6	111	515	6	1,801	2,620	4,421	1,858	2,810
Income (loss) from operations			1		2						
			3		9						
			,		,						
			6		6						
Other (income) expense:	404	68	4)	91)	65)	6)	17	(311)	(294)	132	(894)
Other expense:											

Total assets for the Real Estate Services segment and Healthcare Services segment were \$57.0 **48.0** million and \$7.0 **13.2** million, respectively, as of **September 30, 2023** **March 31, 2024**.

Total assets for the Real Estate Services segment and Healthcare Services segment were \$63.5 **48.5** million and \$**5.6** **13.7** million, respectively, as of December 31, 2022 **December 31, 2023**.

NOTE 13. SUBSEQUENT EVENTS

We evaluate The Company has evaluated all subsequent events that occur after our consolidated balance sheet through the date but before our the consolidated financial statements are issued. We have evaluated subsequent events occurring after September 30, 2023, were issued and based on our evaluation have identified filed with the subsequent events described below.

On October 13, 2023, the lawsuit against the Company filed by one of our former patients prior to the transition referenced in Note 11 settled for an undisclosed sum within insurance policy limits. In addition, the Company's motion for summary judgment presented on October 23, 2023 was granted, and the Company was dismissed from the lawsuit with prejudice on November 3, 2023. SEC.

28

22

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included therein and our Annual Report on Form 10-K for the year ended December 31, 2022, where certain terms have been defined.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements. We base these forward-looking statements on our current plans, expectations and beliefs about future events. There are risks, including the factors discussed in "Risk Factors" in Part II, Item 1A and elsewhere in this Quarterly Report, that our actual experience will differ materially from these expectations. For more information, see "Forward-Looking Statements" below.

In this Quarterly Report, except as the context suggests otherwise, "Company," "Regional Health Properties, Inc.," "Regional Health," "we," "our," "ours," and "us" refer to Regional Health Properties, Inc. and its subsidiaries and predecessors.

Forward Looking Statements

This Quarterly Report and certain information incorporated herein by reference contain forward-looking statements and information within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, and management's plans and objectives. In addition, certain statements included in this Quarterly Report, in the Company's

future filings with the SEC, in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "seek," "plan," "project," "continue," "predict," "will," and other words or expressions of similar meaning are intended by us to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on the Company's current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

All forward-looking statements are subject to the risks and uncertainties inherent in predicting the future. The Company's actual results may differ materially from those projected, stated or implied in these forward-looking statements as a result of many factors, including the Company's critical accounting policies and risks and uncertainties related to, but not limited to, the operating results of the Company's tenants, the overall industry environment, the Company's financial condition, and the impact of the COVID-19 pandemic on the Company's business. These and other risks and uncertainties are described in more detail in the Annual Report and in Part II, Item 1A "Risk Factors" of this Quarterly Report, as well as other reports that the Company files with the SEC.

Forward-looking statements speak only as of the date they are made and should not be relied upon as representing the Company's views as of any subsequent date. The Company undertakes no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur, except as required by applicable laws, and you are urged to review and consider disclosures that the Company makes in this Quarterly Report and other reports that the Company files with the SEC that discuss factors germane to the Company's business.

Overview

Regional Health Properties, Inc., a Georgia corporation is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior housing. We operate through two reportable segments: Real Estate and Healthcare Services. Our Real Estate segment consists of real estate investments in skilled nursing and senior housing facilities. We fund our real estate investments primarily through: (1) operational cash flow, (2) mortgages, and (3) sale of equity securities. Our Healthcare Services segment is comprised of an entity set up to operate our facilities as needed under our Portfolio Stabilization measures.

While the Company is a self-managed real estate investment company, the Company, when business conditions require, may undertake portfolio stabilization measures, such as operating a previously leased facility. For more information see "Recent" Recent Developments" below and Note 2 - *Liquidity - Changes in Operational Liquidity - Portfolio Stabilization Measures* and Note 6 - *Leases* to the Company's consolidated financial statements, which are included in Part I. Item 1 hereto.

Effective August 3, 2023, the Company's 12.5% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Stock") is quoted on the OTC Markets Group, Inc.'s OTCQB Venture Market under the symbol "RHEPB".

Real Estate Portfolio

As of **September 30, 2023** **March 31, 2024**, we had investments of approximately **\$66.5 million** **\$67.2 million** in eleven health care real estate properties and one leased property. We currently own eleven properties, consisting of nine skilled nursing facilities ("SNFs") and two multi-service facilities. Nine facilities are pursuant to triple-net leases, one is managed by an external manager, and one is managed internally by the Company. The Company has one leased facility that is subleased pursuant to a triple-net lease.

Skilled nursing facilities. SNFs provide services that include daily nursing, therapeutic rehabilitation, social services, activities, housekeeping, nutrition, medication management and administrative services for individuals requiring certain assistance for activities in daily living. A typical skilled nursing facility includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities.

Multi-Service Campuses. Multi-service campuses generally include some combination of co-located skilled nursing, independent living, assisted living and/or memory care units all housed at a single location and operated as a continuum of care.

23

We also refer to continuing care retirement communities as multi-service campuses. These facilities are often marketed as an opportunity for residents to "age in place," and tend to attract couples where the individuals may require or benefit from differing levels of care.

Portfolio

The following table provides summary information regarding the number of facilities and related licensed beds/units as of **September 30, 2023** **March 31, 2024**:

<u>Location</u>	<u>Skilled Nursing</u>	<u>Multi Service</u>	<u>Total</u>	<u>Skilled Nursing Facilities</u>	<u>Multi Service</u>	<u>Total</u>
	<u>Facilities</u>	<u>Properties</u>	<u>Properties</u>		<u>Properties</u>	<u>Properties</u>
Alabama	1	1	2			
Alabama(a)				1	1	2

Georgia	3	-	3	3	-	3
North Carolina	1	-	1	1	-	1
Ohio	2	1	3			
Ohio(b)				2	1	3
South Carolina	2	-	2	2	-	2
	9	2	11	9	2	11
<u>Location</u>	<u>Skilled Nursing</u>	<u>Multi Service</u>	<u>Total</u>	<u>Skilled Nursing</u>	<u>Multi Service</u>	<u>Total</u>
	<u>Beds/Units</u>	<u>Beds/Units</u>	<u>Beds/Uni</u>	<u>Beds/Units</u>	<u>Beds/Units</u>	<u>Beds/Units</u>
Alabama	124	90	214			
Alabama(a)				124	90	214
Georgia	395	-	395	395	-	395
North Carolina	106	-	106	106	-	106
Ohio	112	194	306			
Ohio(b)				112	194	306
South Carolina	180	-	180	180	-	180
	917	284	1,201	917	284	1,201
<u>Location</u>	<u>Skilled Nursing</u>	<u>Multi Service</u>	<u>Total</u>	<u>Skilled Nursing</u>	<u>Multi Service</u>	<u>Total</u>
	<u>Investment</u>	<u>Investment</u>	<u>Investme</u>	<u>Investment</u>	<u>Investment</u>	<u>Investment</u>
			\$14,49			
Alabama	\$9,613,199	\$4,884,514	7,713			
Alabama(a)				\$ 9,613,199	\$ 4,989,912	\$ 14,603,111
			24,475,			
Georgia	24,475,283	-	283	20,884,723	-	20,884,723
North Carolina	7,224,953	-	53	7,224,953	-	7,224,953
			10,589,			
Ohio	3,872,791	6,716,420	211			
Ohio(b)				4,079,965	10,714,214	14,794,179

South Carolina	9,733,024	24	9,733,024	-	9,733,024
	\$11,600,93	\$66,52			
	\$54,919,250	4	0,184	\$ 51,535,863	\$ 15,704,126 \$ 67,239,990

30

(a) Meadowood Retirement Village offers assisted living, memory care, and independent living and is therefore considered a multi-service campus.

(b) Eaglewood Village offers assisted living and Eaglewood Care Center offers skilled nursing. Both properties are co-located and are therefore considered a multi-service campus.

The following table provides summary information regarding the number of facilities and related licensed beds/units by operator affiliation as of **September 30, 2023** **March 31, 2024**:

Operator Affiliation	Number of Facilities	Beds /	Number of Facilities (1)	Beds / Units
	(1)	Units		
C.R. Management ^{2 3 5 6}	2	233		
C.R. Management			2	233
Aspire Regional Partners	3	306		
Oak Hollow Health Care			3	306
Management ⁷	2	180		
Beacon Health Management ⁴	1	126		
Oak Hollow Health Care				
Management			2	180
Beacon Health Management			1	126
Vero Health Management	1	106		
Cavalier Senior Living	1	90		
RHP Operations	1	160		
Subtotal	11	1,201	11	1,201

- (1) Represents the number of facilities leased or subleased to separate tenants, of which each tenant is an affiliate of the entity named in the table above.
- (2) In April 2022, the Company entered into an Operations Transfer and Surrender Agreement by and between Meadowood Operations, LLC and C.R. of Meadowood, LLC.
- (3) In May 2022, the Company entered into an Operations Transfer and Surrender Agreement by and between LaGrange Operations, LLC and C.R. of LaGrange, LLC.
- (4) In May 2022, the Company entered into an Operations Transfer and Surrender Agreement by and between Lumber City

Operations, LLC and LC SNF, LLC.

(5) In July 2022, the Company entered into an Operations Transfer and Surrender Agreement by and between Thomasville Operations, LLC and C.R. of Thomasville, LLC.

(6) In August 2022, the Company entered into an Operations Transfer Agreement and Surrender Agreement by and between Glenvue Operations, LLC and C.R. of Glenvue, LLC.

(7) In October, 2022, the parent company of Symmetry entered into an Operations Transfer Agreement with Oak Hallow Health Management, LLC to transition the two facilities in South Carolina.

24

For a more **detailed** discussion of the above information, see Note 6 - *Leases* to the consolidated financial statements included in Part I, Item 1 herein. Additionally, see "*Portfolio of Healthcare Investments*" included in Part I, Item 1 "Business" in the Annual Report.

Portfolio Occupancy Rates

The following table provides summary information regarding our portfolio facility-level occupancy rates for the periods shown:

Operating Metric	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Occupancy (%)	65.7%	66.4 %	66.8 %	66.9 %

(1) Excludes three managed facilities in Ohio.

(2) Due to the Company exiting the Foster lease in December 2022, historical data no longer includes Thomasville, Pov Springs, Tara, LaGrange, Twiggs, Oceanside, and Savannah Beach.

(3) Meadowood's current and historical calculations have been changed from 161 licensed beds to 90 beds. This change reflects the actual total beds available by the business.

31

Operating Metric	For the Twelve Months Ended			
	September 30,		December 31,	
	2023	2023	2023	March 31, 2024
Occupancy (%)	66.2%	66.2%	65.7%	65.7%

Lease Expiration

The following table provides summary information regarding our lease expirations for the years shown as of December 31,:

	Annual				Licensed Beds	Annual Lease Revenue
	Licensed	Lease	Revenue	Beds	(2)	
	Number	Count	Amount	Number	Count	Amount
	ber	C	Per	t (\$)	'000	cen
	of	o	ce	'000	cen	
	Facil	u	nt	's	t	
	ties	nt	(%)	(1)	(%)	
	5	4.	4	0.		
2023	1	0	8%	\$ 4	7%	
	1	1				
	2	1.		0.		
2024	1	6	9%	-	0%	
	1	1	9	1		
	0	0.	1	5.		
2025	1	9	4%	0	4%	
	0.		0.			
2026	0	0	0%	-	0%	
	0.		0.			
2027	0	0	0%	-	0%	
	2		,			
	3	3	3	3		
	5	3.	5	9.		
2028	4	5	8%	2	8%	
	1	1	5			
	0	0.	3	9.		
2029	1	6	1%	8	1%	
	1					
2030				2	233	18.2%
						2,103
						30.4%

(1) Straight-line rent.

(2) See Note 6 - Leases

to the consolidated financial statements included in Part I, Item 1 herein for a discussion of lease terminations.

25

Results of Operations

The following table sets forth, for the periods indicated, an unaudited statement of operations items and the amounts and percentages of change of these items. The results of operations for any particular period are not necessarily indicative of results for any future period. The following data should be read in conjunction with our consolidated financial statements and the notes thereto, which are included herein.

Three Months Ended	September 30,	Nine Months Ended	September 30,
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Patents Pending.

(Amount 2023 in thousands)	2022	Period	2022	2023	Period
Revenue	—	—	—	—	—
Net revenues:					
Patent					
licensing					
carriage				1	
expenses	7	(6	4	(
revenue	2,177	,	2,175	,	,5
expenses	1,725		1,656	5	
shareholders' equity	3,666	.	3,757	5	.
\$ 6	\$ 9	5)%	\$ 7	\$ 0	1)%
Re					
net assets				1	
I	3	(5	0	(
revenue	1,140	,	1,144	,	,4
expenses	700		631	9	
shareholders' equity	300	.	377	2	.
\$ 9	0	0)%	0	6	9)%
Management					
fees	22	3	77	7	1
fees	65	.	87	7	.
shareholders' equity	35	1%	84	4	8%

Ot	—	6	(%)	1	2	4%
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ue		.			0	
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s	8	0	5)%	2	0	9)%

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ns	1	7	.	1	4	.
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Fa	1	1	(%)	4	4	(%)
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ren		5	.		2	.
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zat	2	0	.	3	1	.
ion	6	0	3)%	8	9	5)%

Ge	9	1	(%)	3	3	(%)
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al	2	3	9	1	4	.
an		7	.	9	3	1
d		8	5	0	2	
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ns	9	4	.	1	0	.
es	7	1	3)%	1	9	7)%
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ation	(4	9	9	9	8	5
s	0	7	.	6	5	.
	— 4)	— 1)	5%)	— 4)	— 6)	0%)
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Net		—	—	—	—	—
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	(6	,	,	2	
(9	3	2	6	6	1	
7	7	.	5	2	.	
\$ 3)	\$ 1)	3%	\$ 0)	\$ 3)	0)%	
Three Months Ended March 31,						
Percent						
(Amounts in 000's)						
2024		2023		Change		

Revenues:			
Patient care			
revenues	\$ 2,309	\$ 1,916	20.5 %
Rental revenues	1,818	1,708	6.4 %
Management			
fees	—	278	(100.0)%
Other revenues	—	4	(100.0)%
Total			
revenues	<u>4,127</u>	<u>3,906</u>	5.7 %
Expenses:			
Patient care			
expense	2,101	2,321	(9.5)%
Facility rent			
expense	149	149	—
Cost of			
management			
fees	—	141	(100.0)%
Depreciation			
and			
amortization	511	510	0.2 %
General and			
administrative			
expense	1,632	1,531	6.6 %
Doubtful			
accounts			
expense	<u>28</u>	<u>16</u>	75.0 %
Total			
expenses	<u>4,421</u>	<u>4,668</u>	(5.3)%
Loss from			
operations	<u>(294)</u>	<u>(762)</u>	(61.4)%
Other expense:			
Interest			
expense, net	674	680	(0.9)%
Other (income)			
expense, net	<u>(6)</u>	<u>550</u>	(101.1)%
Total other			
expense, net	<u>668</u>	<u>1,230</u>	(45.7)%

Net loss	<u>\$ (962)</u>	<u>\$ (1,992)</u>	(51.7)%
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Three Months Ended September 30, 2023 **March**

31, 2024 and 2022 **2023**

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and the Glenvue Facilities, were **\$2.1 million** **\$2.3 million** for the three months ended **September 30, 2023** **March 31, 2024**, compared to **\$7.8**

32

million **\$1.9 million** for the same period in **2022, 2023**. The **72.5% decrease** **20.5% increase** is primarily due to the change in the facilities that were operated in Medicaid reimbursement rate paid for the period compared to the prior period. Glenvue facility.

Rental revenues—Rental revenue for our Real Estate Services segment **decreased increased** by approximately **\$1.3 million** **\$0.1 million** to **\$1.7 million** **\$1.8 million** for the three months ended **September 30, 2023** **March 31, 2024**, compared with **\$3.0 million** **\$1.7 million** for the same period in **2022, 2023**. The **42.0% decrease** **6.4% increase** is primarily due to less the extension of the Greenfield lease and the increase in rent collected from a reduction in the number of facilities subleased. Southland facility.

Patient care expense—Patient care expense was **\$2.3 million** **\$2.1 million** for the three months ended **September 30, 2023** **March 31, 2024** compared with **\$7.5 million** **\$2.3 million** for the same period in **2022, 2023**. The current period expense decrease of **\$5.2 million** **\$0.2 million** was primarily due to cost

containment at the change in the facilities we are operating. Glenvue and Meadowood facilities.

Facility rent expense—Facility rent of was \$0.1 million for the three months ended September 30, 2023 decreased 89.7% from \$1.5 million March 31, 2024, which was the same amount for the same period in 2022 due to the termination of the Foster Lease. three months ended March 31, 2023.

Depreciation and amortization—Depreciation and amortization was \$0.5 million for the three months ended September 30, 2023 March 31, 2024, compared to \$0.6 million \$0.5 million for the same period in 2022. 2023.

General and administrative expenses—General and administrative expenses were \$1.0 million \$1.6 million for the three months ended September 30, 2023 compared with \$1.4 million for the same period in 2022. The decrease was due to an increase in audit expenses and director's fees offset by a decrease in management fees due to the termination of the Foster Lease.

(Amounts in 000's)	Three Months Ended September		
	30,		
	Percent		
General and administrative expenses:			
Real Estate Services	\$ 950	\$ 975	(2.6)%
Healthcare Services	22	403	(94.5)%
Total	\$ 972	\$ 1,378	(29.5)%

Doubtful accounts expense—The current period expense of \$229.0 thousand for the three months ended September 30, 2023 March 31, 2024 compared with \$1.5 million for the same period in 2022 2023. The difference is primarily due from the 2023 allocation of costs from general and administrative expense to the reduction in the number cost of facilities caused by the termination of the Foster Lease. management fees.

Other operating expenses 26

(Amounts in 000's)	Three Months Ended March 31,		
	Percent		
	2024	2023	Change
General and administrative expenses:			
Real Estate			
Services	\$ 1,266	\$ 1,181	7.2 %
Healthcare			
Services	366	350	4.6 %
Total	<u>\$ 1,632</u>	<u>\$ 1,531</u>	6.6 %

Doubtful accounts expense—Other operating expenses decreased by \$0.2 million to \$0.2 million. Doubtful accounts expense primarily represents reserves taken against patient Accounts Receivable at the Glenvue facility for the three months ended September 30, 2023, compared with \$0.4 million March 31, 2024 and for the same period in 2022. The decrease was due to professional and legal services related to operator transition transactions.

along with decreased expenses related to the termination of the Foster Lease.

(Amounts in 000's)	Three Months Ended September 30,		
	2023	2022	Percent
			Change
Other operating expenses:			
Real Estate			
Services	\$ 54	\$ (80)	(167.8)%
Healthcare			
Services	143	521	(72.6)%
Total	\$ 197	\$ 441	(55.3)%

2023.

Other (income) expense, net—Other (income) expense, increased net decreased by \$2.1 million approximately \$0.6 million, to (\$0.1) million \$0.0 million for the three months ended September 30, 2023 March 31, 2024, compared with (\$2.2) million to \$0.6 million for the same period in 2022. These other three months ended March 31, 2023. The prior year expenses are were related to professional and legal services incurred for evaluation and assistance with possible opportunities that improve the company's capital structure. For three months ended September 30, 2022, these other expenses were offset by the \$2.4 million gain recognized related to the write-down of certain accounts payable balances for unclaimed property.

Nine Months Ended September 30, 2023 and 2022

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and Glenvue Facilities, were \$6.6 million for the nine months ended September 30, 2023, compared to \$14.7 million for the

same period in 2022. The 55.1% decrease is primarily due to the change in the facilities that were operated in the period compared to the prior period.

33

Rental revenues—Rental revenue for our Real Estate Services segment decreased by approximately \$5.1 million to \$5.2 million for the nine months ended September 30, 2023, compared with \$10.3 million for the same period in 2022. The 49.9% decrease is due to less rent collected from a reduction in the number of facilities subleased.

Patient care expense—Patient care expense was \$7.0 million for the nine months ended September 30, 2023, compared with \$14.0 million for the same period in 2022. The current period expense decrease of \$7.0 million was primarily due to the change in the number of facilities we are operating.

Facility rent expense—Facility rent expense of \$0.4 million for the nine months ended September 30, 2023 decreased 90.6% from \$4.7 million for the same period in 2022 due to the termination of the Foster Lease.

Depreciation and amortization—Depreciation and amortization was \$1.7 million for the nine months ended September 30, 2023, compared to \$1.8 million for the same period in 2022.

General and administrative expenses—General and administrative expenses were \$3.2 million for the nine months ended September 30, 2023, compared with \$3.4 million for the same period in 2022. The decrease was due to a slight increase in audit expenses and director's fees offset by a decrease in management fees due to the termination of the Foster Lease.

Nine Months Ended September

(Amounts in 000's)	30,		
	2023	2022	Percent
General and administrative expenses:			
Real Estate			
Services	\$ 2,970	\$ 2,660	11.7 %
Healthcare			
Services	220	772	(71.5) %
Total	\$ 3,190	\$ 3,432	(7.1) %

Doubtful accounts expense—Doubtful accounts expense was \$0.3 million for nine months ended September 30, 2023, compared to \$3.7 million for the same period in 2022. The decrease is primarily due to the change in the number of facilities we are operating.

Other operating expenses—Other operating expenses decreased by approximately \$0.9 million to \$0.5 million for the nine months ended September 30, 2023, compared with \$1.4 million for the same period in 2022. The decrease was due to professional and legal services related to operator transition transactions along with decreased expenses related to the termination of the Foster Lease.

(Amounts in 000's)	Nine Months Ended September		
	30,		
	2023	2022	Percent
Other operating expenses:			
Real Estate			
Services	\$ 225	\$ 555	(59.5) %
Healthcare			
Services	286	854	(66.5) %

Total	\$ 511	\$ 1,409	(63.7)%
-------	--------	----------	---------

Other (income) expense, net—Other (income) expense, net increase by approximately \$1.7 million, to \$0.6 million for the nine months ended September 30, 2023, compared to (\$1.1) million for the same period in 2022. These expenses are related to professional and legal services incurred for evaluation and assistance with possible opportunities that improve the company's capital structure. In addition, we incurred \$0.2 million for professional services used to obtain the Employee Retention Tax Credit ("ERTC"). For the nine months ended September 30, 2022, these other expenses were offset by the \$2.4 million gain recognized related to the write-down of certain accounts payable balances for unclaimed property. preferred exchange.

Liquidity and Capital Resources

Overview

The Company intends to pursue measures to grow its operations, streamline its cost infrastructure and otherwise increase liquidity, including: (i) refinancing or repaying debt to reduce interest costs and mandatory principal repayments, with such repayment to be funded through potentially expanding borrowing arrangements with certain lenders; (ii) increasing future lease

34

revenue through acquisitions and investments in existing properties; (iii) modifying the terms of existing leases; (iv) replacing certain tenants who default on their lease payment terms; and (v) reducing other and general and administrative expenses.

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, and debt refinancing during the twelve months following the date of this filing. At **September 30, 2023** **March 31, 2024**, the Company had **\$1.4 million** **\$0.8 million** in unrestricted **cash**, **cash and 1.5 million** of net accounts receivable, mainly consisting of patient accounts receivable and rent receivables.

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, the Company's net cash provided by operating activities was **\$3.5 million** primarily **\$0.6 million** mainly due to **collection** the timing of patient care receivables, the ERTC, **accounts payable** and **rent receivables**, **accrued expense payments**. Management anticipates collecting a portion of the past due rent after the filing date and is currently negotiating various methods to collect the remaining unpaid **rent**, **rent and notes receivable**.

As of **September 30, 2023** **March 31, 2024**, the Company **Regional** recorded an estimated allowance of **\$1.6 million** **\$2.1 million** against a gross accounts receivable of **\$3.6 million** **\$3.5 million**.

As of **September 30, 2023** **March 31, 2024**, the Company had **\$51.4 million** **\$50.0 million** in indebtedness, net of **\$1.1 million** **1.0 million** deferred financing, and unamortized discounts. The Company anticipates net principal repayments of approximately **\$2.3 million** **\$1.7 million** during the next twelve-month period, approximately **\$1.5 million** of routine debt service amortization **\$0.7 million** of insurance financing amortization, and a **\$0.1 million** payment of bond debt.

Debt Modification

On December 30, 2022, the Company extended the maturity date on approximately **\$0.5 million** other debt from August 25, 2023 to August 25, 2025 (known as

the "KeyBank Exit Notes"). For further information, see Note 8 – Notes Payable and Other Debt to the consolidated financial statements included in Part I, Item 1 herein.

The Company is current with all of its Notes payable and other debt as described in Note 8 – Notes Payable and Other Debt to the consolidated financial statements included in Part I, Item 1 herein.

In 2020, the Company began exploring alternatives to retire or refinance the Series A Preferred Stock through privately negotiated transactions, open market repurchases, redemptions, exchange offers, tender offers, or otherwise. Costs associated with these efforts have been expensed as incurred in Other (income) expense, net and were \$0.6 million and \$1.3 million for the nine months ended September 30, 2023 and September 30, 2022, respectively. Exchange Offer

On June 30, 2023, the Company closed the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Company's 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") for newly issued shares of the Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of September 30, 2023 March 31, 2024, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the

Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 2 – *Liquidity* and Note 9 – *Common and Preferred Stock*.

The Company is current with all of its debt and other financial obligations. In early 2020, the Company began ongoing efforts to investigate alternatives to retire or refinance our outstanding Series A Preferred Stock through privately negotiated transactions, open market repurchases, redemptions, exchange offers, tender offers, or otherwise.

27

Costs associated with these efforts have been expensed as incurred in “Other expense, net” and were \$0.6 million for the three months ended March 31, 2023, and there were no expenses incurred for the three months ended March 31, 2024.

Series A Preferred Dividend Suspension

Prior to the *consolidated financial statements* included Exchange Offer, as discussed above, we suspended the quarterly dividend payment with respect to our Series A Preferred Stock commencing with the fourth quarter of 2017, and on June 8, 2018, the Board suspended quarterly dividend payments indefinitely with respect to the Series A Preferred Stock. The dividend suspension provided the Company with additional funds to meet its ongoing liquidity needs. As the Company had failed to pay cash dividends on the outstanding Series A Preferred Stock in *Part I, Item full for more than four dividends periods*, the annual dividend rate on the Series A Preferred Stock for the fifth and future missed dividend periods had increased to 12.875%, which was

equivalent to approximately \$3.20 per share each year, commencing on the first day after the missed fourth quarterly payment (October 1, herein. 2018) and continuing until the second consecutive dividend payment date following such time as the Company had paid all accumulated and unpaid dividends on the Series A Preferred Stock in full in cash. As discussed above, in connection with the completion of the Exchange Offer, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated.

Debt Covenant Compliance

As of September 30, 2023 March 31, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments. instruments except for one immaterial non-compliance. When management learned of the non-compliance, the non-compliance was cured after the balance sheet date.

Evaluation of the Company's Ability to Continue as a Going Concern

Under the accounting guidance related to the presentation of financial statements, the Company is required to evaluate, on a quarterly basis, whether or not the Company's current financial condition, including its sources of liquidity at the date that the consolidated financial statements are issued, will enable the Company to meet its obligations as they come due arising within one year of the date of the issuance of the Company's consolidated financial statements and to make a determination as to whether or not it is probable, under the application of this accounting guidance, that the Company will be able to continue as a going concern. The Company's consolidated financial statements have been presented on a going concern basis, which contemplates the realization of assets and the

satisfaction of liabilities in the normal course of business. In applying applicable accounting guidance, management considered the Company's current financial condition and liquidity sources, including current funds available, forecasted future cash flows, the Company's obligations due over the next twelve months, and the Company's recurring business operating expenses.

35

The Company concludes that it is probable that the Company will be able to meet its obligations arising within one year of the date of issuance of these consolidated financial statements within the parameters set forth in the accounting guidance.

For additional information regarding the Company's liquidity, see Note 2 – *Liquidity* and Note 8 – *Notes Payable and other debt*, to the consolidated financial statements included in Part I, Item 1 herein.

Cash Flows

The following table presents selected data from our consolidated statements of cash flows for the periods presented:

(Amounts in 000's)	Nine Months		Three Months	
	Ended		Ended	
	September 30,	2023	March 31,	2024
Net cash provided				
by (used in)		(2,		
operating	3,4	17		
activities	\$ 60	\$ 1)		
Net cash provided				
by operating				
activities	\$ 597	\$ 2,597		

Net cash used in investing activities	(91 6)	(18 3)	(55)	(2)
Net cash used in financing activities	(1, 81 8)	(2, 09 7)	(751)	(685)
Net change in cash and restricted cash	72 6	45 1)	(209)	1,910
Cash and restricted cash at beginning of period	3,9 09	9,8 48	4,184	3,909
Cash and restricted cash, ending	4,6 \$ 35	5,3 \$ 97	\$ 3,975	\$ 5,819

Nine Three Months Ended September 30,

2023 March 31, 2024

Net cash provided by operating activities—was approximately \$3.5 million \$0.6 million. The positive cash flow from operating activities was mainly due to the timing of working capital accounts.

28

Net cash used in investing activities—was approximately \$55.0 thousand. This capital expenditure was primarily for leasehold improvements.

Net cash used in financing activities—was approximately \$0.8 million. The cash was used to make routine payments totaling \$0.4 million for our Senior debt obligations, \$0.4 million for other debt.

Three Months Ended March 31, 2023

Net cash provided by operating activities—was approximately \$2.6 million. The positive cash flow from operating activities were largely due to collection of the ERTC, collection of patient care receivables, and rent receivables. ERTC.

Net cash used in investing activities—was approximately \$0.9 million. The negative cash flow was mainly from reclassified capital expenditures, new equipment, and finished capital expense projects.

Net cash used in financing activities—was approximately \$1.8 million. The cash was used to make routine payments totaling \$1.8 million for our debt obligations.

Nine Months Ended September 30, 2022

Net cash used by operating activities—was approximately \$2.2 million. The negative cash flow from operating activities was primarily caused by nonpayment of rent from Beacon and Symmetry and changes in working capital requirements, mostly due to accounts receivable increase of \$3.3 million, for the facilities we operate.

Net cash used in investing activities—was approximately \$0.2 million. \$2.0 thousand. This capital expenditure was for computer hardware, software and furniture and fixtures for the Tara Facility. software.

Net cash used in financing activities—was approximately \$2.1 million \$0.7 million. The cash was used to make routine payments totaling \$1.2 million \$0.3 million for our Senior debt obligations, and \$0.9 million \$0.4 million for Other other debt.

Off-Balance Sheet Arrangements

Guarantee

The Company subleased five facilities located in Ohio to the Aspire Sublessees, formerly affiliated with MSTC Development Inc., pursuant to the Aspire

Subleases, whereby the Aspire Sublessees took possession of, and commenced operating, the Aspire Facilities as subtenant. The Company agreed to indemnify Aspire against any and all liabilities imposed on them as arising from the former operator, capped at \$8.0 million. The Company has assessed the fair value of the indemnity agreements as not material to the financial statements at **September 30, 2023** **March 31, 2024**. For further information see Note 6 – *Leases*, to the consolidated financial statements included in Part I, Item 1 herein and also and Note 6 – *Leases* included in Part II, Item 8 of the Annual Report.

Critical Accounting Policies

We prepare our financial statements in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Article 8 of Regulation S-X. The preparation of these financial statements requires us to make

36

estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. On an ongoing basis, we review our judgments and estimates, including, but not limited to, those related to doubtful accounts, income taxes, stock compensation, intangible assets and loss contingencies. We base our estimates on historical experience, business knowledge and on various other assumptions that we believe to be reasonable under the circumstances at the time. Actual results may vary from our estimates. These estimates are evaluated by management and revised as circumstances change.

For a discussion of our critical accounting policies, see Note 1 – *Organization and Significant Accounting Policies* to the consolidated financial statements included in Part I, Item 1 herein.

Item 3. Quantitative and Qualitative Disclosures**About Market Risk.**

Disclosure in response to Item 3 of Form 10-Q is not required to be provided by smaller reporting companies.

Item 4. Controls and Procedures.*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our principal Chief Executive Officer (principal executive officer) and principal Senior Vice President (principal financial officer, 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.

Our management, with the participation of our principal executive officer Chief Executive Officer and principal financial officer, Senior Vice President, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on such evaluation, principal executive officer and principal financial officer have our management has concluded that, as of the Evaluation Date, our disclosure controls and procedures are not effective.

Our management believes a material weakness exists in our internal controls over financial reporting as of September 30, 2023 because we lack the necessary corporate accounting resources in our financial reporting processing and accounting functions as a result of recent departures of certain accounting and financial reporting personnel. A material weakness is a deficiency or a combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our management will seek to remediate the material weakness described above through hiring qualified accounting and financial reporting personnel to replace the personnel who departed.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal controls over financial reporting that occurred during the period covered by this Quarterly Report report that has materially affected, or is reasonably likely to

materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings.

The Company is a defendant in various legal actions and administrative proceedings arising in the ordinary course of business, including claims that the services the Company provided during the time it operated skilled nursing facilities resulted in injury or death to patients. Although the Company settles cases from time to time when settlement can be achieved on a reasonable basis, the Company vigorously defends any matter in which it believes the claims lack merit and the Company has a reasonable chance to prevail at trial or in arbitration. Litigation is inherently unpredictable. There is no assurance that the outcomes of these matters will not have a material adverse effect on the Company's financial condition. Although arising in the ordinary course of the Company's business, certain of these matters are described in Note 11 - *Commitments and Contingencies* to the consolidated financial statements included in Part I, Item 1 herein.

Item 1A. Risk Factors.

For a detailed description of certain risk factors that could affect our business, operations and financial condition, see Part I, Item 1A., Risk Factors, included in the Annual Report, as supplemented and modified by the risk factors set forth below in this Item 1A. The risk factors described in the Annual Report and this Quarterly Report (collectively, the "Risk Factors") do not describe all risks applicable to our business, and we intend it only as a summary of certain material factors. The Risk Factors should be considered in

connection with evaluating the forward-looking statements contained in this Quarterly Report because

38

the Risk Factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. If any of the risks actually occur, our business, financial condition, or results of operations could be negatively affected. In that case, the trading price of the common stock, no par value per share (the "common stock"), the Series A Redeemable Preferred Stock Shares, no par value per share (the "Series A Preferred Stock"), and the 12.5% Series B Cumulative Redeemable Preferred Stock Shares, no par value per share (the "Series B Preferred Stock"), could decline.

The COVID-19 pandemic and measures intended There are no material changes to prevent its spread could have a material adverse effect the risk factors set forth in Part I, Item 1A, in our Annual Report on our business, results of operations, cash flows, and financial condition.

On March 11, 2020, Form 10-K for the World Health Organization declared year ended December 31, 2023 filed with the outbreak of the respiratory illness caused by a novel strain of coronavirus, SARS-CoV-2, also known as COVID-19, a global pandemic. The COVID-19 pandemic has led governments and other authorities in the United States to impose measures intended to control its spread, including restrictions SEC on freedom of movement and business operations such as travel bans, border closings, business closures, quarantines and shelter-in-place orders. The COVID-19 pandemic and the measures to protect its spread adversely affected our business in 2022, and we expect it will continue to adversely affect our business in 2023 and beyond, for

a variety of reasons, including those discussed below and elsewhere hereunder. April 1, 2024.

As

Item 2. Unregistered Sales of December 31, 2022,
the Company is aware that each Equity Securities and Use of our facilities has reported one or more positive cases of COVID-19 among the residents and/or operator employee populations. Many of our operators have reported incurring significant cost increases as a result of the COVID-19 pandemic, with dramatic increases for facilities with positive cases. We believe these increases primarily stem from elevated labor costs, including increased use of overtime and bonus pay, as well as a significant increase in both the cost and usage of personal protective equipment, testing equipment, processes and supplies. In terms of occupancy levels, many of our operators have reported experiencing declines, in part due to the elimination or suspension of elective hospital procedures, fewer discharges from hospitals to SNFs, and higher hospital readmittances from SNFs. Proceeds.

30

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

NYSE American Listing

The COVID-19 pandemic may also lead to temporary closures of nursing facilities, operated by our tenants, which also may affect our tenants' ability to make their rental payments to us pursuant to their respective lease agreements. In addition, our tenants' operations could be further disrupted if any of their employees, or the employees of their vendors, have, or are suspected of having, COVID-19. This has caused, and may cause in the future, our tenants or their vendors to experience staffing shortages, and this could potentially require our tenants and their vendors to close parts of or entire facilities, distribution centers, or other buildings to disinfect any affected areas. We could also be adversely affected if government authorities impose upon our tenants, or their vendors, certain restrictions due to the COVID-19 pandemic. These restrictions may be in the form of mandatory closures, requested voluntary closures, bans on new admissions, restricted operations, or restrictions on the importation of necessary equipment or supplies which may adversely affect our tenants' operations and their ability to make rental payments to us moving forward. In addition, family members may elect to keep nursing facility residents at home during the COVID-19 pandemic, thus reducing our tenants' revenue. Currently, a number of our tenants have stopped admitting new patients due to rising COVID-19 infections resulting in decreased revenues. As a result of the COVID-19 pandemic, our tenants may face lawsuits for alleged negligence associated with their responses to the emergency. The costs associated with defending, settling, or paying damages from such claims could negatively impact

our tenants' operating budgets and affect their ability to meet their obligations under our leases. Further, we may be subject to increased lawsuits arising out of our alleged actions or the alleged actions of our tenants for which they have agreed to indemnify, defend and hold us harmless. An unfavorable resolution of any such pending or future litigation could materially adversely affect us. The Company is not aware of any such lawsuits against our tenants.

If our tenants are unable to make rental payments to us pursuant to their lease obligations, whether due to the tenants' decrease in revenues or otherwise, then, in some cases, we may be forced to either attempt to replace tenants or restructure tenants' long-term rent obligations and may not be able to do so on terms that are as favorable to us as those currently in place.

While the Company has received approximately 95% of its expected monthly rental receipts from tenants for the quarter ended September 30, 2023, there are a number of uncertainties the Company faces as it considers the potential impact of COVID-19 on its business, including the length of census disruption, elevated COVID-19 operating costs related to personal protection equipment, cleaning supplies, virus testing and increased overtime due to staff illness and the extent to which federal and state funding support will offset these incremental costs for our tenants. To the extent government support is not sufficient or timely to offset these impacts, or to the extent these trends continue or accelerate and are not offset by additional government relief that is sufficient or timely, the operating results of our operators are likely to be adversely affected, some may be unwilling or unable to pay their contractual obligations to us in full or on a timely basis, as has occurred with more than one of our operators.

We also do not know the number of facilities that will ultimately experience widespread, high-cost outbreaks of COVID-19, and while we have requested reporting of case numbers from our operators and CMS has required additional reporting by operators, we may not receive accurate information on the number of cases, which could result in a delay in reporting. We expect to see continued increased clinical protocols for infection control within facilities and increased monitoring of employees, guests and other individuals entering facilities; however, we do not yet know if future reimbursement rates will be sufficient to cover the increased costs of enhanced infection control and monitoring. The extent of the COVID-19 pandemic's effect on our and our tenants' operational and financial performance will depend on future developments, including the ultimate duration, spread and intensity of the outbreak, which may depend on factors such as the development and implementation of an effective vaccine and treatments for COVID-19, government funds and other support for the senior care sector and the efficacy of other policies and measures that may mitigate the impact of the pandemic, all of which are uncertain and difficult to predict. Due to these uncertainties, we are unable at this time to estimate the effect of these factors on our business, but the adverse impact on our business, results of operations, financial condition and cash flows could be material.

In addition, the COVID-19 pandemic led to CMS, the OIG and other regulatory agencies implementing various waivers and flexibilities intended to minimize burdens for healthcare providers and other industry participants that faced the challenges of the COVID-19 pandemic. These included, for example, coverage requirement waivers (e.g., three-day prior hospitalization requirement for SNF stay coverage), exercising administrative discretion in fraud and abuse enforcement, and waivers relating to telehealth and

licensure requirements. The national emergency and public health emergency declarations related to the COVID-19 pandemic ended on May 11, 2023. Consequently, many of the waivers and flexibilities that were implemented by CMS, the OIG and other regulatory agencies in response to the COVID-19 pandemic expired on May 11, 2023. We are unable to estimate at this time the impact these developments may have on the Company's business.

We are currently out of compliance with the continued listing standards of the NYSE American LLC ("NYSE American"). Our failure to resume compliance with the continued listing standards or make continued progress toward compliance consistent with a plan of compliance we intend to submit to NYSE Regulation may result in the delisting of our common stock and Series A Preferred Stock.

Our common stock and Series A Preferred Stock are each listed on the NYSE American. In order to maintain these listings, we must maintain certain share prices, financial and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to these objective standards, NYSE Regulation may delist the securities of any issuer (i) if, in its opinion, the issuer's financial condition and/or operating results appear unsatisfactory; (ii) if it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on the NYSE American inadvisable; (iii) if the issuer sells or disposes of principal operating assets or ceases to be an operating company; (iv) if an issuer fails to comply with the NYSE American's listing requirements; (v) if an issuer's common stock sells at what NYSE Regulation considers a "low selling price" and the issuer fails to correct this via a reverse split of

shares after notification by NYSE Regulation; or (vi) if any other event occurs or any condition exists which makes continued listing on the NYSE American in its opinion, inadvisable.

As part of these continued listing requirements, under Sections 1003(a)(i) and 1003(a)(ii) of the NYSE American Company Guide, which require an issuer to have (i) shareholders' equity of \$2.0 million or more if it has reported losses from continuing operations and/or net losses in two of its three most recent fiscal years and (ii) shareholders' equity of \$4.0 million or more since if it has reported losses from continuing operations and/or net losses in three of its four most recent fiscal years, respectively. Our audited consolidated financial statements for the year ended December 31, 2022 reflect shareholders' equity of approximately \$3.7 million and losses from continuing operations and/or net losses in three of its four most recent fiscal years. On May 10, 2023, we received a letter from the NYSE American (the "Initial Deficiency Letter") notifying us that we are were not in compliance with Section 1003(a)(ii) of the NYSE American Company Guide. As a result, we became subject to the procedures and requirements of Section 1009 of the NYSE American Company Guide. On June 9, 2023, we submitted a plan to the NYSE American advising of actions we have taken or will take to regain compliance with the continued listing standards by November 10, 2024. On June 29, 2023, we received a letter from the NYSE American (the "Second Deficiency Letter") notifying us that we are were not in compliance with Section 1003(a)(i) of the NYSE Company Guide. On August 1, 2023, we received a letter (the "Acceptance Letter") from the NYSE American notifying us that the compliance plan was has been accepted. The NYSE American has granted the Company a plan period through November 10, 2024 to regain compliance with the

continued listing standards. We have been advised that if we do not make progress consistent with the plan or we fail to regain compliance by the deadline, then the NYSE American may commence delisting procedures.

Although we intend to regain compliance with the continued listing requirements prior to November 10, 2024, we may be unable to do so. If delisting proceedings are commenced, the NYSE American rules permit us to appeal a staff delisting determination. Our Regional Health's common stock and Series A Preferred Stock will continue to be listed and traded on the NYSE American during while it attempts to regain compliance with the plan period, continued listing standard noted, subject to our Regional Health's compliance with other continued listing requirements. The common stock and Series A Preferred Stock will continue to trade under the symbols "RHE" and "RHE-PA," respectively, but will each have an added designation of ".BC" to indicate that Regional Health is not in compliance with the NYSE American's other applicable continued listing standards. If

40

NYSE American delists our common stock or Series A Preferred Stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for these securities, reduced liquidity, decreased analyst coverage of these securities, and an inability for us to obtain additional financing to fund our operations.

We may conduct a transaction or transactions prior to November 10, 2024 that could result in significant dilution to our existing shareholders.

The transaction(s) could include the private investment in public equity, a public rights

offering, a debt restructuring or any combination of these or similar transactions with the intent of maintaining our NYSE American listings. Such transaction(s), if completed, would be dilutive to certain shareholders, could adversely affect the market price of our common stock, Series A Preferred Stock and Series B Preferred Stock, would involve some expense and management distraction from our business and ultimately may not be successful in maintaining our NYSE American listings.

To maintain our NYSE American listings, we may conduct a private investment in public equity, a public rights offering, a debt restructuring or any combination of these or similar transactions prior to November 10, 2024. Although we may not complete any of these transactions, if a transaction occurs, it would be dilutive to certain shareholders and could adversely or favorably affect the market price of our common stock, Series A Preferred Stock and Series B Preferred Stock. Furthermore, any transaction would involve some expense and management distraction from our business, and it is possible that despite the transaction, we may still be unsuccessful in maintaining our NYSE American listings. If NYSE American delists our common stock or Series A Preferred Stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for these securities, reduced liquidity, decreased analyst coverage of these securities, and an inability for us to obtain additional financing to fund our operations.

Trading Arrangement

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults upon Senior Securities.

In connection with During the completion first quarter of 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Offer and the implementation Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408(c) of Regulation S-K of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference Securities Act of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, 1933, as of September 30, 2023, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 2 – *Liquidity* and Note 9 – *Common and Preferred Stock* to the consolidated financial statements included in Part I, Item 1 herein.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None, amended).

Item 6. Exhibits.

The agreements included as exhibits to this Quarterly Report are included to provide information regarding the terms of these agreements and are not intended to provide any other factual or disclosure information about the Company, its business or the other parties to these agreements. These agreements may contain representations and warranties by each of the parties to the applicable agreement. These representations

and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

41

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time, and should not be relied upon by investors.

42 31

EXHIBIT INDEX

Ex	Method of
hib	Filing
it	
No.	Description

3.1 Amended Incorporated
 and by reference
 Restated to Exhibit 3.1
 Articles of of the
 Incorporation Registrant's
 of Regional Current
 Health Report on
 Properties. Form 8-K filed
 Inc.. on July 6,
 effective July 2023
 3, 2023 July
 3, 2023

3.
24 Amended Incorporated
 and by reference
 Restated to Exhibit 3.3
 Bylaws of of the
 Regional Registrant's R
 Health egistrant's
 Properties. Current
 Inc.. Report on
 effective Form 8-K12B
 September filed on
 21, 2017 October 10,
 2017

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3.2(a)

3.2 Amendment No. 1 to I
(a) Amended and n
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4. Description Incorporated
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Properties, of the
Inc. Capital Registrant's
Stock Current
Report on
Form 8-K filed
on July 6,
2023

31. Certification Filed
1 of Principal herewith
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Officer
pursuant to
Section 302
of the
Sarbanes-
Oxley Act

31. Certification Filed
2 of Principal herewith
Financial
Officer
pursuant to
Section 302
of the
Sarbanes-
Oxley Act

32. Certification Filed
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Executive
Officer
pursuant to
Section 906
of the
Sarbanes-
Oxley Act

32. Certification Filed herewith
2 of Principal
Financial
Officer
pursuant to
Section 906
of the
Sarbanes-
Oxley Act

10 Inline XBRL Filed herewith
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NS Document –
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 because
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 are
 embedded
 within the
 Inline XBRL
 document.

10 Inline XBRL Filed herewith

1.S Taxonomy
CH Extension
 Schema
 Document

10 Inline XBRL Filed herewith

1.C Taxonomy
AL Extension
 Calculation
 Linkbase
 Document

10 Inline XBRL Filed herewith

1.D Taxonomy
EF Extension
 Definition
 Linkbase
 Document

10 **Inline XBRL Filed herewith**
1.L **Taxonomy**
AB **Extension**
 Label
 Linkbase
 Document
10 **Inline XBRL Filed herewith**
1.P **Taxonomy**
RE **Extension**
 Presentation
 Linkbase
 Document
10 **Cover Page Filed herewith**
4 Interactive
 Data File
 (embedded
 within the
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* Identifies a management contract or compensatory plan or arrangement.

43 32

SIGNATURES

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

**REGIONAL HEALTH
PROPERTIES, INC.**

(Registrant)

D **November 14,** /s/ Brent Morrison

at **2023 May 15, 2024**

e: _____

Brent Morrison
Chairman, Chief Executive
Officer and Director
(Principal Executive
Officer)

D **November 14,** /s/ Paul O'Sullivan

at **2023 May 15, 2024**

e: _____

Paul O'Sullivan
Senior Vice President
(Principal Financial
Officer)

44 33

Exhibit 31.1

CERTIFICATIONS

I, Brent Morrison, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regional Health Properties, 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 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 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.

November 14, 2023 May B/s/ Brent Morrison

15, 2024

y

*Chairman Chief
Executive Officer and
President*

Exhibit 31.2

CERTIFICATIONS

I, Paul O'Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Regional Health Properties, 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 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 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.

November 14, 2023 May B/s/ Paul O' Sullivan

15, 2024

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Chief Principal Officer

and Senior Vice

President

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

**BY SECTION 906 OF THE SARBANES-OXLEY ACT
OF 2002**

In connection with the Quarterly Report of Regional Health Properties, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brent Morrison, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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.

November 14, 2023 **May 15, 2024** B
y: /s/ Brent Morrison
Brent Morrison
*Chairman, Chief
Executive Officer and
President*

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

BY SECTION 906 OF THE SARBANES-OXLEY ACT
OF 2002

In connection with the Quarterly Report of Regional Health Properties, Inc. (the "Company") on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul O'Sullivan, **Senior Vice President** **Asset Manager** of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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.

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November 14, 2023 **May** B

15, 2024

y: /s/ Paul O'Sullivan

Paul O'Sullivan

Chief Principal Officer

and Senior Vice

President