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RHE - REGIONAL HEALTH PROPERTIE

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 5514

■ CHANGES	366
■ DELETIONS	3661
■ ADDITIONS	1487

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

FORM 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022 2023

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

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

454 Satellite Boulevard NW 1050 Crown Pointe Parkway, 30024-7191 30338

Suite 100 720, Suwanee Atlanta, GA (Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code (678) 869-5116

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	RHE	NYSE American
10.875% Series A Cumulative Redeemable Preferred	RHE-PA	NYSE American
Preferred Shares, Stock, no par value		

Securities registered under Section 12(g) of the Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes

No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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

Accelerated filer

Non-accelerated filer

Smaller reporting

company

Emerging growth company

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

No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of Regional Health Properties, Inc.'s common stock, **no par value**, held by non-affiliates as of **June 30, 2022** **June 30, 2023**, the last business day of Regional Health Properties, Inc.'s most recently completed second fiscal quarter was **\$6,590,598** **5,980,720**. The number of shares of Regional Health Properties, Inc., common stock, no par value, outstanding as of **March 16, 2023** **March 16, 2024**, was **1,883,028** **1,839,028**.

Regional Health Properties, Inc.

Form 10-K

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Statement Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K (this "Annual Report") contain "forward-looking" information as that term is defined by the Private Securities Litigation Reform Act of 1995. Any statements that do not relate to historical or current facts or matters are forward-looking statements. Examples of forward-looking statements include all statements regarding our expected future financial position, results of operations, cash flows, liquidity, financing and refinancing plans, strategic and business plans, tenants, operators, projected expenses and capital expenditures, competitive position, growth and acquisition opportunities, and compliance with, and changes in, governmental regulations. You can identify some of the forward-looking statements by the use of forward-looking words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "should," "may" and other similar expressions, although not all forward-looking statements contain these identifying words.

Our actual results may differ materially from those projected or contemplated by our forward-looking statements as a result of various factors, including, among others, the following:

- The increased risks associated with our portfolio stabilization measures;
- Increases in market interest rates and inflation;
- Epidemics or pandemics, including the COVID-19 pandemic, and the related impact on our tenants, operators and healthcare facilities;
- Our ability to raise capital through equity and debt financings, and the cost of such capital;
- Our ability to meet the continued listing requirements of the NYSE American LLC (the "NYSE American") and to maintain the listing of our securities thereon;
- Our dependence on the operating success of our tenants and their ability to meet their obligations to us;
- Operational risks with respect to our Healthcare Services segment;

- The effect of increasing healthcare regulation and enforcement on our tenants, and the dependence of our tenants on reimbursement from governmental and other third-party payors;
- The effect of our tenants' potential financial or legal difficulties;
- The ability and willingness of our tenants to renew their leases with us upon expiration, and our ability to reposition our properties on the same or better terms in the event of nonrenewal or if we otherwise need to replace an existing tenant;
- Our concentration in the healthcare property sector particularly in skilled nursing facilities and assisted living facilities making our profitability more vulnerable to a downturn in a specific sector than if we were investing in multiple **industries**: **industries**;
- The impact of liabilities associated with our legacy business of owning and operating healthcare properties, including pending and potential professional and general liability claims;
- The relatively illiquid nature of real estate **investments** **investments**;
- The availability of, and our ability to identify, suitable acquisition opportunities, and our ability to complete such acquisitions and lease the respective properties on favorable terms; and
- Other risks inherent in the real estate business, including uninsured or underinsured losses affecting our properties, the possibility of environmental compliance costs and liabilities, and the illiquidity of real estate investments.

We urge you to carefully consider these risks and review the additional disclosures we make concerning risks and other factors that may materially affect the outcome of our forward-looking statements and our future business and operating results, including those made in Part I, Item IA, IA, "Risk Factors" in this Annual Report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission ("SEC"), including subsequent Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We caution you that any forward-looking statements made in this Annual Report

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are not guarantees of future performance, events or results, and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We do not intend, and we undertake no

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obligation, to update any forward-looking information to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events, unless required by law to do so.

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PART I.

Item 1. Business

Description of Business

In this Annual Report, except as the context suggests otherwise, the words "Regional Health" or "Regional" refer to Regional Health Properties, Inc., a Georgia corporation, and the words "Company," "we," "ours" and "us" refer to Regional Health and its subsidiaries.

Regional Health is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior housing.

Our primary business consists of acquiring and owning real estate property to be leased to third-party tenants in the healthcare sector. We primarily generate revenues by leasing properties to tenants and owning properties operated by third-party property managers throughout the United States ("U.S."). In select circumstances, from time to time, in order to preserve the value of our assets, we may elect to take our facilities back from an operator and either hire a third-party manager or operate the facility ourselves until a new operator for the facility is secured.

We operate through two reportable segments: (i) real estate segment, which consists of owning and leasing/subleasing healthcare facilities, predominantly skilled nursing facilities ("SNFs") and assisted living facilities ("ALFs"), to third-party tenants, which in turn operate the facilities (the "Real Estate segment"); and (ii) healthcare services segment, which consists of operating the healthcare facilities (the "Healthcare Services segment").

We expect to grow our Real Estate segment while diversifying our portfolio by tenant and facility type within the healthcare sector. We plan to achieve these objectives primarily through making investments directly or indirectly in investments in joint ventures with larger firms.

Regional Health is successor to, and a former wholly owned subsidiary of, AdCare Health Systems, Inc. ("AdCare"). On September 29, 2017, AdCare merged with and into Regional Health, with Regional Health continuing as the surviving corporation (the "Merger").

Our principal executive offices are located at 454 Satellite Boulevard NW, 1050 Crown Point Parkway, Suite 100, Suwanee, GA 30024, 720, Atlanta, Georgia 30338, and our telephone number is (678) 869-5116. We maintain a website at www.regionalhealthproperties.com. We make available free of charge on our website certain of our recent SEC filings, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those filings as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These reports are also available on the SEC's website at <http://www.sec.gov>. The contents of our website are not incorporated by reference herein or in any of our filings with the SEC. Certain corporate governance materials, including our Board of Directors (the "Board") committee charters and our Code of Business Conduct and Ethics, are posted on our website under the heading "Investor Relations" and then "Committee Charters." From time to time, the corporate governance

materials on our website may be updated as necessary to comply with rules issued by the SEC or NYSE American, or as desirable to further the continued effective and efficient governance of our company.

Industry Trends

The skilled nursing sector of the long-term care industry has evolved to meet the growing demand for post-acute and custodial healthcare services generated by an aging population, increasing life expectancies and the trend toward shifting of patient care to lower cost settings. The growth of the senior population in the U.S. continues to increase healthcare costs, often faster than the available funding from government-sponsored healthcare programs. In response, federal and state governments have adopted cost containment measures that encourage the treatment of patients in more cost effective settings, such as SNFs, for which the staffing requirements and associated costs are often

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significantly lower than acute care hospitals, inpatient rehabilitation facilities and other post-acute care settings. As a result, SNFs are generally serving a larger population of higher acuity patients than in the past.

Growth drivers for SNFs, according to projections published by the U.S. Census Bureau, revolve around the percentage of Americans who are turning 65 increasing from 16% of the population in 2019 to a projected 21.6% of the population in 2030, as well as the average life expectancy of the general population increasing from 79.7 years in 2019 to an expected a projected 81.7 years in 2030. This translates into an estimated increase of the 65+ population from 54.1 million to 80.8 million in 2019 and 2030, respectively. It is expected that these additional 26.7 million Americans will drive up demand for SNFs and facilities that house and provide care to this aging demographic, especially as they age into the prime 75+ age category.

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The skilled nursing industry is large, highly fragmented, and characterized predominantly by numerous local and regional providers. Based on a decrease in the number of SNFs over the past few years, we expect that the supply and demand balance in the skilled nursing industry will continue to improve. We also anticipate that, as life expectancy continues to increase in the United States, notwithstanding the recent declines due to the COVID-19 pandemic and to increased deaths amongst younger and middle-aged individuals (due predominantly due to the overdose epidemic and suicides), the overall demand for skilled nursing services will increase. More importantly for our business model, as reported by the National Investment Center Assistant Secretary for Seniors Housing Planning and Care, the percentage of nursing home and senior housing properties that were owned by publicly traded real estate investment trusts ("REITs") was Evaluation (ASPE), only 10.3% 9% as of the year ended December 31,

2019 November 13, 2023. This indicates potential acquisitions and consolidation opportunities for Regional Health and organic growth represented by the aforementioned demographic trends.

We believe the skilled nursing industry has been, and will continue to be, impacted by several other trends. The use of long-term care insurance is increasing among seniors as a means of planning for the costs of skilled nursing care services. In addition, as a result of increased mobility in society, reduced average family size, and increased number of two-wage earner couples, more seniors are looking for alternatives outside their own family for their care. Further, we have identified a widening supply and demand imbalance within the SNF space. According to the American Health Care Association, the number of nursing home facilities has declined from 15,600 facilities in 2016 to 15,200 15,000 in July 2022, 2023. We anticipate that this decline in the number of nursing home facilities in light of the demographic trends identified above sets up conditions for increased utilization of SNF facilities.

Our Real Estate Portfolio

We have a geographically diverse portfolio of healthcare investments across the Southeast U.S. that offer a range of services including skilled nursing, assisted and independent living and memory care. As of December 31, 2022 December 31, 2023, we had investments of approximately \$66.5 million \$67.2 million in twelve eleven health care real estate properties facilities consisting of nine SNFs and two multi-service campuses (of which one leased property multi-service campus contains two co-located properties) located in five states. We also lease one SNF which we sublease to a third-party operator.

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 SNF includes mostly one and two bed units, each equipped with a private or shared bathroom and community dining facilities.

Independent living communities. Independent living communities are age-restricted multi-family properties with central dining facilities that provide services that include security, housekeeping, activities, nutrition and limited laundry services. Our independent living communities are designed specifically for independent seniors who are able to live on their own, but desire the security and conveniences of community living. Independent living communities typically offer several services covered under a regular monthly fee.

Assisted living communities, facilities. ALFs provide services that include assistance for activities in daily living and permit residents to maintain some of their privacy and independence as they do not require constant supervision and assistance. Services bundled within one regular monthly fee usually include three meals per day in a central dining room, daily housekeeping, laundry, medical reminders and 24-hour availability of assistance with the activities of daily living, such as eating, dressing and bathing. Professional nursing and healthcare services are usually available at

the community on call or at regularly scheduled times. A typical **assisted living community ALF** is comprised of studios and one- and two-bedroom suites, each equipped with private bathrooms and efficiency kitchens.

Memory care communities. Memory care communities offer specialized options, services and clinical programs for individuals **with suffering from** Alzheimer's disease and other forms of dementia. Purpose-built memory care communities offer a more residential environment than offered in a secured unit of a nursing facility. Memory Care communities offer dedicated care and specialized programming from specially trained staff for various conditions relating to memory loss in a secured environment that is typically smaller in scale and more residential in nature than traditional **assisted living communities, ALFs.** Residents require a higher level of care, a secure environment, customized therapeutic recreation programs and more assistance with activities of daily living than in **assisted living communities, ALF.** Therefore, these communities have staff available 24 hours a day to respond to the unique needs of their residents.

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

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continuum of care. 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. As of **December 31, 2022** December 31, 2023, our portfolio included **2** two facilities that we classify as multi-service campuses, one of which includes two co-located properties.

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Portfolio of Healthcare Investments

As of **December 31, 2022** December 31, 2023, we owned a portfolio of nine SNFs and two **multi service facilities strategically** multi-service campuses (one of which includes 2 co-located properties) and leased one SNF located across the Southeast U.S. In addition, we sublease one SNF.

The following table provides summary information regarding the number of **facilities owned** and related licensed beds/units by state and property type as of **December 31, 2022** December 31, 2023:

<u>Location</u>	<u>Skilled Nursing Facilities</u>	<u>Multi Service Campuses</u>	<u>Total Properties</u>
-----------------	-----------------------------------	-------------------------------	-------------------------

Alabama(a)	1	1	2
Georgia	3	-	3
North Carolina	1	-	1
Ohio(b)	2	1	3
South Carolina	2	-	2
	9	2	11
<u>Location</u>	<u>Skilled Nursing</u> <u>Beds/Units</u>	<u>Multi Service</u> <u>Beds/Units</u>	<u>Total Beds/Units</u>
Alabama(a)	124	90	214
Georgia	395	-	395
North Carolina	106	-	106
Ohio(b)	112	194	306
South Carolina	180	-	180
	917	284	1,201
<u>Location</u>	<u>Skilled Nursing</u> <u>Investment</u>	<u>Multi Service</u> <u>Investment</u>	<u>Total Investment</u>
Alabama(a)	\$ 9,613,199	\$ 4,985,375	\$ 14,598,574
Georgia	20,869,700	-	20,869,700
North Carolina	7,224,953	-	7,224,953
Ohio(b)	4,079,965	10,714,214	14,794,179
South Carolina	9,733,024	-	9,733,024
	\$ 51,520,841	\$ 15,699,589	\$ 67,220,430
 (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.			

<u>Location</u>	<u>Skilled Nursing</u> <u>Facilities</u>	<u>Multi Service</u> <u>Properties</u>	<u>Total Properties</u>
Alabama(a)	1	1	2
Georgia	3	-	3
North Carolina	1	-	1
Ohio(b)	2	1	3
South Carolina	2	-	2
	9	2	11
<u>Location</u>	<u>Skilled Nursing</u> <u>Beds/Units</u>	<u>Multi Service</u> <u>Beds/Units</u>	<u>Total Beds/Units</u>
Alabama(a)	124	161	285
Georgia	395	-	395

North Carolina	106	-	106
Ohio(b)	112	194	306
South Carolina	180	-	180
	917	355	1,272

<u>Location</u>	<u>Skilled Nursing Investment</u>	<u>Multi Service Investment</u>	<u>Total Investment</u>
Alabama(a)	9,613,199	4,884,514	14,497,713
Georgia	24,475,283	-	24,475,283
North Carolina	7,224,953	-	7,224,953
Ohio(b)	3,872,791	6,716,420	10,589,211
South Carolina	9,733,024	-	9,733,024
	\$ 54,919,250	\$ 11,600,934	\$ 66,520,184

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

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

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Our portfolio is currently diversified by six different licensed operators. For a more detailed discussion, see Part I, Item 22., – Properties "Properties" and "Portfolio of Healthcare Investments" in Part I, Item 1., "Business", in this Annual Report.

Acquisitions and Dispositions

Lease Termination. 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")

The Company made no acquisitions nor or dispositions during the year ended December 31, 2021 December 31, 2023.

Leasing Transactions

Leasing Transactions. As of the filing date of this Annual Report, the Company is operating or has leased or subleased, as applicable, the following facilities to tenants:

Facility Name	State	Owned /	Transaction
		Leased	Type
Coosa Valley Health & Rehab	AL	Owned	Lease
Meadowood Retirement Village	AL	Owned	Operating
Autumn Breeze Healthcare Center	GA	Owned	Lease
Glenvue Health and Rehab	GA	Owned	Operating
Southland Healthcare and Rehabilitation Center	GA	Owned	Lease
Mountain Trace Rehabilitation and Nursing Center	NC	Owned	Lease
Covington Care Center	OH	Leased	Sublease
Eaglewood Village Care Center	OH	Owned	Lease
Eaglewood Care Center Village	OH	Owned	Lease
Hearth & Care of Greenfield	OH	Owned	Lease
The Pavilion Care Center	OH	Owned	Lease
Georgetown Healthcare & Rehabilitation	SC	Owned	Lease
Sumter Valley Nursing and Rehab Center	SC	Owned	Lease

For a detailed description of each of the Company's leases, see Note 6 - *Leases* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Competitive Strengths

We believe the following competitive strengths contribute significantly to our success:

Geographically Diverse Property Portfolio. Our portfolio of 13 properties, across 12 facilities (1 facility containing 2 co-located properties), 12 owned and 1 leased, comprising 1,703 1,300 licensed beds/units, is diversified across five states. Our properties in any one state did not account for more than 24% of our total properties as of the date of filing this Annual Report. Properties in our largest state, Ohio, are geographically dispersed around the Dayton area. We believe this geographic diversification will limit the effect of a decline in any one regional market on our overall performance.

Long-Term, Triple-Net Lease Structure. A substantial majority of our real estate properties are leased under triple-net operating leases with initial terms of 10 years pursuant to which the tenants are responsible for all facility maintenance, insurance and taxes, and utilities. As of the date of filing this Annual Report, the leases had an average remaining initial term of approximately five and a half years. In addition, our leases contain specific rent escalation amounts

ranging from 1.0% to **3.0%** **2.5%** annually. Further, each lease has one or more renewal options. For the facility subleased by the Company, the renewal option in the sublease agreement is dependent on the Company's renewal of its lease agreement. We also receive additional security under these leases in the form of security deposits from the lessee and guarantees from the parent or other related entities of the lessee.

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In-House Operating Team As of December 31, 2022 Up until December 31, 2023, we managed **2** **two** SNFs and an independent village community for a local hospital system in exchange for a management fee. In 2022, we began to utilize our operating team to operate some our owned facilities. By operating the **skilled nursing facility**, **SNF**, we are directly exposed to the risks and benefits of the performance of the facility. We generally utilize this structure when the current lessee **can't** **cannot** support the lease any longer yet the properties present growth opportunities that may be achievable through capital investment and an improvement in operations. In addition, by having an in-house operating team, we can preserve a property's asset value when a tenant defaults on a lease forcing us to step in as operators.

Ability to Identify Talented Operators As a result of our management team's operating experience, network of relationships and industry insight, we have been able and expect to continue to identify qualified local, regional and national operators. We seek operators who possess local market knowledge, demonstrate hands-on management, have proven track records, and focus on quality care and clinical outcomes. These operators are often located in secondary markets, which generally have lower costs to build and favorable demographics as demonstrated by the fact that the percentage of the population over the age of 65 is greater in the markets where we have invested than in the U.S. as a whole. We believe our management team's experience gives us a key competitive advantage in objectively evaluating an operator's financial position, focus on care and operating efficiency.

Significant Experience in Proactive Asset Management The members of our management team have significant experience developing systems to collect and evaluate data relating to the underlying operational and financial success of healthcare companies and healthcare-related real estate assets. We are able to utilize this experience and expertise to provide our tenants, when requested, with assistance in the areas of marketing, development, facility expansion and strategic planning. We also use information technology that allows us to efficiently and effectively collect tenant, financial, asset management and acquisitions information. Leveraging this allows us to be lean in our operations and proactive in sharing information with our tenants where we can be helpful to them. We actively monitor the operating results of our tenants, and, when requested, we offer support to our operators to identify and capitalize on opportunities to improve the operations of our facilities and the overall financial and operating strength of our operators.

Business Strategy

Our business strategy **focuses** primarily **is focused** on investing capital in our current portfolio and growing our portfolio through the acquisition of skilled nursing and other healthcare facilities. More specifically, we

seek to:

Focus on Healthcare Real Estate. We intend to continue to focus our investment program on healthcare real estate, predominately senior housing consisting of assisted living, ALFs, memory care communities and SNFs. We have historically been focused on senior housing, and our senior management has operating and financial experience and a significant number of relationships in the long-term care industry. In addition, we believe investing in the sector best meets our investing criteria.

Diversify Our Portfolio. We look to diversify our portfolio through the acquisition of additional facilities. In addition, we plan to diversify our portfolio of mostly skilled nursing facilities SNFs with additional senior housing facilities including assisted living ALFs and memory care facilities, communities. As we acquire new facilities, we expect to further add new tenants.

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Invest Capital in Our Current Portfolio. We intend to continue to support our operators by providing capital to them for a variety of purposes, including facility modernization and potentially replacing or renovating facilities in our portfolio that may have become less competitive. We expect to structure these investments as either lease amendments that produce additional rent or as loans that are repaid by operators during the applicable lease term. We believe such projects will provide an attractive return on capital and improve the underlying performance of facility operations.

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Provide Capital to Underserved Operators. We believe that there is a significant opportunity to be a capital source to long-term care operators through the acquisition and leasing of healthcare properties that are consistent with our investment and financing strategy, but that, due to size and other considerations, are not a focus for large healthcare REITs. We seek primarily small to mid-size acquisition transactions with a focus on individual facilities with existing operators, as well as small groups of facilities and larger portfolios. In addition to pursuing acquisitions using triple-net lease structures, we may pursue other forms of investment, including partnering with investors, mortgage loans and joint ventures.

Identify Talented Operators. As a result of our management team's operating experience, network of relationships and industry insight, we have been able and expect to continue to be able to identify qualified tenants. We seek tenants who possess local market knowledge, demonstrate hands-on management, have proven track records and focus on patient care.

Monitor Investments. We monitor our real estate investments through, among other things: (i) reviewing and evaluating our tenants epidemic and pandemic protocols, including in relation to the COVID-19 pandemic; (ii) reviewing and evaluating tenant financial statements to assess operational and financial trends and performance; (iii) reviewing the state surveys, occupancy rates and patient payor mix of our facilities; (iv) verifying the payments of property and other taxes and insurance with respect to our

facilities; and (v) conducting periodic physical inspections of our facilities. For tenants or facilities that do not meet performance expectations, we may seek to work with our tenants to ensure our mutual success or seek to re-lease facilities to stronger operators.

Competition

We generally compete for real property investments with publicly traded, private and non-listed healthcare REITs, real estate partnerships, healthcare providers, healthcare lenders and other investors, including developers, banks, insurance companies, pension funds, government-sponsored entities and private equity firms, some of whom may have greater financial resources and lower costs of capital than we do. Increased competition challenges our ability to identify and successfully capitalize on opportunities that meet our investment criteria, which is affected by, among other factors, the availability of suitable acquisition or investment targets, our ability to negotiate acceptable transaction terms and our access to and cost of capital.

Our ability to generate rental revenues from our properties also depends on the competition faced by our tenants (which competition we also directly face when we undertake portfolio stabilization measures in our Healthcare Services segment). Our tenants, as do we, compete on a local and regional basis with other healthcare operating companies that provide comparable services. Our tenants compete to attract and retain patients and residents based on scope and quality of care, reputation and financial condition, price, location and physical appearance of the properties, services offered qualified personnel, physician referrals and family preferences. The ability of our tenants to compete successfully could be affected by private, federal and state reimbursement programs and other laws and regulations.

Revenue Sources and Recognition

Patient Care Revenue. 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 new the~~ Healthcare Services ~~business~~ segment is derived from services rendered to ~~patients in the Tara Facility~~ patients. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by CMS; (ii) state governments under their respective Medicaid and similar programs; (iii) commercial insurers; and (iv) individual patients and clients. ~~The vast majority~~ Substantially all (greater than 90%) of the revenue the Company 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 patient care revenues.

Triple-Net Leased Properties. 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 reasonably assured. 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 other assets 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 will be recognized only upon cash collection, and any accumulated straight-line rent receivable will be expensed in the period in which the Company first deems rent collection no longer reasonably assured.

Management Fee Revenues and Other Revenues. The Company recognizes management fee revenues as services are provided. The Company has one contract to manage three facilities (the "Management Contract"), with payment for each month of service generally received in full on a monthly basis. As of **December 31, 2021** **December 31, 2023**, the balance outstanding on the Management Contract was approximately **\$31,250** **\$24,930** and as of December 31, 2022, was \$42,250. The maximum penalty for service contract nonperformance under the Management Contract is \$50,000 per year, payable after the end of the year. 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.

Allowances. The Company assesses the collectability of our rent receivables, including straight-line rent receivables and working capital loans to 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, 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. 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, 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 in its assumptions or estimates. The Company has reserved for approximately 1.5% of our patient care receivables based on accepted industry standards.

As of **December 31, 2022** **December 31, 2023**, and **December 31, 2021** **December 31, 2022**, the Company reserved for approximately **\$1.3 million** **\$2.1 million** and **\$0.2 million** **\$1.3 million**, respectively, of

uncollected receivables. Accounts receivable, net totaled \$1.4 million at December 31, 2023 compared with \$6.3 million at December 31, 2022 compared with \$2.1 million at December 31, 2021.

Government Regulation

Healthcare Regulation. Our tenants, and the Company's Healthcare Services segment are typically subject to extensive and complex federal, state and local laws and regulations relating to quality of care, licensure and certain certificate of need ("CON") requirements, government reimbursement, fraud and abuse practices, qualifications of personnel, adequacy of plant and equipment, data privacy and security, and other laws and regulations governing the operation of healthcare facilities. We expect that the healthcare industry will, in general, continue to face increased regulation and pressure in these areas. The applicable rules are wide-ranging and can subject our tenants to civil, criminal, and administrative sanctions, including: the possible loss of accreditation or license; denial of reimbursement; imposition of fines; suspension, decertification, or exclusion from federal and state healthcare

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programs; or facility closure. Changes in laws or regulations, reimbursement policies, enforcement activity, and regulatory non-compliance by tenants, operators, and managers can all have a significant effect on their operations and financial condition. These effects may adversely impact us, as detailed below, and set forth under Part I, Item 1A – "Risk Factors" in this Annual Report.

Although the properties within our portfolio may be subject to varying levels of governmental scrutiny, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud, waste,

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and abuse, including, but not limited to, the Federal Anti-Kickback Statute, the Federal Stark Law, the Federal False Claims Act, and comparable state counterparts, as well as cost control, healthcare management, and provision of services, among others. We also expect increased and continued efforts by third-party payors, such as the federal Medicare program, state Medicaid programs, and private insurance carriers (including health maintenance organizations and other health plans), to impose greater discounts and more stringent cost controls upon tenants (through changes in reimbursement rates and methodologies, discounted fee structures, the assumption by healthcare providers of all or a portion of the financial risk, or other possible measures). A significant expansion of applicable federal, state or local laws and regulations, existing or future healthcare reform measures, new interpretations of existing laws and regulations, changes in enforcement priorities, or significant limits on the scope of services reimbursed or reductions in reimbursement rates could have a material adverse effect on certain of our tenants' liquidity, financial condition and results of operations and, in turn, their ability to satisfy their contractual obligations, including making rental payments under and otherwise complying with the terms of our leases.

Licensure, Certification and CONs. In general, the operators of our SNFs must be licensed and periodically certified through various regulatory agencies that determine compliance with federal, state,

and local laws to participate in the Medicare and Medicaid programs. Legal requirements pertaining to such licensure and certification relate to the quality of medical care provided by the operator, qualifications of the tenant's administrative personnel and clinical staff, adequacy of the physical plant and equipment, and continuing compliance with applicable laws and regulations. A loss of licensure or certification could adversely affect a skilled nursing facility's ability to receive payments from the Medicare and Medicaid programs, which, in turn, could adversely affect its ability to satisfy its obligations to us.

In addition, many of our SNFs are subject to state CON laws that require governmental approval prior to the development or expansion of healthcare facilities and services. The approval process in these states generally requires a facility to demonstrate the need for additional or expanded healthcare facilities or services. CONs, where applicable, are also sometimes necessary for changes in ownership or control of licensed facilities, addition of beds, investment in major capital equipment, and introduction of new services or termination of services previously approved through the CON process. CON laws and regulations may restrict a tenant's ability to expand our properties and grow its business in certain circumstances. Such restrictions could have an adverse effect on the tenant's revenues and, in turn, its ability to make rental payments under and otherwise comply with the terms of our leases. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator. If we have to replace a property operator who is excluded from participating in a federal or state healthcare program (as discussed below), our ability to do so may be affected by a particular state's CON laws, regulations, and applicable guidance governing such changes.

Compared to SNFs, seniors housing communities (other than those that receive Medicaid payments) do not receive significant funding from governmental healthcare programs and are subject to relatively few, if any, federal regulations. Instead, to the extent they are regulated, such regulation consists primarily of state and local laws governing licensure, provision of services, staffing requirements, and other operational matters, which vary greatly from one jurisdiction to another. Although recent growth in the U.S. seniors housing industry has attracted the attention of various federal agencies that believe more federal regulation of these properties is necessary, Congress thus far has deferred to state regulation of seniors housing communities. However, as a result of this growth and increased federal scrutiny, some states have revised and strengthened their regulation of seniors housing communities. More states are expected to do the same in the future.

Fraud and Abuse Enforcement, Other Related Laws, Initiatives, and Considerations. Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are subject to federal, state, and local laws, regulations, and guidance governing their operations and financial and other arrangements. Some of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by government healthcare programs. Other laws require providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service. Still,

other laws require providers to comply with a variety of safety, health, and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments, and exclusion from any government healthcare program. In certain circumstances, violation of these rules (such as those prohibiting abusive and fraudulent behavior) with respect to one property may subject other facilities under common control or ownership to sanctions, including exclusion from

participation in the Medicare and Medicaid programs, as well as other government healthcare programs. In the ordinary course of its business, a property operator is regularly subjected to inquiries, investigations, and audits by the federal and state agencies that oversee these laws and regulations. Long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are also subject to the Federal Anti-Kickback Statute. This law generally prohibits persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Long-term/post-acute care facilities are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the Stark Law. The Stark Law prohibits submitting claims to Medicare if the claim results from a physician referral for certain designated services to a health service provider with whom the physician has a financial relationship unless the arrangement qualifies under one of the exceptions for a financial relationship, as set forth under the Stark Law. Similar prohibitions on physician self-referrals and submission of claims apply to state Medicaid programs. Furthermore, long-term/post-acute care facilities (and seniors housing facilities that receive Medicaid payments) are subject to substantial financial penalties under the Civil Monetary Penalties Act and the Federal False Claims Act and, in particular, actions under the Federal False Claims Act and its "whistleblower" provisions. Private enforcement of healthcare fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals (commonly called "whistleblowers") to sue on behalf of the government. These whistleblower suits brought by private individuals, known as qui tam actions, may be filed by almost anyone, including present and former patients, nurses and other employees, and competitors. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages and a civil penalty of up to \$27,018 per claim.

Prosecutions, investigations, or whistleblower actions could have a material adverse effect on a property operator's liquidity, financial condition, and operations, which could adversely affect the ability of the operator to meet its financial obligations to us. Finally, various state false claim act, anti-kickback laws and self-referral prohibitions may also apply to each property operator. Violation of any of the foregoing statutes can result in criminal and/or civil penalties that could have a material adverse effect on the ability of an operator to meet its financial obligations to us.

Other legislative developments, including the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), have greatly expanded the definition of healthcare fraud and related offenses and broadened its scope to include private healthcare plans in addition to government payors. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation, and the Office of the Inspector General ("OIG") to audit, investigate, and prosecute suspected healthcare fraud. Moreover, a significant portion of the billions in healthcare fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts.

Additionally, other HIPAA provisions and regulations provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the applicable regulations, healthcare providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if

they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health ("HITECH") Act, passed in February 2009, strengthened the Department of Health and Human Services ("HHS") Secretary's authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. The U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services ("CMS") issued an interim Final Rule which conformed HIPAA enforcement regulations to HITECH, increasing the maximum penalty for multiple violations of a single requirement or prohibition to \$1.9 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. Additionally, on January 17, 2013, CMS released an omnibus final

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rule, which expands the applicability of HIPAA and HITECH and strengthens the government's ability to enforce these laws. The final rule broadens the definition of "business associate" and provides for civil money penalty liability against covered entities and business associates for the acts of their agents regardless of whether a business associate agreement is in place. This rule also modified the standard for when a breach of unsecured personally identifiable health information must be reported. Some covered entities have entered into settlement agreements with HHS for allegedly failing to adopt policies and procedures sufficient to implement the breach notification provisions in the

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HITECH Act. Additionally, the final rule adopts certain changes to the HIPAA enforcement regulations to incorporate the increased and tiered civil monetary penalty structure provided by HITECH, and makes business associates of covered entities directly liable under HIPAA for compliance with certain of the HIPAA privacy standards and HIPAA security standards. HIPAA violations are also potentially subject to criminal penalties.

There has been an increased federal and state HIPAA privacy and security enforcement effort and we expect this trend to continue. Under HITECH, state attorneys general have the right to prosecute HIPAA violations committed against residents of their states. Several such actions have been brought against covered entities and business associates, and continued enforcement actions are likely to occur in the future. In addition, HITECH mandates that the Secretary of HHS conduct periodic compliance audits of HIPAA covered entities and business associates. It also tasks HHS with establishing a methodology whereby individuals who are harmed by HIPAA violations may receive a percentage of the civil monetary penalty fine or monetary settlement paid by the violator.

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to, and confidentiality of individually identifiable health information. In addition, some states are considering new laws and regulations that further protect the confidentiality, privacy, or security of medical

records or other types of medical or personal information. These laws may be similar to or even more stringent than the federal provisions, in which case they are not preempted by HIPAA. Not only may some of these state laws impose fines and penalties upon violators, but some afford private rights of action to individuals who believe their personal information has been misused.

Also, with respect to HIPAA, in September 2015, OIG issued two reports calling for better privacy oversight of covered entities by the CMS Office for Civil Rights ("OCR"). The first report, titled "OCR Should Strengthen its Oversight of Covered Entities' Compliance with the HIPAA Privacy Standards," found that OCR's oversight is primarily reactive, as OCR has not fully implemented the required audit program to proactively assess possible noncompliance from covered entities. OIG recommended, among other things, that OCR fully implement a permanent audit program and develop a policy requiring OCR staff to check whether covered entities had previously been investigated for noncompliance. The second report, titled "OCR Should Strengthen its Follow-up of Breaches of Patient Information Reported by Covered Entities," found that (1) OCR did not record corrective action information for 23% of closed "large-breach" cases in which it made determinations of noncompliance, and (2) OCR did not record "small-breach" information in its case-tracking system, which limits its ability to track and identify covered entities with multiple small breaches. OIG recommended, among other things, that OCR enter small-breach information into its case-tracking system and maintain complete documentation of corrective actions taken. OCR agreed with OIG's recommendations in both reports. If followed, these reports and recommendations may impact our tenants.

With respect to HIPAA, OCR announced on March 21, 2016, that it had begun a new phase of audits of covered entities and their business associates. OCR stated that it would review policies and procedures adopted and employed by covered entities and their business associates to meet selected standards and implementation specifications of the HIPAA Privacy, Security, and Breach Notification Rules.

Congress has significantly increased funding to the governmental agencies charged with enforcing the healthcare fraud and abuse laws to facilitate increased audits, investigations, and prosecutions of providers suspected of healthcare fraud. As a result, government investigations and enforcement actions brought against healthcare providers have increased significantly in recent years and are expected to continue. A violation of federal or state anti-fraud and abuse laws or regulations, or other related laws or regulations discussed above, by a tenant of our properties could have a material adverse effect on the tenant's liquidity, financial condition, or operations, which could adversely affect its ability to satisfy its contractual obligations, including making rental payments under and otherwise complying with the terms of our leases. The Company could also be adversely affected in the event of a direct violation of such laws or regulations by the Company in its capacity as facility operator with respect to the Company's Health Services segment, or in its capacity as business associate with respect to facilities managed by the Company.

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Cares Act and COVID-19 Related Legislation

In 2020 in response to the COVID-19 pandemic, Congress enacted a series of economic stimulus and relief measures through the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Paycheck Protection Program and Health Care Enhancement Act ("PPPHCE Act") and the Consolidated Appropriations Act, 2021 ("CAA"). In total, the CARES Act, the PPPHCE Act, and the CAA authorized \$178 billion in funding to be distributed to healthcare providers through the Public Health and Social Services Emergency Fund ("Provider Relief Fund").

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These funds are intended to reimburse eligible providers for healthcare-related expenses or lost revenues attributable to COVID-19. Recipients are not required to repay Provider Relief Fund payments as long as they attest to and comply with certain terms and conditions, including reporting requirements, limitations on balance billing, and not using Provider Relief Fund payments to reimburse expenses or losses that other sources have reimbursed or are obligated to reimburse.

The Department of Health and Human Services ("HHS") began distributing Provider Relief Fund payments in April 2020 and has made funds available to various provider groups in phases. HHS continues to evaluate and provide allocations of, and issue regulations and guidance regarding, grants made under the CARES Act and related legislation. A number of our tenants have received grants under these laws; however, there are uncertainties regarding the extent to which our tenants will receive such funds, the financial impact of receiving such funds on their operations or financial condition, and whether such tenants will be able to meet the compliance requirements associated with the funds.

The CARES Act and related legislation include other provisions offering financial relief. This includes Medicare and Medicaid payment adjustments and an expansion of the Medicare Accelerated and Advance Payment Program, which made available accelerated payment of Medicare funds in order to increase cash flow to providers. These payments are loans that providers must repay. Additionally, CMS suspended Medicare sequestration payment adjustments from May 1, 2020, through December 31, 2021, which would have otherwise reduced payments to Medicare providers by 2 percent, but also extended sequestration through 2030. In addition to offering economic relief to individuals and businesses, the CARES Act and related legislation include provisions intended to expand coverage of COVID-19 testing and preventative services, address healthcare workforce needs, ease restrictions on telehealth services during the crisis, and ease other legal and regulatory burdens on healthcare providers. Due to recent enactment of the CARES Act, the PPPHCE Act, and the CAA, there is still a high degree of uncertainty surrounding their implementation, and the public health emergency continues to evolve.

On June 16, 2020, the U.S. House of Representatives Select Subcommittee on the Coronavirus Crises announced the launch of an investigation into the COVID-19 response of nursing homes and the use of federal funds by nursing homes during the pandemic. The Select Subcommittee continued to be active throughout the remainder of 2020 and 2021. In March 2021, the Oversight Subcommittee of the House Ways and Means Committee held a hearing on examining the impact of private equity in the U.S. health care system, including the impact on quality of care provided within the skilled nursing industry. These investigations and hearings could result in legislation imposing additional requirement on our tenant operators.

COVID-19 Update

On March 11, 2020, the World Health Organization declared 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 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.

As of **December 31, 2022** December 31, 2023, the Company is aware that each 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.

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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

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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 80% 94% of its expected monthly rental receipts from tenants for the year ended December 31, 2022 December 31, 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

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abuse enforcement, and waivers relating to telehealth and licensure requirements.

On January 30, 2023, the Biden Administration announced its intent to end the national emergency and public health emergency declarations on May 11, 2023, related to the COVID-19 pandemic. Consequently, many of the waivers and flexibilities that were implemented by CMS, the OIG and other regulatory agencies in response to the COVID-19

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pandemic are now were scheduled to expire on May 11, 2023. We For example, the temporary 6.2% increase provided to each qualifying state's and territory's Medicaid Federal Medical Assistance Percentage ("FMAP") reimbursement under the Families First Coronavirus Response Act enacted on March 18, 2020 (the "FFCRA"), was phased out as of December 31, 2023, following the expiration of the public health emergency on May 11, 2023. Note that in exchange for receiving the federal funding, the FFCRA included a requirement that Medicaid programs keep beneficiaries enrolled through the end of the month in which the public health emergency terminated. Beginning April 1, 2023, however, states that complied with federal rules regarding beneficiary renewals were eligible for a phase-down of the enhanced federal funding according to the following schedule: 6.2% through March 2023, 5% through June 2023, 2.5% through September 2023, 1.5% through December 2023, and expiration on January 1, 2024. Following the termination of the continuous-enrollment provision, total Medicaid enrollment, which had grown substantially during the pandemic, has declined.

There are a number of uncertainties regarding the long-term impact of COVID-19 on our business, including how long any long-term census disruption and related cost increases may last, the impact of any resurgence of the pandemic, outbreaks of new variants, boosters and treatments, and the adoption of new public-health measures, as well as the future demand for needs-based skilled nursing care and senior living facilities, all of which are uncertain and difficult to predict. Due to these uncertainties, we are unable to estimate at this time the impact these developments may have on the Company's business. The effect of the COVID-19 pandemic or other future widespread illness on our and our operator's operational and financial performance will depend on future developments, including the ability to control the spread of the outbreak generally and in our facilities, and the delivery and efficacy of and participation in vaccination programs and other treatments, governmental 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 or illness.

Government Reimbursement

The majority of SNFs reimbursement, including our Lumber City, LaGrange, Thomasville, Glenvue and Tara Facilities, facility, is through Medicare and Medicaid. These programs are often SNF's largest source of funding. Senior housing communities generally do not receive funding from Medicare or Medicaid, but their ability to retain their residents is impacted by policy decisions and initiatives established by the administrators of Medicare and Medicaid. In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act ("ACA") and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Healthcare Reform Law"). The passage of the Healthcare Reform Law allowed formerly uninsured Americans to acquire coverage and utilize additional healthcare services. In addition, the Healthcare Reform Law gave the CMS new authorities to implement Medicaid waiver and pilot programs that impact healthcare and long-term custodial care reimbursement by Medicare and Medicaid. These activities promote "aging in place," allowing senior citizens to stay longer in senior housing communities and diverting or delaying their admission into SNFs. In December 2017, Congress eliminated President Trump signed into law a tax reform bill that repealed the penalty associated with the individual mandate to maintain health insurance effective January 1, 2019. In December 2018, as a result While there have been efforts to repeal the law and enact alternative reforms, the Biden Administration has indicated that it will support and expand upon Health Reform Law. Additional revisions Health Reform Law could be made in the future, the details and timing of the penalty associated with the individual mandate being eliminated, a federal trial court in Texas found that the entire ACA was

unconstitutional. The Fifth Circuit Court of Appeals held that the individual mandate was unconstitutional and sent the case back to the trial court for additional analysis as to whether the rest of the ACA can survive. The U.S. Supreme Court agreed to review the case, and on June 17, 2021, dismissed the case, holding that the plaintiffs lacked standing to challenge the mandate or the remainder of the ACA, which cannot be predicted at this time. Additionally, final rules issued in 2018 expand the availability of association health plans and allow the sale of short-term, limited-duration health plans, neither of which are required to cover all of the essential health benefits mandated by the ACA. These changes may impact the number of individuals that elect to obtain public or private health insurance or the scope of such coverage, if purchased. We cannot predict the ultimate impact of these developments on our tenants. The potential risks, however, that accompany these regulatory and market changes are discussed below.

- Enabled by the Medicare Modernization Act (2003) and subsequent laws, Medicare and Medicaid have implemented pilot programs (officially termed demonstrations or models) to "divert" elderly from SNFs and promote "aging in place" in "the least restrictive environment." Several states have implemented Home and Community-based Medicaid waiver programs that increase the support services available to senior citizens in senior housing, lengthening the time that many seniors can live outside of a SNF. These Medicaid waiver programs are subject to re-approval, and pilots are time-limited. Roll-back or expiration of these programs could have an adverse effect on the senior housing market.
- Changes in certification and participation requirements of the Medicare and Medicaid programs have restricted, and are likely to continue to restrict further, eligibility for reimbursement under those programs. On October 4, 2016, CMS published a final rule that, for the first time in nearly 25 years, comprehensively

updated the SNF requirements for participation under Medicare and Medicaid. Among other things, the rule implemented requirements relating to quality of care and quality of life, facility responsibilities and staffing considerations, resident assessments, and compliance and ethics programs. Failure to obtain and maintain Medicare and Medicaid certification by our tenants would result in denial of Medicare and Medicaid payments, which would likely result in a significant loss of revenue. In addition, private payors, including managed care payors, increasingly are demanding that providers accept discounted payments resulting in lost revenue for specific patients. Efforts to impose reduced payments, greater discounts, and more stringent cost controls by government and other payors are expected to continue. Any reforms that significantly limit rates of reimbursement under the Medicare and Medicaid programs could have a material adverse effect on our tenants' profitability and cash flows which, in turn, could adversely affect their ability to satisfy their obligations to us. We are unable to predict what reform proposals or reimbursement limitations will be

adopted in the future or the effect such changes will have on our tenants' operations. No assurance can be given that such reforms will not have a material adverse effect on our tenants or on their ability to fulfill their obligations to us. As a result of the Healthcare Reform Law, and specifically Medicaid

expansion and establishment of Health Insurance Exchanges providing subsidized health insurance, more Americans have health insurance. These newly insured Americans utilize services delivered by providers at medical buildings and other healthcare facilities. The Healthcare Reform Law remains controversial. The continued attempts to repeal or reverse aspects of the law could result in insured individuals losing coverage, and consequently, forgoing services offered by provider tenants in medical buildings and other healthcare facilities. See Part I, Item 1A., "Risk Factors" in this Annual Report concerning a possible repeal of the ACA. On June 28, 2012, the United States Supreme Court upheld the individual mandate of the Healthcare Reform Law but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allowed states to decline to participate in the expansion—and to forego funding for the Medicaid expansion—without losing their existing Medicaid funding. Given that the federal government substantially funds the Medicaid expansion, it is still unclear how many states will ultimately pursue this option. The participation by states in the Medicaid expansion could have the dual effect of increasing our tenants' revenues, through new patients, but could also further strain state budgets. While the federal government paid for approximately 100% of those additional costs from 2014 to 2016, the federal matching rate decreased to 90% in 2020. We cannot predict whether other current or future efforts to repeal or amend the Healthcare Reform Law will be successful. Even absent changes to the Healthcare Reform Law, the executive branch of the federal government may make significant changes to the enforcement and implementation of Healthcare Reform Law requirements. We cannot predict the impact that any such repeal or amendment of the Healthcare Reform Law or related action by the executive branch would have on our operators or tenants and their ability to meet their obligations to us. We cannot predict whether the existing Healthcare Reform Law, or future healthcare reform legislation or regulatory changes, will have a material impact on our operators' or tenants' property or business. If the operations, cash flows, or financial condition of our operators and tenants are materially and adversely impacted by the Healthcare Reform Law or future legislation, our revenue and operations may be adversely affected as well.

- CMS is transitioning Medicare from a traditional fee-for-service reimbursement model to a capitated, value-based, and bundled payment model. In the value-based model, the government pays a set amount for each beneficiary for a defined period of time, based on the beneficiary's underlying medical needs, rather than the actual services provided. The result is increasing use of management tools to oversee individual providers and coordinate their services. This puts downward pressure on the number and expense of services provided. Roughly 11 million Medicare beneficiaries now receive care via Accountable Care Organizations, and Medicare Advantage health plans now provide care for roughly seventeen-million Medicare beneficiaries. The continued trend toward capitated, value-based, and bundled payment approaches has the potential to diminish the market for certain healthcare providers. In addition, on April 1, 2014, the Protecting Access to Medicare Act of 2014 was enacted, which implements value-based purchasing for SNFs. In fiscal year 2019, 2% of SNF payments began to be withheld and 60% of the amount withheld is being redistributed to SNFs as incentive payments through value-based payments. SNFs began reporting the claims-based 30-Day All-Cause Readmission Measure on October 1, 2015, and began reporting a resource use measure on October 1, 2016. Both measures are publicly available.

- In October 2015, the U.S. Government Accountability Office ("GAO") released a report recommending that CMS continue to improve data and oversight of nursing home quality measures. The GAO found that nursing home quality would be easier to determine if the quality of the underlying data was improved (i.e., by changing the way self-reported data and non-standardized

survey methodologies were used). The GAO recommended, among other things, that CMS implement a clear plan for ongoing auditing of self-reported data and establish a process for monitoring oversight modifications to better assess their effects. HHS agreed

with the GAO's recommendations, and to the extent such recommendations are implemented, they could impact our operators and tenants.

- The majority of Medicare payments continue to be made through traditional Medicare Part A and Part B fee-for-service schedules. The Medicare and CHIP (Children's Health Insurance Program) Reauthorization Act of 2015 ("MACRA") addressed the risk of a cut in Medicare payments for physician services. However, other annual Medicare payment regulations, particularly with respect to certain hospitals, skilled nursing care, and home health services, have resulted in lower net pay increases than providers of those services have often expected. In addition, MACRA established a multi-year transition into pay-for-quality approaches for Medicare physicians and other providers. This includes payment reductions for providers who do not meet government quality standards. The current Value-Based Payment Modifier program expired at the end of 2018, and the first Merit-based Incentive Payment System ("MIPS") adjustments began in 2019. The continued implementation of pay-for-quality models is expected to produce funding disparities that could adversely impact some provider tenants in medical buildings and other healthcare properties.
- OIG has increased focus in recent years on billing practices by SNFs. In September 2015, OIG issued a report calling for reevaluation of the Medicare payment system for SNFs. In particular, OIG found that Medicare payments for therapy greatly exceeded SNFs' costs for therapy, and that, under the current payment system, SNFs increasingly billed for the highest level of therapy even though key beneficiary characteristics remained largely the same. OIG determined that its findings demonstrated the need for CMS to reevaluate the Medicare SNF payment system, concluding that payment reform could save Medicare billions of dollars and encourage SNFs to provide services that are better aligned with beneficiaries' care needs. OIG also formulates a formal work plan that addresses nursing facilities. The current work plan regarding nursing facilities includes several areas of investigation and review, including but not limited to (1) SNFs' compliance in reporting related-party costs to Medicare, (2) potentially preventable inpatient hospitalizations of SNF residents, and (3) Medicare payments to SNFs under CMS' Patient Driven Payment Model. If followed, these reports and recommendations may impact our tenants. We cannot predict the likelihood, scope, or outcome of any such investigations on our tenants if these recommendations are implemented.
- On July 29, 2016, CMS issued its final rule laying out the performance standards relating to preventable hospital readmissions from SNFs. The final rule includes the SNF 30-day All Cause Readmission Measure, which assesses the risk-standardized rates of all-cause, all conditions, unplanned inpatient readmissions for Medicare fee-for-service patients of SNFs within 30 days of discharge from admission to an inpatient prospective payment system ("IPPS") hospital, critical access hospital ("CAH"), or psychiatric hospital. The final rule includes the SNF 30-Day potentially preventable readmission measure as the SNF all condition risk adjusted potentially preventable hospital readmission measure. This measure assesses the facility-level risk-standardized rate of unplanned, potentially preventable hospital readmissions for SNF patients within 30 days of discharge from a prior admission to an IPPS hospital, CAH, or psychiatric hospital. Hospital readmissions include readmissions to a short-stay acute-care hospital or CAH, with a diagnosis considered to be unplanned and potentially preventable.
- On September 16, 2016, CMS issued its final rule concerning emergency preparedness requirements for Medicare and Medicaid participating providers, including long-term care facilities and intermediate care facilities for individuals with intellectual disabilities. The rule is designed to ensure providers and suppliers have comprehensive and integrated emergency policies and procedures in place, in particular during natural and man-made disasters. Under the rule, facilities are required to (i) document risk assessment and emergency planning, (ii) develop and implement policies and procedures based on that risk assessment, (iii) develop and

maintain an emergency preparedness communication plan in compliance with both federal and state law, and (iv) develop and maintain an emergency-preparedness

training and testing program. Facilities were required to have been in compliance with these regulations by November 15, 2017. We cannot predict the impact of these regulations on our tenants.

- On February 8, 2018, President Trump signed into law the Bipartisan Budget Act of 2018 (the "BBA") extending the reduction in Medicare provider payments, commonly called the "sequestration." This automatic payment reduction remains at 2% and applies to all Medicare physician claims and certain other claims, including physician-administered medications, submitted after April 1, 2013. Scheduled to expire in 2025, the BBA extended the sequestration through 2027. CMS suspended Medicare sequestration payment adjustments from May 1, 2020, through December 31, 2021, but further extended sequestration through 2030. Subsequent legislation extended sequestration of Medicare benefit payment spending through fiscal year 2032, though this was temporarily suspended from May 1, 2020, through March 30, 2022, and was limited to 1% from April 1, 2022, through June 30, 2022.
- In 2019, CMS began including the new long-term-stay hospitalization measurement that the agency began tracking in 2018 in its quality measures for the consumer-based Nursing Home Compare website. CMS also began posting the number of hours worked by a facility's non-nursing staff in July 2018. In October 2019, CMS resumed posting the average number of citations per inspection for each state and the nation as a whole, which may affect each facility's health inspection rating on the site. We cannot predict how this data will affect our tenants' business.
- In 2020, the Department of Justice (DOJ) launched a National Nursing Home Initiative to coordinate and enhance civil and criminal enforcement actions against nursing homes with grossly substandard deficiencies. Such enforcement activities are unpredictable and may develop over lengthy period of time. An adverse resolution of any of these enforcement activities or investigations incurred by any of our tenant operators may involve injunctive relief and/or substantial monetary penalties, either or both of which could have a material adverse effect on their reputation, business, results of operations, and cash flow.
- On July 30, 2019, CMS released its final rule outlining fiscal year 2020 Medicare payment rates and quality programs for SNFs. This final rule has been effective as of October 1, 2019. The policies in the final rule continue to shift Medicare payments from volume to value by implementing SNF Value-Based Purchasing program ("VBP") and SNF Quality Reporting Program ("QRP"). CMS will be using the Patient-Driven Payment Model ("PDPM"), which focuses on the patient's condition and resulting care needs rather than on the amount of care provided in order to determine Medicare payment. Based on changes contained within this final rule, CMS estimates that the fiscal year 2020 aggregate impact will be an increase of \$851 million in Medicare payments to SNFs, resulting from the fiscal year 2020 SNF market basket update required by the BBA to be 2.8%. The effect of the 2020 prospective payment system ("PPS") rate update on our tenants' revenues will be dependent upon their census and the mix of patients at the various PPS and PDPM pay rates. In addition, we cannot predict how future changes may impact reimbursement rates under the SNF PPS and PDPM system.

- In 2020, the Department of Justice (DOJ) launched a National Nursing Home Initiative to coordinate and enhance civil and criminal enforcement actions against nursing homes with grossly substandard deficiencies. Such enforcement activities are unpredictable and may develop over lengthy period of time. An adverse resolution of any of these enforcement activities or investigations incurred by any of our tenant operators may involve injunctive relief and/or substantial monetary penalties, either or both of which could have a material adverse effect on their reputation, business, results of operations, and cash flow.
- On July 31, 2020, CMS released its final rule outlining fiscal year 2021 Medicare payment rates and quality programs for SNFs. It includes routine technical rate-setting updates to the SNF PPS payment rates and adopts the revised Office of Management and Budget statistical area delineations. In addition, the rule applies a 5-percent cap on wage index decreases from Fiscal Year 2020 to Fiscal Year 2021. The rule also finalized changes to the International Classification of Diseases, Version 10 (ICD-10) code mappings. CMS also finalized updates to the SNF VBP Program regulation text at 42 C.F.R. § 413.338 to reflect previously finalized policies and updated the 30-day Phase One Review and Correction deadline for the baseline period quarterly report.
- On July 29, 2021, CMS released its final rule outlining fiscal year 2022 Medicare payment rates and quality programs for SNFs. CMS estimates that the aggregate impact of the payment policies set forth in the final rule would result in an approximate increase of \$410 million in Medicare Part A payments to SNFs. In addition, the final rule includes several policies that update the QRP and VBM for fiscal year 2022. For example, CMS adopted a

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new claims-based measure, the SNF Healthcare-Associated Infections measure, beginning with the FY 2023 SNF QRP. Among other changes, CMS also adopted the COVID-19 Vaccination Coverage among Healthcare Personnel (HCP) Measure requiring SNFs to report on

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- COVID-19 vaccination of their staff to assess whether SNFs are taking steps to limit the spread of COVID-19 among the HCP, reduce transmission risks within their facilities, and help sustain the ability of SNFs to continue serving their communities through the pandemic and beyond.
- On July 29, 2022, CMS released its final rule outlining fiscal year 2023 Medicare payment rates and quality programs for SNFs. CMS estimates that the aggregate impact of the payment policies set forth in the final rule would result in an increase of 2.7%, or approximately \$904 million, in Medicare Part A payments to SNFs in fiscal year 2023 compared to fiscal year 2022. CMS also adopted a new quality measure for the SNF QRP that assesses the rate of influenza vaccination coverage among health care personnel beginning with the fiscal year 2024 SNF QRP. In addition, CMS finalized several changes to the PDPM ICD-10 code mappings to improve consistency between the ICD-10 code mappings and current ICD-10 coding guidelines. CMS also finalized its proposal to suppress (not apply) the SNF 30-Day All-Cause Readmission Measure as part of the performance scoring for the fiscal year 2023 SNF VBP due to circumstances caused by the COVID-19 public health emergency affecting the ability to make fair, national comparisons of SNFs' performance scores.
- On March 30, 2023, CMS issued a memorandum revising and enhancing enforcement efforts for infection control deficiencies found in nursing homes that are targeted at higher-level infection control deficiencies that result in actual harm or immediate jeopardy to residents. Similar to other

serious survey deficiencies, penalties for the most serious infection control deficiencies include civil monetary penalties, discretionary payment denials for new resident admissions, and stronger directed plans of correction.

- On July 31, 2023, CMS released its final rule outlining fiscal year 2024 Medicare payment rates and quality programs for SNFs. CMS estimates that the aggregate impact of the payment policies set forth in the final rule will result in a net increase of 4.0%, or approximately \$1.4 billion, in Medicare Part A payments to SNFs in fiscal year 2024. This estimate reflects a \$22.2 billion increase resulting from the 6.4% net market basket update to the payment rates. In addition, the final rule includes updates to the SNF Quality Reporting Program and the SNF Value-Based Purchasing Program for fiscal year 2024 and future years, including the adoption of a measure intended to address staff turnover.
- On September 1, 2023, CMS issued the Minimum Staffing Standards for Long-Term Care Facilities and Medicare Institutional Payment Transparency Reporting proposed rule, which seeks to establish comprehensive nurse staffing requirements. The proposed rule consists of three core staffing proposals: (1) minimum nurse staffing standards of 0.55 hours per resident day ("HPRD") for registered nurses ("RNs"), and 2.45 HPRD for nurse aides ("NAs"); (2) a requirement to have an RN onsite 24 hours a day, seven days a week; and (3) enhanced facility assessment requirements. The proposed rule also includes a staggered implementation approach and possible hardship exemption for select facilities. The deadline for the submission of comments was November 6, 2023.
- On November 15, 2023, CMS issued a final rule, effective January 16, 2024, requiring SNFs participating in Medicare or Medicaid to disclose certain ownership and managerial information regarding their relationships with certain entities that lease real estate to SNFs, including REITs. The CMS announcement noted quality-of-care concerns at SNFs owned by private equity firms, REITs, and other investment firms. There have also been congressional hearings examining the impact of private equity in the U.S. healthcare system, including the impact on quality of care provided within the skilled nursing industry, the COVID-19 response of nursing homes, and the use of federal funds by nursing homes during the pandemic. These initiatives, as well as additional calls for governmental review of the role of public equity in the U.S. healthcare industry, could result in additional requirements on our operations.

We are an ongoing participant in, and a direct recipient of, reimbursement under these government reimbursement programs with respect to the Lumber City, LaGrange, Thomasville, Glenvue and Tara Facilities. Additionally, a significant portion of the revenue of the healthcare operators to which we lease, and sublease properties is derived from governmentally-funded reimbursement programs, and any adverse change in such programs could negatively impact an operator's ability to meet its obligations to us and our operating results directly due to the Company operating the Lumber City, LaGrange, Thomasville, Glenvue and Tara Facilities.

Environmental Regulation

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As an owner of real property, we are subject to various federal, state and local laws and regulations regarding environmental, health and safety matters.

These laws and regulations address, among other things, asbestos, polychlorinated biphenyls, fuel oil management, wastewater discharges, air emissions, radioactive materials, medical wastes, and hazardous wastes, and, in certain cases, the costs of complying with these laws and regulations and the

penalties for non-compliance can be substantial. Although we do not currently operate or manage our properties, we may be held primarily or jointly and severally liable for costs relating to the investigation and clean-up of our current and former properties from which there is or has been an actual or threatened release of a regulated material and any other affected properties, regardless of whether we knew of or caused the release. Such costs typically are not limited by law or regulation and could exceed the property's value. In addition, we may be liable for certain other costs, such as governmental fines and injuries to persons, property or natural resources, as a result of any such actual or threatened release.

Under the terms of our leases, we generally have a right to indemnification by the tenants of our properties for any contamination caused by them. However, there is no assurance that our tenants will have the financial capability or willingness to satisfy their respective indemnification obligations to us, and any failure, inability or unwillingness to do so may require us to satisfy the underlying environmental claims. In general, we have also agreed to indemnify our tenants against any environmental claims (including penalties and clean-up costs) resulting from any condition arising in, on or under, or relating to, our properties at any time before the applicable lease commencement date.

To the extent that significant changes in the climate occur in areas where our communities are located, we may experience increased frequency of severe weather conditions or natural disasters or other changes to weather patterns, all of which may result in physical damage to or a decrease in demand for properties affected by these conditions. Should the impact of climate change be material in nature or occur for lengthy periods of time, our financial condition, revenues, results of operations, or cash flow may be adversely affected. In addition, government regulation intended to mitigate the impact of climate change, severe weather patterns, or natural disasters could result in additional required capital expenditures to comply with such regulation without a corresponding increase in our revenues.

We did not make any material capital expenditures in connection with environmental, health, and safety laws, ordinances and regulations in 2022/2023 or 2021/2022.

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Human Capital Resources

As of December 31, 2022/December 31, 2023, our Real Estate segment had 107 employees of which all were full-time employees (excluding facility-level employees related to the Company's Management Contract for three facilities in Ohio). Our Healthcare Services segment had approximately 136/107 full-time equivalent employees. The Company's Healthcare Services segment has had to utilize agency staffing to a much greater degree due to the COVID-19 pandemic related staffing shortages. The Company is actively working to attract and retain permanent employees. We offer benefits to care for the diverse needs of our employees. These include health benefits, paid vacations, benefits to support employee mental health, including an employee assistance program. As we continue to face evolving environmental and health challenges, we continually review our offerings to improve the competitiveness of our total compensation programs, including our health benefit offerings.

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Item 1A. Risk Factors

The following are certain risk factors that could affect our business, operations and financial condition. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. This section does not describe all risks applicable to our business, and we intend it Item 1A only as a summary of certain material factors. If any of the following 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 Shares, no par value per share (the "Series A Preferred Stock"), and the 10.875% 12.5% Series AB Cumulative Redeemable Preferred Shares, no par value per share (the "Series AB Preferred Stock"), could decline.

Risks Related to Our Business and Industry

Our portfolio stabilization in our Healthcare Services segment expose measures exposes the Company to the various risks facing our tenants.

While the Company is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior living, when business conditions require, the Company may undertake portfolio stabilization measures in order to preserve the value of our assets. This portfolio stabilization measure exposes the Company directly to all the risks our tenants face as discussed in this "Risk Factor -Risk Related to our Business and Industry" section.

Our leases with tenants comprise our rental revenue and any failure, inability or unwillingness by these tenants to satisfy their obligations under our agreements could have a material adverse effect on us.

Our business depends upon our tenants meeting their obligations to us, including their obligations to pay rent, maintain certain insurance coverage, pay real estate and other taxes and maintain and repair the leased properties. We give no assurance that these tenants will have sufficient assets, income and access to financing to enable them to satisfy their respective obligations to us, and any failure, inability or unwillingness by these tenants to do so could have a material adverse effect on us. In addition, any failure by these tenants to effectively conduct their operations or to maintain and improve our properties could adversely affect their business reputation and their ability to attract and retain patients and residents in our properties, which could have a material adverse effect on us. Our tenants have agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, and we give 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.

We are subject to risks associated with public health crises, severe cold and flu seasons, epidemics and pandemics, including the COVID-19 pandemic, and other widespread illnesses.

We are subject to risks associated with public health crises, severe cold and flu seasons, epidemics and pandemics, such as including the COVID-19 pandemic, and other widespread illnesses. In addition, we are subject to risk associated with government measures to prevent the spread of infectious diseases, including the global health concerns related to the COVID-19 pandemic. It is impossible to predict the

severity of the annual cold and flu season or the occurrence of epidemics, pandemics or any other widespread illnesses.

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The COVID-19 pandemic has subjected our business, operations, and financial condition to a number of risks, including, but not limited to, those discussed below:

- *Risks Related to Revenue:* Our revenues and our tenants' revenues are dependent, in part, on occupancy. In addition to the impact of increases in mortality rates on occupancy of our operating facilities, the ongoing COVID-19 pandemic may prevent prospective occupants and their families from visiting our facilities and limit the ability of new occupants to move into our facilities due to heightened move-in criteria and screening. Although the ongoing impact of the pandemic on occupancy remains uncertain, a decrease in occupancy could affect the net operating income of our tenants and the ability of our tenants to make contractual payments to us.

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- *Risks Related to Tenant Financial Condition:* In addition to the risk of decreased revenue from tenant payments, the impact of the COVID-19 pandemic creates a heightened risk of tenant bankruptcy or insolvency due to factors such as decreased occupancy, increased health and safety and labor expenses or litigation resulting from developments related to the COVID-19 pandemic.
- *Risks Related to Operations:* Operational costs may increase in the future based on the duration and severity of the pandemic or the introduction of public health regulations. Operators and tenants are also subject to risks arising from the unique pressures on seniors housing employees during the COVID-19 pandemic. As a result of difficult conditions and stresses related to the COVID-19 pandemic, employee morale and productivity may suffer and additional pay, such as hazard pay, may not be sufficient to retain key operator and tenant employees. In addition, our operations or those of our tenants may be adversely impacted if a significant number of our employees or those of our operators or tenants' contract COVID-19. The impact of the COVID-19 pandemic on our facilities could result in additional operational costs and reputational and litigation risk to us and our tenants. As a result of the COVID-19 pandemic, our tenants' cost of insurance is expected to increase, and such insurance may not cover certain claims related to COVID-19. Our exposure to COVID-19 related litigation risk may be increased if the tenants of the relevant facilities are subject to bankruptcy or insolvency. In addition, we may face increased operational challenges and costs resulting from logistical challenges such as supply chain interruptions, business closures and restrictions on the movement of people.
- *Risks Related to Property Acquisitions and Dispositions:* As a result of uncertainty regarding the length and severity of the COVID-19 pandemic and the impact of the pandemic on our business and related industries, our investments in and acquisitions of senior housing properties, as well as our ability to transition or sell properties with profitable results, may be

limited. Such disruptions to acquisition, disposition and development activity may negatively impact our long-term competitive position.

- *Risks Related to Liquidity:* The COVID-19 pandemic and related public health measures implemented by governments worldwide have had severe global macroeconomic impacts and have resulted in significant financial market volatility. An extended period of volatility or a downturn in the financial markets could result in increased cost of capital. If our access to capital is restricted or our borrowing costs increase as a result of developments in financial markets relating to the pandemic, our operations and financial condition could be adversely impacted. In addition, a prolonged period of decreased revenue and limited acquisition and disposition activity operations could adversely affect our financial condition and long-term growth prospects and there can also be no assurance that we will not face credit rating downgrades. Future downgrades could adversely affect our cost of capital, liquidity, competitive position and access to capital markets.

Public health crises, severe cold and flu seasons, epidemics and pandemics, and other widespread illnesses could result in adverse impacts on our business, results of operations, cash flows and financial condition. Additional risks that may be associated with other future public health crises, severe cold and flu seasons, epidemics or pandemics, or other widespread illnesses include:

- one or more of our tenants could experience deteriorating financial conditions and be unable or unwilling to pay rent on time and in full (which has, and could continue to result from, among other reasons (i) increased operating costs and staffing requirements related to compliance with Centers for Disease Control and Prevention ("CDC") protocols, (ii) decreased occupancy rates, (iii) increased scrutiny by regulators, (iv) potential repayments of relief funds received by tenants, (v) nursing or other staffing

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shortages; or (vi) decisions by elderly individuals to avoid or delay entrance into assisted living and other long-term care facilities);

- health orders, rent moratoriums, and other initiatives by federal, state, and local authorities could affect our operators and our ability to collect rent and/or enforce remedies for the failure to pay rent;
- the possibility we may have to restructure tenants' obligations and may not be able to do so on terms that are favorable to us;
- decreased occupancy, including due to early resident move-outs, operators delaying new resident admissions and potential occupants postponing moves to our operators' facilities;

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- the possibility that hospitals may cancel or significantly reduce elective surgeries, thereby reducing the number of people in need of skilled nursing care;
- increased costs or delays that we have incurred, and may continue to incur, if we need to reposition or transition any of our currently-leased properties to another tenant or operator, which have adversely impacted, and may continue to adversely impact, our revenues and results of operations;
- the expiration, or lack of enforcement, of liability immunity for health care providers in relation to a

qualified pandemic under the Public Readiness and Emergency Preparedness Act (the "PREP Act"); and

- complete or partial closures of, or other operational issues at, one or more of our properties resulting from government actions or directives.

The extent to which the COVID-19 pandemic, or other future health crises, may impact our business, results of operations, cash flows and financial condition, and those of our operators, depends on many factors which are highly uncertain and are difficult to predict. These factors include, but are not limited to, the duration, spread and severity of any outbreak, the timing, distribution and efficacy of vaccines and other treatments, the actions taken to contain the outbreak or health crisis or mitigate its impact, and the direct and indirect economic effects of the pandemic or other health crisis and containment measures.

We depend on affiliates of Aspire and C.R Management for a significant portion of our revenues and any inability or unwillingness by such entities to satisfy their obligations to us could have a material adverse effect on us.

As of the date of filing this Annual Report, of our 13 properties (excluding the three across 12 facilities that are managed by us) (1 facility having 2 co-located properties), 11 are operated by a total of 11 separate tenants and two are operated by the Company, with each of our tenants being affiliated with one of six local- or regionally-focused operators. We refer to our tenants who are affiliated with the same operator as a group of affiliated tenants. Each of our operators operate (through a group of affiliated tenants) between one and five of our facilities, with our material operators, Aspire and C.R Management, each operating (through a group of affiliated tenants) five and two facilities, respectively. We therefore depend on tenants who are affiliated with Aspire and C.R Management for a significant portion of our revenues. We give no assurance that the tenants affiliated with C.R Management and Aspire will have sufficient assets, income and access to financing to enable them to make rental payments to us or to otherwise satisfy their obligations under the applicable leases and subleases, and any inability or unwillingness by such tenants to do so could have a material adverse effect on us.

A prolonged economic slowdown could adversely impact the results of operations of our tenants, which could impair their ability to meet their obligations to us.

We believe the risks associated with our investments will be more acute during periods of economic slowdown or recession (such as the most recent recession) due to the adverse impact caused by various factors, including pandemics and other public health crises, inflation, deflation, increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market, a distressed real estate market, market volatility and weakened business and consumer confidence. This difficult operating environment caused by an economic slowdown or recession could have an adverse impact on the ability of our tenants to maintain occupancy rates, as the Company has experienced with its Healthcare Services segment, which could harm their financial condition and our financial condition. Any sustained period of increased payment delinquencies, foreclosures or losses by our tenants could adversely affect our income from investments in our portfolio.

Increased competition, as well as increased operating costs, could result in lower revenues for some of our tenants (and our Healthcare Services segment) and may affect their ability to meet their obligations to us.

The long-term care industry is highly competitive, and we expect that it will become more competitive in the future. The Company and our tenants are competing with numerous other companies providing similar healthcare services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. The Company and our tenants compete on a number of different levels, including the quality of care provided, reputation, the physical appearance of a facility, price, the range of services offered, family preference, alternatives for healthcare delivery, the supply of competing properties, physicians, staff, referral sources, location and the size and demographics of the population in the surrounding areas. Operating expenses

such as food, utilities, taxes, insurance and rent or debt service continue to increase. We cannot be certain that all of our tenants will be able to achieve occupancy and rate levels that will enable them to meet their full obligations to us. Our tenants may encounter increased competition in the future that could limit their ability to attract patients or residents or expand their businesses which would in turn affect their ability to make their lease payments to us.

In addition, the market for qualified nurses, healthcare professionals and other key personnel is highly competitive, and the Company and our tenants may experience difficulties in attracting and retaining qualified personnel. Increases in labor costs due to higher wages and greater benefits required to attract and retain qualified healthcare personnel incurred by our tenants could affect their ability to meet their obligations to us. This situation could be particularly acute in certain states and cities that have enacted legislation establishing minimum staffing requirements. **The Tara Facility has incurred additional expenses related to the high cost of staffing agencies.**

Disasters and other adverse events may seriously harm our business.

Our facilities and our business may suffer harm as a result of natural or man-made disasters such as storms, earthquakes, hurricanes, tornadoes, floods, fires, terrorist attacks and other conditions. The impact, or impending threat, of such events may require that our tenants evacuate one or more facilities, which could be costly and would involve risks, including potentially fatal risks, for their patients. The impact of disasters and similar events is inherently uncertain. Such events could harm our tenants' patients and employees, severely damage or destroy one or more of our facilities, harm our tenants' business, reputation and financial performance, or otherwise cause our tenants' businesses to suffer in ways that we are unable to predict.

Tenant financial or legal difficulties could limit or delay our ability to collect unpaid rents or require us to find new tenants.

If a lessee experiences financial or legal difficulties, it could fail to pay us rent when due, assert counterclaims, or seek bankruptcy protection. In the case of a master lease, this risk is magnified, as a default could reduce or eliminate rental revenue from several properties. Over the past three years, four

of our operators have experienced or continue to experience financial or legal difficulties resulting in non-payment of rent or bankruptcy. See Part II, Item 7., Management's Discussion and Analysis of Financial Condition and Results of **Operations**—**Operations**—“Leased and Subleased Facilities to Third-Party Operators” for further discussion. Additionally, the COVID-19 pandemic has caused, and depending on its scope and duration could continue to cause, financial and legal difficulties for certain of our lessees. If an operator is unable to comply with the terms of its leases, we could be asked to defer rent or forced to modify the leases in ways that are unfavorable to us. Alternatively, the failure of an operator to perform its obligations under a lease or other agreements with us could force us to declare a default and terminate the lease. There can be no assurance that we would be able to find a suitable replacement operator or re-lease the property on substantially equivalent or better terms than the prior lease, if at all. If a lessee seeks bankruptcy protection, it could delay our efforts to collect past due amounts owed to us under the applicable lease and ultimately preclude collection of all or a portion of those amounts.

We have been and may in the future be named as a defendant in litigation involving the services provided by our tenants. Although we generally have no involvement in the services provided by our tenants, and our standard lease agreements generally require our tenants to indemnify us and carry insurance to protect us in certain cases, a significant judgment against us in such litigation could exceed the aggregate of our and our respective tenants' insurance coverage, which would require us to make payments to cover any such judgment.

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Our tenants who engage in business with the federal government may be sued under a federal whistleblower statute designed to combat fraud and abuse in the healthcare industry. See “*Government Regulation-Healthcare Regulation*” in Part I, Item 1., “Business” in this Annual Report. These lawsuits can involve significant monetary damages and award bounties to private plaintiffs who successfully bring these suits. If any of these lawsuits are brought against our tenants, such suits combined with increased operating costs and substantial uninsured liabilities could have a material adverse effect on our tenants' liquidity, financial condition and results of operations and on their ability to satisfy their obligations under our leases, which, could in turn, have a material adverse effect on us.

If we must replace any of our tenants, we might be unable to rent the properties on as favorable terms, or at all, in which case we may operate the facility ourselves and we could be subject to delays, limitations and expenses, which could have a material adverse effect on us.

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We cannot predict whether our tenants will renew existing leases beyond their current term. If any of our triple-net leases are not renewed, we would attempt to rent those properties to another tenant. In addition, following expiration of a lease term or if we exercise our right to replace a tenant in default, rental payments on the related properties could decline or cease altogether while we reposition the properties with a suitable replacement tenant. We also might not be successful in identifying suitable replacements

or entering into leases or other arrangements with new tenants on a timely basis or on terms as favorable to us as our current leases, if at all, and we may be required to fund certain expenses and obligations (e.g., real estate and bed taxes, and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our properties while they are being repositioned. In addition, we may incur certain obligations and liabilities, including obligations to indemnify the replacement tenant, which could have a material adverse effect on us.

In the event of non-renewal or a tenant default, our ability to reposition our properties with a suitable replacement tenant could be significantly delayed or limited by state licensing, receivership, CON or other laws, as well as by the Medicare and Medicaid change-of-ownership rules, and we could incur substantial additional expenses in connection with any licensing, receivership or change-of-ownership proceedings.

Healthcare facilities are typically highly customized and may not be easily adapted to non-healthcare-related uses. The improvements generally required to conform a property to healthcare use, such as upgrading electrical, gas and plumbing infrastructure and security, are costly and at times tenant-specific. A new or replacement tenant may require different features in a property, depending on that tenant's particular operations. If a current tenant is unable to pay rent and vacates a property, we may incur substantial expenditures to modify a property before we are able to secure another tenant. Supply chain volatility and labor shortages may increase these construction costs. In addition, approvals of local authorities for any required modifications and/or renovations may be necessary, resulting in delays in transitioning a facility to a new tenant. These expenditures or renovations and delays could materially and adversely affect our business, financial condition or results of operations.

Moreover, in connection with certain of our properties, we have entered into intercreditor agreements with the tenants' lenders or tri-party agreements with our lenders. Our ability to exercise remedies under the applicable leases or to reposition the applicable properties may be significantly delayed or limited by the terms of the intercreditor agreement or tri-party agreement. Any such delay or limit on our rights and remedies could adversely affect our ability to mitigate our losses and could have a material adverse effect on us.

The amount and scope of insurance coverage provided by policies maintained by ourselves and our tenants may not adequately insure against losses.

We maintain or require in our leases that our tenants maintain all applicable lines of insurance on our properties and their operations. Although we regularly review the amount and scope of insurance maintained by our tenants and believe the coverage provided to be customary for similarly situated companies in our industry, we give no assurance that our tenants will continue to be able to maintain adequate levels of insurance. We also give no assurance that our tenants will maintain the required coverages, that we will continue to require the same levels of insurance under our leases, that such insurance will be available at a reasonable cost in the future or that the policies maintained will fully cover all losses on our properties upon the occurrence of a catastrophic event, nor can we make any guarantee as to the future financial viability of the insurers that underwrite the policies maintained by our tenants.

For various reasons, including to reduce and manage costs, many healthcare companies utilize different organizational and corporate structures coupled with captive programs that may provide less insurance coverage than a traditional insurance policy. Companies that insure any part of their general and professional liability risks through their own captive limited purpose entities generally estimate the future

cost of general and professional liability through actuarial studies that rely primarily on historical data. However, due to the rise in the number and severity of professional claims against healthcare providers, these actuarial studies may underestimate the future cost of claims, and reserves for future claims may not be adequate to cover the actual cost of those claims. As a result, the tenants of our properties who self-insure could incur large funded and unfunded general and professional liability expenses, which could materially adversely affect their liquidity, financial condition and results of operations and, in turn, their ability to satisfy their obligations to us. If tenants of our properties decide to implement a captive or self-insurance program, any large funded and unfunded general and professional liability expenses incurred could have a material adverse effect on us.

Should an uninsured loss or a loss in excess of insured limits occur, we could incur substantial liability or lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenues from the property. Following the occurrence of such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We give no assurance that material uninsured losses, or losses in excess of insurance proceeds, will not occur in the future.

Our tenants and our Healthcare Segment depend on reimbursement from governmental and other third-party payors, and reimbursement rates from such payors may be reduced.

The ability of our tenants to generate revenue and profit determines the underlying value of that property to us. Revenues of our tenants are generally derived from payments for patient care. Sources of such payments include the federal Medicare program, state Medicaid programs, private insurance carriers, health care service plans, health maintenance organizations, preferred provider arrangements, self-insured employers, as well as the patients themselves.

The health care industry continues to face increased government and private payor pressure on health care providers to control costs. Federal legislative and regulatory policies have been adopted and may continue to be proposed that would reduce Medicare and/or Medicaid payments to nursing facilities. Moreover, state budget pressures continue to result in adoption of Medicaid provider payment reductions in some states. Increasingly, state Medicaid programs are providing coverage through managed care programs under contracts with private health plans, which is intended to decrease state Medicaid costs. In light of continuing federal and state Medicaid program reforms, budget cuts, and regulatory initiatives, no assurance can be given that the implementation of such regulations and reforms will not have an adverse effect on the financial condition or results of operations of our tenants and/or borrowers which, in turn, could affect their ability to meet their contractual obligations to us.

Furthermore, on December 22, 2017, the Tax Cuts and Jobs Act was enacted and signed into law that repealed the individual mandate in the ACA. Because the U.S. Supreme Court's 2012 decision finding the ACA constitutional was grounded, at least in part, on the inclusion of the individual mandate in the law, a

federal trial court found the entire law unconstitutional upon the mandate's repeal. The Fifth Circuit Court of Appeals affirmed that the individual mandate was unconstitutional and sent the case back to the trial court for additional analysis as to whether the rest of the ACA could survive. The U.S. Supreme Court agreed to review the case, and on June 17, 2021, dismissed the case, holding that the plaintiffs lacked standing to challenge the mandate or the remainder of the ACA. While there have been efforts to repeal the law and enact alternative reforms, the Biden Administration has indicated it will support and expand upon the ACA. There is no assurance that the implementation of ACA or any subsequent modifications or

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related legal challenges will not adversely impact the operations cash flows or financial conditions of our lessees, which subsequently could materially and adversely impact our revenue and operations.

Changes in the reimbursement rates or methods of payment from third-party payors, including insurance companies and the Medicare and Medicaid programs, could have a material adverse effect on our tenants and directly upon our Healthcare Services segment.

Our Healthcare Services segment and tenants rely on reimbursement from third-party payors, including the Medicare (both traditional Medicare and "managed" Medicare/Medicare Advantage) and Medicaid programs, for substantially all of their revenues, as does our Healthcare Services segment. Federal and state legislators and regulators have adopted or proposed various cost-containment measures that would limit payments to healthcare providers, and budget crises and financial shortfalls have caused states to implement or consider Medicaid rate freezes or cuts. Private third-party payors also have continued their efforts to control healthcare costs. We give no assurance that our Healthcare Services segment or tenants that currently depend on governmental or private payor reimbursement will be adequately reimbursed for the services they provide. Significant limits by governmental and private third-party payors on the scope of services reimbursed or on reimbursement rates could have a material adverse effect on the liquidity, financial condition, and operations of some of our tenants. These limits may be imposed by statutory and regulatory changes, retroactive rate adjustments, recovery of program overpayments or set-offs, court decisions, administrative rulings, policy interpretations, payment or other delays by fiscal intermediaries or carriers, government funding restrictions (at a program level or with respect to specific facilities), interruption or delays in payments due to any ongoing government investigations and audits at such property, or private payor efforts. Additionally, these limits could adversely affect our tenants' ability to comply with the terms of our leases and have a material adverse effect on us.

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We pursue property acquisitions Government investigations and seek strategic opportunities enforcement actions brought against the healthcare industry have increased dramatically over the past several years and are expected to continue, particularly in the ordinary course area of our business, Medicare/Medicaid false claims, as well as an increase in the intensity of enforcement actions resulting from these

investigations. Some of these enforcement actions represent novel legal theories and expansions in the application of the False Claims Act.

Medicare, Medicaid and other governmental healthcare payors require reporting of extensive financial information in a specific format or content. These requirements are technical and complex and may not be properly implemented by billing or reporting personnel. For certain required information, False Claims Act violations may occur without any intent to defraud by mere negligence or recklessness in information submission to the government. New billing systems, medical procedures and procedures for which there is not clear guidance may all result in significant usage liability. In addition, violations of management resources the Anti-Kickback Law or costs, Stark Law and, we for provider tenants who received pandemic relief funds, the failure to comply with terms and conditions related to receipt or repayment of those funds, may form the basis for a federal False Claims Act violation.

Many states have adopted laws similar to the False Claims Act, some of which apply to claims submitted to private and commercial payors, not fully realize the potential benefits just governmental payors. Violations of such transactions laws by an operator of a healthcare property could result in loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from government healthcare programs, civil liability, and in certain limited instances, criminal penalties, loss of license or closure of the property and/or the acquisition may not prove to be successful.

We regularly review, evaluate, engage in discussions regarding, and pursue acquisitions incurrence of properties and seek other strategic opportunities in the ordinary course of business in order to maximize stockholder value. We may devote a significant amount of our management resources to, and incur significant considerable costs in connection with, such transactions, which may not result in definitive agreements arising from an investigation or the completion of any transaction and could negatively impact our operations. In addition, there is no assurance that we will fully realize the potential benefits of any past or future acquisition or strategic transaction. Also, we might encounter unanticipated difficulties and expenditures relating to our acquired healthcare properties, including contingent liabilities, or our newly acquired healthcare properties might require significant management attention that would otherwise be devoted to our ongoing business. Such costs may negatively affect our results of operations. regulatory action.

If we are unable to resolve our professional and general liability actions on terms acceptable to us, then it could have a material adverse effect on our business, financial condition and results of operations.

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 SNFs resulted in injury or death to former patients. Although the Company settles cases from time to time if settlement is advantageous to the Company, 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 and there is risk in the Company's strategy of aggressively defending these cases. There is no assurance that the outcomes of these matters will not have a material adverse effect on the Company's financial condition.

As of the date of filing this Annual Report, the Company is a defendant in 107 professional and general liability actions one such action was commenced on behalf of a former patient of the Company and the remaining actions were commenced by former patients of the Company's current or prior tenants. These actions generally seek unspecified compensatory and punitive damages for former patients who were allegedly injured or died while patients of our facilities due to professional negligence or understaffing.

One such action, on behalf of the Company's former patient, is covered by insurance, except that any award of punitive damages would be excluded from such coverage. 9 of such actions relate to events which occurred after the Company transitioned (the "Transition") the operations of the

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facilities in question to a third-party operator and which are subject to such operators' indemnification obligations in favor of the Company.

The Company maintains insurance for professional and general liability claims for its Healthcare Services segment, which included in 2022 2023 the LaGrange, Lumber City, Meadowood, Thomasville, Glenvue and Tara Facilities, however for claims prior to January 1, 2020, the Company is self-insured against professional and general liability claims since it discontinued its healthcare operations in connection with the Transition. The Company established a self-insurance reserve for these professional and general liability claims, included within "Accrued expenses" in the Company's audited consolidated balance sheets of \$0.1 million and \$0.2 million at December 31, 2022, and December 31, 2021, respectively. Additionally, at December 31, 2021 and December 31, 2020, approximately \$0.1 million and \$0.1 million was reserved for settlement amounts in "Accounts payable" in the Company's audited consolidated balance sheets. See Facilities. For more information, see Note 13 - *Commitments and Contingencies* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data." in this Annual Report. Also see "*Critical Accounting Policies - Self Insurance Reserve*" in Part II, Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

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 primarily reflects the Company's estimate of settlement amounts for the pending actions, as appropriate, 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. The amount of the self-insurance reserve may increase, perhaps by a material amount, in any given period, particularly if the Company determines that it has probable exposure in one or more actions. If we are unable to resolve the pending actions on terms acceptable to us, then it could have a material adverse effect on our business, financial condition and results of operations. We have a history of operating losses and may incur losses in the future.

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The geographic concentration of our facilities could leave us vulnerable to an economic downturn or adverse regulatory changes in those areas.

Our properties are located in five states, with our largest presence in Ohio. As a result of this concentration, the conditions of state and local economies and real estate markets, changes in governmental rules, regulations and reimbursement rates or criteria, changes in demographics, state and local funding, acts of nature and other factors that may result in a decrease in demand and reimbursement for skilled nursing services in these states could have a disproportionately adverse effect on our tenants' revenue, costs and results of operations, affecting their ability to meet their obligations to us.

We pursue property acquisitions and seek strategic opportunities in the ordinary course of our business, which may result in significant usage of management resources or costs, and we may not fully realize the potential benefits of such transactions.

We regularly review, evaluate, engage in discussions regarding, and pursue acquisitions of properties and seek other strategic opportunities in the ordinary course of business in order to maximize shareholder value. We may devote a significant amount of our management resources to, and incur significant costs in connection with, such transactions, which may not result in definitive agreements or the completion of any transaction and could negatively impact our operations. In addition, there is no assurance that we will fully realize the potential benefits of any past or future acquisition or strategic transaction.

If we cannot identify and purchase a sufficient quantity of suitable properties at favorable prices or if we are unable to finance acquisitions on commercially favorable terms, or at all, our business, financial position or results of operations could be materially and adversely affected. Furthermore, any future acquisitions may require the issuance of securities, the incurrence of debt, assumption of contingent liabilities or incurrence of significant expenditures, each of which could materially adversely impact our business, financial condition or results of operations. If debt or equity financing is not available on acceptable terms, further acquisitions might be limited.

Required regulatory approvals can delay or prohibit transfers of our healthcare properties, which could result in periods in which we are unable to receive rent for such properties.

Our tenants that operate SNFs and other healthcare facilities must be licensed under applicable state law and, depending upon the type of facility, certified or approved as providers under the Medicare and/or Medicaid programs. Prior to the transfer of the operations of such healthcare properties to successor operators, the new operator generally must become licensed under state law and, in certain states, receive change of ownership approvals under certificate of need laws (which provide for a certification that the state has made a determination that a need exists for the beds located on the property) and, if applicable, file for a Medicare and Medicaid change of ownership. Upon termination or expiration of existing leases, delays or the failure of the new tenant in receiving regulatory approvals from the applicable federal, state or local government agencies, may prolong the period during which we are unable to collect rent and the property may experience performance declines. We could also incur substantial additional expenses in connection with any licensing, receivership or change of ownership proceedings.

Bank failures or other events affecting financial institutions could have a material adverse effect on our and our tenants' liquidity, results of operations, and financial condition.

The failure of a bank, or events involving limited liquidity, defaults, non-performance, or other adverse conditions in the financial or credit markets impacting financial institutions, or concerns or rumors about such events, may adversely impact us, either directly or through an adverse impact on our tenants, operators, and borrowers. A bank failure or other event affecting financial institutions could lead to disruptions in our or our tenants', operators', and borrowers' access to bank deposits or borrowing capacity, including access to letters of credit from certain of our tenants relating to lease obligations. In addition, in the event of a bank failure or liquidity crisis, our or our tenants', operators', and borrowers' deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") deposit insurance coverage limits may not be backstopped by the U.S. government, and banks or financial institutions with which we or our tenants, operators, and borrowers do business may be unable to obtain needed liquidity from other banks, government institutions, or by acquisition. Any adverse effects to our tenants', operators', or borrowers' liquidity or financial performance could affect their ability to meet their financial and other contractual obligations to us, which could have a material adverse effect on our business, results of operations, and financial condition.

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Cybersecurity incidents or other damage, disruptions or delays to the information systems and technology of us or our tenants could harm our business.

Cybersecurity incidents can be caused by ransomware, computer denial-of-service attacks, worms, and other malicious software programs or other attacks, including the covert introduction of malware to computers and networks, and the use of techniques or processes that change frequently, may be disguised or difficult to detect, or are designed to remain dormant until a triggering event, and may continue undetected for an extended period of time. Cybersecurity incidents also result from social engineering or impersonation of authorized users as well as efforts to discover and exploit any design flaws, bugs, security vulnerabilities or security weaknesses, intentional or unintentional acts by employees or other insiders with access privileges, intentional acts of vandalism or fraud by third parties and sabotage. The risk of cybersecurity incidents has generally increased as the number, intensity and sophistication of attacks and intrusions from around the world have increased.

While we have taken steps to protect the security of our information systems, including, but not limited to, engaging a third-party cybersecurity firm that serves as our dedicated information technology and cybersecurity team and helps us oversee, implement and manage our processes and controls to assess, identify and manage risks from cybersecurity threats, it is impossible to eliminate this risk. It is possible that our processes and controls will not detect or protect against all cybersecurity threats or incidents. In addition, any failure on the part of our third-party cybersecurity firm to effectively monitor and protect our information systems could make us more vulnerable to cybersecurity incidents. Our technology infrastructure and information systems are also vulnerable to damage or interruption from natural disasters, power loss and telecommunications failures. Failure to maintain proper function, security and

availability of our information systems or the loss or misuse of the data maintained in those systems, including confidential information or other sensitive or personal information, could interrupt our operations, damage our reputation, subject us to significant costs to respond and implement remediation measures and liability claims or regulatory penalties and could have a material adverse effect on our business, financial condition and results of operations.

Our tenants may also from time to time experience cybersecurity incidents or other damage or interruption to their information systems that disrupt their operations or result in the loss or misuse of confidential information or other sensitive or personal information. Any resulting financial impact to our tenants, including liability claims or regulatory penalties, costs to respond and implement remediation measures as well as operational consequences or business impacts resulting from any damage to their reputation or harm to their business relationships, could negatively impact the ability of our tenants to meet their financial and other contractual obligations to us, which could have a material adverse effect on our business, financial condition and results of operations.

We rely on information technology networks, enterprise and other cloud-based applications and other information systems to process, transmit and store electronic information, and to manage and support our business processes, including financial transactions and records, and to maintain personal information and tenant and lease data. We purchase some of our information technology, including software and cloud-based technology, from third party service providers, on whom we and our systems depend. The technology infrastructure and systems of some of our cloud solution and other third party service providers have in the past experienced, and may in the future experience, cybersecurity incidents of varying degrees.

Risks Related to Laws and Regulations

Healthcare reform legislation impacts cannot accurately be predicted and could adversely affect our results of operations.

We and the healthcare operators leasing our properties depend on the healthcare industry and are susceptible to risks associated with healthcare reform. Legislative proposals are introduced each year that would introduce major changes in the healthcare system, both nationally and at the state level. Certain measures could negatively affect our business or the businesses of our tenants if enacted. Efforts may also be made to reduce the age at which individuals become eligible for Medicare, which could have an adverse impact on our tenants because Medicare sometimes reimburses long term care providers at rates lower than those paid by commercial payors. We also believe that additional resources may be dedicated to regulatory enforcement, which could increase our tenants' costs of doing business and negatively

impact their ability to pay their rent obligations to us. Additional stimulus funding for state and local governments may have a positive impact on our tenants because it may alleviate some pressures on state and local governments to reduce overall Medicaid expenditures.

Our tenants are subject to extensive federal, state and local laws and regulations affecting the healthcare industry that include those relating to, among other things, licensure, conduct of operations, ownership of facilities, addition of facilities and equipment, allowable costs, services, prices for services, qualified beneficiaries, quality of care, patient

rights and insurance, fraudulent or abusive behavior, and financial and other arrangements that may be entered into by healthcare providers. If our tenants or operators fail to comply with the laws, regulations and other requirements applicable to their businesses and the operation of our properties, they could become ineligible to receive reimbursement from governmental and private third-party payor programs, face bans on admissions of new patients or residents, suffer civil or criminal penalties or be required to make significant operational changes. Changes in enforcement policies by federal and state governments have also resulted in a significant increase in inspection rates, citations of regulatory deficiencies and sanctions, including terminations from Medicare and Medicaid programs, bars on Medicare and Medicaid payments for new admissions, civil monetary penalties and criminal penalties. Our tenants and operators could be forced to expend considerable resources responding to an investigation, lawsuit or other enforcement action under applicable laws or regulations. Additionally, if our tenants' residents do not have insurance, it could adversely impact the tenants' ability to satisfy their obligation to us.

Failure by our tenants to comply with various local, state, and federal government regulations may adversely impact their ability to make lease payments to us.

The failure of our tenants to comply with federal, state, or local regulations could result in penalties which could include loss or restriction of license, loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal, state and local health care programs, or closure of the facility. These regulations have increased in response to the COVID-19 pandemic. The loss or imposition of restrictions on any required license, registration, certificate of need, provider agreement or certification would prevent a facility from operating in the manner intended by the operator. Additionally, failure by any of our operators to comply with applicable laws and regulations could result in adverse publicity and reputational harm, and therefore could harm our business.

If we or our tenants fail to adhere to applicable privacy and data security laws, or experience a data security incident or breach, this could have a material adverse effect on us or on our tenants' ability to meet their obligations to us.

We and our tenants are subject to HIPAA and various other state and federal laws that relate to privacy and data security, including the reporting of data breaches involving personal information as discussed in “—Government Regulation,” in Part I, Item1., “Business” in this Annual Report. Failure to comply with these requirements could have a materially adverse effect on us and the ability of our tenants to meet their obligations to us. Furthermore, the adoption of new privacy, security and data breach notification laws at the federal and state level could require us or our tenants to incur significant compliance costs. In addition, the cost and operational consequences of responding to cybersecurity incidents and breaches and implementing remediation measures could be significant.

While we and our tenants maintain various security controls, there is a risk of data security incidents or breaches resulting from unintentional or deliberate acts by third parties or insiders attempting to obtain unauthorized access to information, destroy or manipulate data, or disrupt or sabotage information systems. The trend toward increased remote work and rapid implementation of telehealth within the health care industry in response to the COVID-19 pandemic may have created new or increased cyber risks. Cyber incidents range from individual attempts to gain unauthorized access to our IT systems to sophisticated attacks by hacking groups and nation-state actors. Information technology systems are a vital part of the business of our Company and our tenants, and a security incident or breach could result in a material loss of business, business interruption, loss of patient or other critical data, regulatory enforcement, substantial legal liability and reputational harm. Despite the deployment of commercially reasonable efforts and sophisticated techniques to prevent cyber incidents, information systems remain potentially vulnerable because the techniques used by hackers continue to evolve and are designed not to be detected. In fact, some unauthorized access may not be detected for an extended period of time. As a result, we or our tenants may suffer cybersecurity incidents where we or our tenants have implemented cybersecurity protections. A data security incident or breach occurring at or involving the Company could have a material adverse impact on our Company. Where the

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data security incident or breach occurs at or involves a tenant, this could jeopardize the tenant's ability to fulfill its obligations to us.

As an owner with respect to real property, we may be exposed to possible environmental liabilities.

Under various federal, state and local environmental laws, ordinances and regulations, we, as a current or previous owner of real property, may be liable in certain circumstances for the costs of investigation, removal, remediation of, or related releases, of certain hazardous or toxic substances at, under or disposed of in connection with such property, as well as certain other potential costs relating to hazardous or toxic substances, including government fines and

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damages for injuries to persons and adjacent property. Such laws often impose liability regardless of the owner's knowledge of, or responsibility for, the presence or disposal of such substances. As a result, liability may be imposed on the owner in connection with the activities of an operator of the property.

The cost of any required investigation, remediation, removal, fines or personal or property damages and the owner's liability therefor could exceed the value of the property and the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect an operator's ability to attract additional patients or residents and our ability to sell or rent such property or to borrow using such property as collateral which, in turn, could

negatively impact our revenues. See “—Environment Regulation” in Part I, Item 1., “Business” in this Annual Report.”

Risks Related to Our Capital Resources and Indebtedness

Our real estate investments are relatively illiquid.

Real estate investments are relatively illiquid and generally cannot be sold quickly. In addition, all of our owned healthcare properties serve as collateral for our secured debt obligations and may not be readily sold. Additional factors that are specific to our industry also tend to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. For example, all of our healthcare properties are “special purpose” properties that cannot be readily converted into general residential, retail or office use. In addition, transfers of operations of SNFs, ALF’s and other healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations and other types of real estate. Thus, if the operation of any of our healthcare properties becomes unprofitable due to competition, age of improvements or other factors such that a tenant becomes unable to meet its obligations to us, then the liquidation value of the property may be substantially less, particularly relative to the amount owed on any related mortgage loan, than would be the case if the property were readily adaptable to other uses. Furthermore, the receipt of liquidation proceeds or the replacement of a tenant who has defaulted on its lease could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the tenant with a new tenant licensed to manage the facility. In addition, certain significant expenditures associated with real estate investment, such as real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. Should such events occur, our revenues would be adversely affected.

We have substantial indebtedness, which may have a material adverse effect on our business and financial condition.

As of **December 31, 2022** December 31, 2023, we had approximately **\$52.2 million** **\$50.7 million** in indebtedness, including current maturities of debt. We may also obtain additional short-term and long-term debt to meet future capital needs, subject to certain restrictions

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under our existing indebtedness, which would increase our total debt. Our substantial amount of debt could have negative consequences to our business. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of cash flows from operations to interest and principal payments on outstanding debt, thereby limiting the availability of cash flow for dividends and other general corporate purposes;

- require us to maintain certain debt coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;
- make it more difficult for us to satisfy our financial obligations;
- expose us to increases in interest rates for our variable rate debt;
- limit our ability to borrow additional funds on favorable terms, or at all, for working capital, debt service requirements, expansion of our business or other general corporate purposes;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms, or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;

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- limit our ability to make acquisitions or take advantage of business opportunities as they arise;
- place us at a competitive disadvantage compared with our competitors that have less debt; and
- limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

In addition, our ability to borrow funds in the future will depend in part on the satisfaction of the covenants in our debt agreements. If we are unable to satisfy the financial covenants contained in those agreements or are unable to generate cash sufficient to make required debt payments, the lenders and other parties to those arrangements could accelerate the maturity of some or all of our outstanding indebtedness.

We may not have sufficient liquidity to meet our capital needs.

For the year ended and as of December 31, 2022 December 31, 2023, we had a net loss of \$6.9 million \$3.9 million. At December 31, 2022 December 31, 2023, we had \$0.8 million \$1.0 million in cash, including a Medicaid overpayment of \$0.2 million received in the third and fourth quarter of 2021, which was repaid in February 2023 and is recorded in "Accrued Expenses" in the Company's consolidated balance sheets as of December 31, 2022. Additionally, the Company has approximately \$3.1 million \$3.2 million of restricted cash and \$52.2 million \$50.7 million in indebtedness net of \$1.1 million deferred financing and unamortized discounts, of which the Company anticipates net principal repayments of approximately \$1.8 million \$1.9 million during the next twelve-month period. Additionally, as of December 31, 2022, as a result of the suspension of the dividend payment on the Series A Preferred Stock commencing with the fourth quarter 2017 dividend period, the Company has \$45.9 million of accumulated accrued and unpaid dividends.

Management anticipates access to, and receipt of, several sources of liquidity, including cash from operations and cash on hand. We have routine ongoing discussions with existing and potential new lenders to refinance current debt on a longer-term basis and, in recent periods, have refinanced short-term acquisition-related debt with traditional long-term mortgage notes, some of which have been executed under government guaranteed lending programs.

In order to satisfy the Company's capital needs, the Company is undertaking measures to grow its operations, streamline its cost infrastructure and otherwise increase liquidity by: (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.

The Company anticipates that these actions, if successful, will provide the opportunity to maintain its liquidity, thereby permitting the Company to better meet its operating and financing obligations. However, there is no guarantee that such actions will be successful.

We rely on external sources of capital to fund our capital needs, and if we encounter difficulty in obtaining such capital, we may not be able to make future investments necessary to grow our business or meet maturing debt commitments.

We rely on external sources of capital, including, from time to time, private or public offerings of debt or equity, the assumption of secured indebtedness, or mortgage financing on a portion of our owned portfolio. If we are unable to obtain needed capital at all or only on unfavorable terms from these sources, then we might not be able to make the investments needed to grow our business or to meet our obligations and commitments as they mature. Our access to capital depends upon a number of factors over which we have little or no control, including: (i) the performance of the national and global economies generally; (ii) competition in the healthcare industry; (iii) issues facing the healthcare industry, including regulations and government reimbursement policies; (iv) our tenants' operating costs; (v) the market's perception of our growth potential; (vi) the market value of our properties; (vii) our current and potential future earnings and cash dividends on our common stock and preferred stock, if any; and (viii) the market price of the shares of our capital stock. We may not be in a position to take advantage of future investment opportunities if we are unable to access capital markets on a timely basis or are only able to obtain financing on unfavorable terms.

In particular, we are subject to risks associated with debt financing, which could negatively impact our business and limit our ability to pay dividends to our shareholders and to repay maturing indebtedness. If we are unable to refinance

or extend principal payments due at maturity or pay them with proceeds from other capital transactions, our cash flow may not be sufficient to repay our maturing indebtedness. Furthermore, if we have to pay higher interest rates in connection with a refinancing, the interest expenses relating to that refinanced indebtedness would increase, which could reduce our profitability. Moreover, additional debt financing increases our leverage. The degree of leverage could have important consequences to our shareholders, including affecting our ability to obtain additional financing in the future, and making us more vulnerable to a downturn in our results of operations or the economy in general.

Our ability to raise capital through equity sales is dependent, in part, on the market price of our capital stock and the terms of our Series A Preferred Stock, including the amount of the undeclared preferred stock dividends in arrears failure to meet market expectations with respect

to the Series A Preferred Stock.our business, or other factors we do not control, could negatively impact such market price and availability of equity capital.

As with other publicly-traded companies, the availability of equity capital depends, in part, on the market price of our capital stock, which, in turn, **will** depend upon various market conditions and other factors, **some of which we cannot control**, that may change from time to time, and could negatively impact the market price of our stock, including:

- the extent of investor interest;
- our financial performance and that of our tenants;
- general stock and bond market conditions; and
- other factors such as governmental regulatory action.

Further, our ability Our failure to raise capital through equity sales has been meet the market's expectation with regard to future earnings and cash distributions would likely adversely affected by affect the terms market price of our Series A Preferred Stock capital stock and, as a result, the amount availability of the undeclared preferred stock dividend in arrears with respect equity capital to the Series A Preferred Stock, which was \$45.9 million as of December 31, 2022.

us.

Covenants in the agreements evidencing our indebtedness limit our operational flexibility, and a covenant breach could materially adversely affect our operations.

The terms of our credit agreements and other agreements evidencing our indebtedness require us to comply with a number of financial and other covenants which may limit management's discretion by restricting our ability to, among other things, incur additional debt, and create liens. Any additional financing we may obtain could contain similar or more restrictive covenants. Our continued ability to incur indebtedness and conduct our operations is subject to compliance with these financial and other covenants. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness in addition to any other indebtedness cross-defaulted against such instruments. Any such breach could materially adversely affect our business, results of operations and financial condition.

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Our assets may be subject to impairment charges.

We periodically, but not less than annually, evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a significant impairment has occurred, then we are required to make an adjustment to the net carrying value of the

asset, which could have a material adverse effect on our results of operations in the period in which the write-off occurs.

Economic conditions and turbulence in the credit markets may create challenges in securing indebtedness or refinancing our existing indebtedness.

Depressed economic conditions, the availability and cost of credit, turmoil in the mortgage market and depressed real estate markets have in the past contributed, and will in the future contribute, to increased volatility and diminished expectations for real estate markets and the economy as a whole. Significant market disruption and volatility could impact our ability to secure indebtedness or refinance our existing indebtedness.

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Credit and financial markets have experienced extreme volatility and disruptions over the past several years, including declines in consumer confidence, concerns about declines in economic growth, increases in the rate of inflation, increases in borrowing rates and changes in liquidity and credit availability, and uncertainty about economic stability, including most recently in connection with actions undertaken by the U.S. Federal Reserve Board to address inflation, the continuing effects of the COVID-19 pandemic on labor and supply chain disruptions. While consumer sentiment is on the rise, concerns about declines in economic growth have faded and inflation has cooled there can be no assurance that further deterioration in credit and financial markets and confidence in economic conditions will not occur. Our general business strategy may be adversely affected by any such economic downturn, volatile business environment or unpredictable and unstable market conditions. In addition, increased costs due to inflationary conditions may have material adverse effects on the operating expenses of our tenants and their ability to meet their obligations to us and may also increase the costs for us to make capital improvements to our facilities. In addition, if the current equity and credit markets deteriorate, it may make any necessary debt or equity financing more difficult, more costly, and more dilutive. Furthermore, our stock price may decline due in part to the volatility of the stock market and the general economic downturn.

Increases in interest rates could increase our existing and future debt borrowing costs and adversely affect our stock price.

We may incur additional indebtedness in connection with new credit facilities or financing of acquisitions or development activities. Interest rates in recent years have increased, and may continue to increase, our interest costs for any new debt, which could make acquisition financings more costly or lower our current period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, interest rate increases could decrease credit access, thereby decreasing the amount others are willing to pay for our assets and limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions.

Risks Related to Investment in Our Securities and Organizational Documents

The price of our common stock and Series A Preferred Stock has fluctuated, and a number of factors may cause the price of our common stock or Series A Preferred Stock to decline.

The market price of our common stock and Series A Preferred Stock has fluctuated and may fluctuate significantly in the future, depending upon many factors, many of which are beyond our control. These

factors include:

- actual or anticipated fluctuations in our operating results;
- changes in our financial condition, performance and prospects;
- changes in general economic and market conditions and other external factors;
- the market price of securities issued by other companies in our industry;

- announcements by us or our competitors of significant acquisitions, dispositions, strategic partnerships or other transactions;
- press releases or negative publicity relating to us or our competitors or relating to trends in healthcare;
- government action or regulation, including changes in federal, state and local healthcare regulations to which our tenants are subject;
- changes in financial estimates, our ability to meet those estimates, or recommendations by securities analysts with respect to us or our competitors; and
- future sales of the Company's equity or debt securities.

In addition, to the above factors, the market price of the Series A Preferred Stock may also fluctuate based upon additional factors including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock; and
- trading prices of preferred equity securities issued by other companies in our industry;

~~the annual yield from distributions on the Series A Preferred Stock as compared to yields on other financial instruments; and~~

- ~~the amount of undeclared preferred stock dividends in arrears with respect to the Series A Preferred Stock, which was \$45.9 million at December 31, 2022.~~

Furthermore, the stock market in recent years has experienced sweeping price and volume fluctuations that often have been unrelated to the operating performance of affected companies. These market fluctuations may also cause the price of our ~~capital~~ stock to decline.

In the event of fluctuations in the price of our stock, shareholders may be unable to resell shares of our stock at or above the price at which they purchased such shares. Additionally, due to fluctuations in the price of our stock, comparing our operating results on a period-to-period basis may not be meaningful, and you should not rely on past results as an indication of future performance.

Our Series A Preferred Stock ranks junior to our Series B Preferred Stock with respect to dividends and amounts payable in the event of our liquidation, dissolution or winding-up. Our common stock ranks junior to our Series A Preferred Stock with respect to dividends and amounts payable in the event of our liquidation, liquidation, dissolution or winding-up.

Our Series A Preferred Stock ranks junior to our Series B Preferred Stock with respect to dividends and amounts payable in the event of our liquidation, dissolution or winding-up. This means that, in the event of our voluntary or involuntary liquidation, dissolution or winding-up, no distribution of our assets may be made to holders of our Series A Preferred Stock until we have paid to holders of our Series B Preferred Stock the applicable liquidation preference plus all accumulated accrued and unpaid dividends.

Our common stock ranks junior to our Series A Preferred Stock with respect to the payment of dividends and amounts payable in the event of our liquidation, dissolution or winding-up. This means that, unless accumulated accrued dividends have been paid or set aside for payment on all outstanding shares of As discussed above, our Series A Preferred Stock for all past dividend periods, no is junior to our Series B Preferred Stock with respect to the payment of dividends may be declared and as to distribution of assets upon our liquidation, dissolution or paid, or set aside for payment on, our common stock. Likewise, winding-up. This means that, in the event of our voluntary or involuntary liquidation, dissolution or winding-up, no distribution of our assets may be made to holders of our common stock until we have paid to holders of our Series A Preferred Stock the applicable liquidation preference plus all accumulated accrued and unpaid dividends. preference.

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We suspended the quarterly dividend payment with respect to our Series A Preferred Stock commencing with the fourth quarter of 2017, and in June 2018, we determined to continue such suspension indefinitely. As a result of such suspension, the Company has \$45.9 million of undeclared preferred stock dividends in arrears as of December 31, 2022. See Part II, Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in this Annual Report. As a result, the value of your investment in our Series A Preferred Stock or common stock may suffer if sufficient funds are not available to first satisfy our obligations to the holders of our Series B Preferred Stock or Series A Preferred Stock, respectively, in the event of our liquidation.

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The Company is a holding company, and thus is dependent on dividends and other distributions from its subsidiaries to meet its ongoing and future financial obligations. There are no assurances of our ability to pay dividends in the future.

We are a holding company, and we have no significant operations. We rely primarily on dividends and other distributions from our subsidiaries to us so we may, among other things, pay dividends on our capital common stock and Series B Preferred Stock, if and to the extent declared by the Company's Board of Directors (the "Board"). Board. The ability of our subsidiaries to pay dividends and make other distributions to us depends on their earnings and may be restricted in the future by the terms of certain agreements governing their indebtedness. If our subsidiaries are in default under such agreements, then they may not pay dividends or make other distributions to us.

In addition, we may only pay dividends on our capital stock if we have funds legally available to pay dividends and such payment is not restricted or prohibited by law, the terms of any shares with higher priority with respect to dividends or any documents governing our indebtedness. We are restricted by Georgia law from paying dividends on our capital stock if we are not able to pay our debts as they become due in the normal course of business or if our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy preferential rights upon dissolution. In addition, **no dividends may be declared or paid on our common stock unless all accumulated accrued and unpaid dividends on our Series A Preferred Stock have been, or contemporaneously are, declared and paid, or declared and a sum sufficient for the payment thereof is set apart for payments, for all past dividend periods.** In addition, future debt, contractual covenants or arrangements that we or our subsidiaries enter into may restrict or prevent future dividend payments.

As such, we are currently unable, on a temporary or permanent basis, to pay dividends on our stock, including our common stock and our Series A Preferred Stock. The payment of any future dividends on our stock will be at the discretion of the Board and will depend, among other things, on the earnings and results of operations of our subsidiaries, their ability to pay dividends and make other distributions to us under agreements governing their indebtedness, our financial condition and capital requirements, any debt service requirements and any other factors the Board deems relevant.

The Board suspended dividend payments indefinitely with respect to the Series A Preferred Stock. Such dividends are currently in arrears since the fourth quarter 2017. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Annual Report. As a result of this dividend suspension, no dividends may be declared or paid on the common stock until all accumulated accrued and unpaid dividends on our Series A Preferred Stock have been, or contemporaneously are, declared and paid, or declared and a sum sufficient for the payment thereof is set apart for payment, for all past dividend periods.

The ownership and transfer restrictions contained in our Amended and Restated Articles of Incorporation, as amended and currently in effect (the "Charter"), may prevent or restrict you from acquiring or transferring shares of the common stock.

As a result of the Merger, the Charter contains provisions restricting the ownership and transfer of the common stock. These ownership and transfer restrictions include that, subject to the exceptions, waivers and the constructive ownership rules described in the Charter, no person (including any "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") may beneficially own, or be deemed to constructively own by virtue of the ownership attribution provisions of the Code, in excess of 9.9% (by value or number of shares, whichever is more restrictive) of the outstanding common stock. The Charter also prohibits, among other things, any person from beneficially or constructively owning shares of common stock to the extent that such ownership would cause the Company to fail to qualify as a REIT by reason of being "closely held" under the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or that would cause the Company to otherwise fail to qualify as a REIT. Furthermore, any transfer, acquisition or other event or transaction

that would result in common stock being beneficially owned by less than 100 persons (determined without reference to any rules of attribution) will be void ab initio, and the intended transferee shall acquire no

rights in such common stock. These ownership and transfer restrictions could have the effect of delaying, deferring or preventing a transaction or a change in control involving the Company that might involve a premium price for our capital stock or otherwise be in the best interests of our shareholders.

Provisions in Georgia law, our Charter and our Amended and Restated Bylaws, as amended and currently in effect (the "Bylaws") may delay or prevent a change in control or management that shareholders may consider desirable.

Various provisions of the Georgia Business Corporation Code (the "GBCC") and the Charter and Bylaws may inhibit changes in control not approved by the Board and may have the effect of depriving our investors of an opportunity to receive a premium over the prevailing market price of the common stock and other securities in the event of an attempted hostile takeover. These provisions could also discourage proxy contests and make it more difficult for shareholders to elect directors and take other corporate actions. As a result, the existence of these provisions may adversely affect the market price of the common stock and other securities. These provisions include:

- the ownership and transfer restrictions contained in the Charter with respect to the common stock;
- a requirement that special meetings of shareholders be called by the Board, the Chairman, the President, or the holders of shares with voting power of at least 25%;
- advance notice requirements for shareholder proposals and nominations;
- a requirement that directors may only be removed for cause and then only by an affirmative vote of at least a majority of all votes entitled to be cast in the election of such directors;
- a prohibition of shareholder action without a meeting by less than unanimous written consent;
- availability of "blank check" preferred stock; and
- a charter "constituency" clause authorizing (but not requiring) our directors to consider, in discharging their duties as directors, the effects of the Company's actions on other interests and persons in addition to our shareholders.

In addition, the Company has elected in the Bylaws to be subject to the "fair price" and "business combination" provisions of the GBCC. The business combination provisions generally restrict us from engaging in certain business combination transactions with any "interested shareholder" (as defined in the GBCC) for a period of five years after the date of the transaction in which the person became an interested shareholder, unless certain designated conditions are met. The fair price provisions generally restricts us from entering into certain business combinations with an interested shareholder unless the transaction is unanimously approved by the continuing directors who must constitute at least three members of the Board at the time of such approval, or the transaction is recommended by at least two-thirds of the continuing directors and approved by a majority of the shareholders excluding the interested shareholder.

The Board can use these and other provisions to prevent, delay or discourage a change in control of the Company or a change in our management. Any such delay or prevention of a change in control or management could deter potential acquirers or prevent the completion of a takeover transaction pursuant to which our shareholders could receive a substantial premium over the current market price of the common stock and other securities, which in turn may limit the price investors might be willing to pay for such securities.

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 our plan of compliance approved by NYSE American 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 compliance with continued listing standards, including, but not limited to, complying with 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. On May 10, 2023, we received a letter from the NYSE American notifying us that we 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 notifying us that we 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 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 common stock and Series A Preferred Stock will continue to be listed and traded on the

NYSE American during the plan period, subject to our compliance with the NYSE American's other applicable continued listing standards. 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.

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.

If we fail to meet all applicable continued listing requirements of the NYSE American and the NYSE American determines to delist the common stock and Series A Preferred Stock, then the delisting could adversely affect the market liquidity of such securities, impair the value of your investment, adversely affect our ability to raise needed funds and subject us to additional trading restrictions and regulations.

If the common stock and Series A Preferred Stock are delisted from the NYSE American, such securities may trade in the over-the-counter market. If our securities were to trade on the over-the-counter market, selling the common stock and Series A Preferred Stock could be more difficult because smaller quantities of shares would likely be bought

and sold, transactions could be delayed, and any security analysts' coverage of us may be reduced. In addition, in the event the common stock and Series A Preferred Stock are delisted, broker-dealers have certain regulatory burdens imposed upon them, which may discourage broker-dealers from effecting transactions in such securities, further limiting the liquidity of the common stock and Series A Preferred Stock. These factors could result in lower prices and larger spreads in the bid and ask prices for our securities. Such delisting from the NYSE American and continued or further declines in our share price could also greatly impair our ability to raise additional necessary capital through equity or debt financing and could significantly increase the ownership dilution to shareholders caused by our issuing equity in financing or other transactions. Any such limitations on our ability to raise debt and equity capital could prevent us from making future investments and satisfying maturing debt commitments.

In addition, if the Company fails for 180 or more consecutive days to maintain a listing of the Series A Preferred Stock on a national exchange, then: (i) the annual dividend rate on the Series A Preferred Stock will be increased from 10.875% per annum to 12.875% per annum on the 181st day; and (ii) the holders of the Series A Preferred Stock are entitled to vote for the election of two additional directors to serve on the Board in accordance with, and subject to the requirements of, the Charter. Such increased dividend rate and voting rights will continue for so long as the Series A Preferred Stock is not listed on a national exchange. Additionally as the Company has failed to pay cash dividends on the outstanding Series A Preferred Stock in full for more than four consecutive dividend periods, the annual dividend rate on the Series A Preferred Stock for the fifth and future missed dividend period to has increased to 12.875%; 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 has paid all accumulated and unpaid dividends on the Series A Preferred Stock in full in cash. See Note 10- Common and Preferred Stock to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

General Risk Factors

The costs of being publicly owned may strain our resources and impact our business, financial condition, results of operations and prospects.

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls for financial reporting. We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting.

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These requirements may place a strain on our systems and resources and have required us, and may in the future require us, to hire additional accounting and financial resources with appropriate public company experience and technical accounting knowledge. In addition, failure to maintain such internal controls could result in us being unable to provide timely and reliable financial information which could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities or cause us to be late in the filing of required reports or financial results. Any of the foregoing events could have a materially adverse effect on our business, financial condition, results of operations and prospects.

If we lose our key management personnel, we may not be able to successfully manage our business or achieve our objectives, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on our management team, and our future success depends largely upon the management experience, skill, and contacts of our management and the loss of any of our key management team could harm our business. If we lose the services of any or all of our management team, we may not be able to replace them with similarly qualified personnel, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our directors and officers substantially control all major decisions.

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Our directors and officers beneficially own a significant number of shares of our outstanding common stock. Therefore, our directors and officers will be able to influence major corporate actions required to be voted on by shareholders, such as the election of directors, the amendment of our charter documents and the approval of significant corporate transactions such as mergers, reorganizations, sales of substantially all of our assets and liquidation. Furthermore, our directors will be able to make decisions affecting our capital structure, including decisions to issue additional capital stock, implement stock repurchase programs and incur indebtedness. This control may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other shareholders to approve transactions that they may deem to be in their best interests.

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Item 1B. Unresolved Staff Comments

Disclosure pursuant to Item 1B of Form 10-K is not required to be provided by smaller reporting companies.

Item 1C. Cybersecurity

Risk Management and Strategy

We have developed and implemented cybersecurity risk management processes intended to protect the confidentiality, integrity and availability of our critical systems and information.

While everyone at the Company plays a part in managing cybersecurity risks, primary cybersecurity oversight responsibility is shared by the Board, the audit committee of the Board of Directors ("Audit Committee") and senior management. Our cybersecurity risk management program is integrated into our overall enterprise risk management program.

Our cybersecurity risk management program includes:

- physical, technological and administrative controls intended to support our cybersecurity and data governance framework, including controls designed to protect the confidentiality, integrity and availability of our key information systems and tenant, employee and other third-party information stored on those systems, such as access controls, encryption, data handling requirements and other
- cybersecurity safeguards, and internal policies that govern our cybersecurity risk management

and data protection practices;

- a defined procedure for timely incident detection, containment, response and remediation, including a written security incident response plan that includes procedures for responding to cybersecurity incidents;
- cybersecurity risk assessment processes designed to help identify material cybersecurity risks to our critical systems, information, products, services and broader enterprise Information Technology ("IT") environment;
- a security team responsible for managing our cybersecurity risk assessment processes and security controls;
- the use of external consultants or other third-party experts and service providers, where considered appropriate, to assess, test or otherwise assist with aspects of our cybersecurity controls;
- annual cybersecurity and privacy training of employees, including incident response personnel and senior management, and specialized training for certain teams depending on their role and/or access to certain types of information; and
- a third-party risk management process that includes internal vetting of certain third-party vendors and service providers with whom we may share data.

Additionally, we engage third-party providers to augment our cybersecurity capabilities. These partnerships entail ongoing assistance for threat monitoring and mitigation, as well as targeted support for specialized security expertise.

As of December 31, 2023, we have not identified risks from known cybersecurity threats, including as a result of any previous cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us,

including our business strategy, results of operations or financial condition. For an examination of cybersecurity threats that could potentially have a material impact on us, please refer to Part I, Item 1A., "Risk Factors" – "Cybersecurity incidents or other damage to the information systems and technology of us or our tenants could harm our business" in this Annual Report."

Governance

With oversight from the Board, the Audit Committee is primarily responsible for assisting the Board in fulfilling its ultimate oversight responsibilities relating to risk assessment and management, including relating to cybersecurity and other information technology risks. The Audit Committee oversees management's implementation of our cybersecurity risk management program, including processes and policies for determining risk tolerance, and reviews management's strategies for adequately mitigating and managing identified risks, including risks relating to cybersecurity threats.

Our management team is responsible for assessing and managing our material risks from cybersecurity threats and for our overall cybersecurity risk management program on a day-to-day basis, and supervises both our internal cybersecurity personnel and the relationship with our retained external cybersecurity consultants. Our management team supervises efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, including briefings from internal security

personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties

Owned and Leased Facilities

The following table provides summary information regarding our owned and leased facilities, that are in turn leased and subleased to third parties as of December 31, 2022 December 31, 2023:

Facility Name	Beds/Units	Structure	Operator Affiliation (a)
Alabama			
Coosa Valley Health & Rehab	124	Owned	C.R. Management
Meadowood Retirement Village	161	Owned	Cavalier Senior Living
Subtotal (2)	285	214	
Georgia			
Autumn Breeze Healthcare Center	109	Owned	C.R. Management
Glenview Health and Rehab	160	Owned	RHP Operations
Southland Healthcare and Rehabilitation Center	126	Owned	Beacon Health Management
Subtotal (3)	395		
North Carolina			
Mountain Trace Rehabilitation and Nursing Center	106	Owned	Vero Health Management
Subtotal (1)	106		
Ohio (b)			
Eaglewood Village	95	Owned	Aspire Regional Partners
Eaglewood Care Center	99	Owned	Aspire Regional Partners
Hearth & Care of Greenfield	50	Owned	Aspire Regional Partners
Covington Care	99	Leased	Aspire Regional Partners
The Pavilion Care Center	62	Owned	Aspire Regional Partners
Subtotal (4)	306	405	
South Carolina			
Georgetown Healthcare & Rehabilitation	84	Owned	Oak Hollow Health Care Management

Sumter Valley Nursing and Rehab Center	96	Owned	Oak Hollow Health Care Management
Subtotal (2)	180		
Total - All Facilities (12)	1,272	1,	300

- (a) Indicates the operator with which the tenant of the facility is affiliated.
- (b) The Company leases one **skilled nursing facility** SNF and subleases it to Aspire Regional Partners.
- (c) **Eaglewood Village and Eaglewood Care Center are co-located.**

Our leases and subleases are generally on an individual facility basis with tenants that are separate legal entities affiliated with the above operators. See "*Portfolio of Healthcare Investments*" in Part I, Item 1, "Business", in this Annual Report.

All facilities are SNFs except for the Eaglewood ALF facility and the Meadowood facility, which are ALF's. Bed/units numbers refer to the number of licensed beds.

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For a detailed description of the Company's operating leases, please see Note 6 - *Leases to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data"* in this Annual Report.

For a detailed description of the Company's related mortgages payable for owned facilities, see Note 8 - *Notes Payable and Other Debt* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Portfolio Occupancy Rates

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

Oper ating Metri c (1)	For the Twelve Months				For the Twelve Months Ended			
	Ended				Mar		Jun	
	Mar	Jun	Sept	Dece	31,	30,	ember,	ber,
Facilities	1,272	1,272	1,272	1,272	1,272	1,272	1,272	1,272
Bed/units	3844	3844	3844	3844	3844	3844	3844	3844

Occ							
upan							
cy							
(%)	65.	65.	66.9	67.2			
(2)	1%	6%	%	%	66.4%	66.2%	66.2%
							65.8%

(1) Excludes three managed facilities in Ohio.

(2) Occupancy percentages are based on licensed beds and ~~include~~ exclude data related to the previously leased facilities.

Lease Expiration

The following table provides summary information regarding our lease expirations for the years shown:

Nu mb er of Fac ili ties	Annual Lease Revenue				Number of Facilities		Annual Lease Revenue (1)		
	Licensed Beds		(1)		Licensed Beds		Annual Lease Revenue (1)		
	Beds	Per cen t	Am oun t (\$)	Per cen t	Facilities	Amount	Percent (%)	'000's	Percent (%)
2023									
	5	4.	4	3.					
	1	0	8%	1	9%				
2024	1								
	2	12	0.						
	1	6	.0%	—	0%	1	\$ 126	12.0%	\$ — 0.0%
2025	1								
	0	10	1	14					
	1	9	.4%	0	.9%	—	—	0.0%	— 0.0%
2026									
	—	—	0%	—	0%	—	—	0.0%	— 0.0%
2027									
	—	—	0%	—	0%	—	—	0.0%	— 0.0%
2028									
	2,								
	3								
	5	33	5	38					
	4	5	.8%	2	.5%	5	405	38.6%	2,732 42.9%
2029	1								
	0	10	3	8.					
	1	6	.1%	8	8%	1	106	10.1%	538 8.4%

2030	1,	0	2	233	22.2%	2,103	33.0%
	1 11 7 17						
	1 4 .8% 1 .5%						
2031	—	—	—	—	0.0%	—	0.0%
Ther	1 9						
eafte	8 17 9 16						
r	2 0 .1% 5 .3%		2	180	17.1%	995	15.6%
To	1, 6,						
tal	0 10 1 10						
	1 5 0. 0 0.						
	1 0 0% 8 0%		11	\$ 1,050	100.0%	\$ 6,368	100.0%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

⁽¹⁾ Straight-line rent.

Corporate Office

Our current corporate office is located in Suwanee, Atlanta, Georgia. We lease Effective July 1, 2023, we signed a sublease agreement for approximately 3,000 2,000 square feet of office space in the Suwanee, Georgia area with a Atlanta, Georgia. The sublease term through June 2023. The company is in discussions with its landlord regarding extending the lease. expires on July 31, 2025.

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Item 3. 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 SNFs 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 13 - Commitments and Contingencies – Professional and General Liability Claims" to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

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. See "Risks Related to Our Business and Industry- If we are unable to resolve our professional and

general liability actions on terms acceptable to us, then it could have a material adverse effect on our business, financial condition and results of operations in Part I, Item 1.A, "Risk Factors." Factors* in this Annual Report.

Certain other legal matters are described in "Note 13 - Commitments and Contingencies – Other Legal Matters" to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report. "Note 13 - Commitments and Contingencies – Professional and General Liability Claims" and "Note 13 – Commitments and Contingencies- Other Legal Matters", each included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report. Report are each incorporated by reference into this Item 3.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Registrant's Common Equity

The common stock is listed for trading on the NYSE American under the symbol "RHE." Based on information supplied from our transfer agent, there were approximately 5,766 4,153 shareholders of record of the common stock as of March 3, 2023 March 22, 2024.

We are a holding company and we have no significant operations. We rely primarily on dividends and other distributions from our subsidiaries to us so we may, among other things, pay dividends on the common stock, and the Series A Preferred Stock, if and to the extent declared by the Board. The ability of our subsidiaries to pay dividends and make other distributions to us depends on their earnings and may be restricted by the terms of certain agreements governing their indebtedness. If our subsidiaries are in default under such agreements, then they may not pay dividends or make other distributions to us.

In addition, we may only pay dividends on the common stock and the Series A Preferred Stock if we have funds legally available to pay dividends and such payment is not restricted or prohibited by law, the terms of any shares with higher priority with respect to dividends or any documents governing our indebtedness. We are restricted by Georgia law from paying dividends on the common stock and the Series A Preferred Stock if we are not able to pay our debts as they become due in the normal course of business or if our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy preferential rights of shareholders whose preferential rights are superior to those receiving the

dividend. In addition, no dividends may be declared or paid on the common stock unless full cumulative dividends on the Series A Preferred Stock have been, or contemporaneously are, declared and paid, or declared and a sum sufficient for the payment thereof is set apart for payments, for all past dividend periods. In addition, future debt, contractual covenants or arrangements we or our subsidiaries enter into may restrict or prevent future dividend payments.

The Board suspended dividend payments with respect to the Series A Preferred Stock commencing with the fourth quarter of 2017, and determined to continue such suspension indefinitely in June 2018. Accordingly,

On June 30, 2023, the Company has not paid dividends with respect closed the Company's offer to the Series A Preferred Stock since the third quarter exchange (the "Exchange Offer") any and all outstanding shares of 2017. See Part II, Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Annual Report. As a result of this dividend suspension, no dividends may be declared or paid on the common stock until all accumulated accrued and unpaid dividends on the Series A Preferred Stock have been, or contemporaneously are, declared and paid, or declared and a sum sufficient for the payment thereof is set apart for payment, for all past dividend periods. Additionally, as the Company has failed to pay cash dividends on the outstanding Series A Preferred Stock in full for more than four consecutive dividend periods, the annual dividend rate on the Series A Preferred Stock for newly issued shares of the fifth Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and future missed dividend periods has increased to 12.875%; commencing on the first day after Charter, the missed fourth quarterly payment (October 1, 2018) and continuing until liquidation preference of the second consecutive dividend payment date following such time as the Company has paid all Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock in full in cash. See Note 10- Common were eliminated and future dividends on the Series A Preferred Stock to our audited consolidated financial statements included were eliminated. As a result, \$50.4 million in Part II, Item 8, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of December 31, 2023, "Financial Statements there are no accumulated and Supplementary Data" in this Annual Report, unpaid dividends on the Series A Preferred Stock.

Issuer Purchases of Equity Securities

During the three months ended December 31, 2022 December 31, 2023, there were no open-market repurchases of the common stock or the Series A Preferred Stock.

For further information, see Note 10 - Common and Preferred Stock to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Item 6. [Reserved]

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We **plan** **intend** to grow our Real Estate segment while diversifying our portfolio by tenant and facility type within the healthcare sector. We **plan** **intend** to achieve these objectives primarily through making investments directly or indirectly in healthcare real estate, including investments in joint ventures with larger health care investors.

Industry Trends and Uncertainties

Our operations have been and are expected to continue to be impacted by economic and market conditions. Together with the ongoing impact of the COVID-19 pandemic, increases in interest rates, labor shortages, supply chain disruptions, high inflation and increased volatility in public equity and fixed income markets have led to increased costs and limited the availability of capital. In 2022, several of our operators notified us that they could not continue to maintain the lease payment given the state of the facilities operations. In addition, one operator was notified by the State of Alabama to transition the facility to a new operators or the state was going to shut down the facility.

COVID-19 Pandemic. Many of our operators have reported incurring significant cost increases as a result 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 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. 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 since the onset of the COVID-19 pandemic and the Company's resulting portfolio stabilization measures:

Date	Facility Name	Former Operator	Current Operator
January 2021	Powder Springs Nursing and Rehabilitation Center	Wellington Healthcare Services	Released to Empire Care Centers
January 2021	Tara at Thunderbolt Nursing and Rehabilitation Center	Wellington Healthcare Services	Regional Health Properties (managed by Peach Health)
April 2022	Meadowood Retirement Village	C.R. Management	Regional Health Properties (managed by Cavalier Senior Living)

May 2022	LaGrange Nursing and Rehabilitation Center	C.R. Management	Regional Health Properties (managed by Peach Health)
May 2022	Lumber City Nursing and Rehabilitation Center	Beacon Health Management	Regional Health Properties (managed by Peach Health)
July 2022	Thomasville Nursing and Rehabilitation Center	C.R. Management	Regional Health Properties
August 2022	Glenvue Health and Rehab	C.R. Management	Regional Health Properties (managed by Peach Health)
November 2022	Georgetown Healthcare & Rehabilitation	Symmetry	Oak Hollow Healthcare Management
November 2022	Sumter Valley Nursing and Rehab Center	Symmetry	Oak Hollow Healthcare Management

For more information, see Note 1 – *Summary of Significant Accounting Policies*, Note 6 – *Leases* and Note 9 – *Segment Results*. to our audited consolidated financial statements in Part II, Item 8., “Financial Statements and Supplementary Data” in this Annual Report.

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On December 30, 2022, the Company and Spring Valley, LLC (“Landlord”) entered into a Lease Termination Agreement (the “Lease Termination Agreement”) relating to the lease (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” “Foster Facilities”). The Lease Termination Agreement provides that the Lease was terminated effective as of December 7, 2022

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December 7, 2022 (the “Lease Termination Date”). In connection with the foregoing, Tenant entered into certain Operations Transfer Agreements (the “Operations Transfer Agreements”) with each of TV Thomasville LLC, LC Lumber City LLC, LG Lagrange LLC and TB Thunderbolt LLC (the “New Operators”), each with an effective date as of the Lease Termination Date. The Operations Transfer Agreements contain market industry terms.

Pursuant to the Lease Termination Agreement, (a) Landlord forgave all past due and current rent, late penalties, and additional rent for taxes due under the Lease as of the Lease Termination Date, as well as all accrued and unpaid interest and unpaid principal under the Promissory Note dated September 30, 2022, (b) Tenant and the Company remain liable to Landlord for any nursing home provider fees owed to the State of Georgia arising on or before the Lease Termination Date (“Unpaid Provider Fees”), (c) to fund

any reimbursement for Unpaid Provider Fees, Tenant agreed to enter into a Promissory Note with a line of credit feature in favor of Landlord in the principal sum of \$2,700,000 bearing an interest rate of 6.25%, payable monthly over 24 months, secured by Tenant's accounts receivables associated with the facilities and earned prior to the Lease Termination Date, and guaranteed by the Company, and (d) except as set forth in the Lease Termination Agreement, Landlord, Tenant and the Company agreed to a release of claims. As consideration for Landlord's agreement to enter into the Lease Termination Agreement and accelerate the expiration date of the term of the Lease, Tenant and its affiliates, including the Company, agreed to cooperate with Landlord and any third parties, including the New Operators, to continue the operation of and transfer the ownership of the Facilities with an effective date as of the Lease Termination Date.

Results of Operations

Years Ended December 31, 2023 and 2022

The following table sets forth, for the periods indicated, statement of operations items and the amount and percentage 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 audited consolidated financial statements and the notes thereto, which are included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2023	2022	Amount	Percent
Revenues:				
Patient care revenues	\$ 8,835	\$ 22,060	\$ (13,225)	(60.0)%
Rental revenues	7,069	12,794	(5,725)	(44.7)%
Management fees	1,050	1,045	5	0.5%
Other revenues	210	26	184	707.7%
Total revenues	17,164	35,925	(18,761)	(52.2)%
Expenses:				
Patient care expense	9,200	20,453	(11,253)	(55.0)%
Facility rent expense	594	4,876	(4,282)	(87.8)%
Cost of management fees	595	619	(24)	(3.9)%
Depreciation and amortization	2,255	2,404	(149)	(6.2)%

General and administrative expense	3,976	4,652	(676)	(14.5)%
Doubtful accounts expense	1,150	4,916	(3,766)	(76.6)%
Loss on disposal of assets	—	1,417	(1,417)	(100.0)%
Loss on lease termination	—	1,436	(1,436)	(100.0)%
Other operating expenses	198	1,974	(1,776)	(90.0)%
Total expenses	<u>17,968</u>	<u>42,747</u>	<u>(24,779)</u>	<u>(58.0)%</u>
Loss from operations	<u>(804)</u>	<u>(6,822)</u>	<u>6,018</u>	<u>(88.2)%</u>
Other (income) expense:				
Interest expense, net	2,751	2,529	222	8.8 %
Loss on extinguishment of debt	—	452	(452)	(100.0)%
Other (income) expense, net	333	(2,936)	3,269	(111.3)%
Total other expense, net	<u>3,084</u>	<u>45</u>	<u>3,039</u>	<u>6753.3%</u>
Net loss	<u>\$ (3,888)</u>	<u>\$ (6,867)</u>	<u>\$ 2,979</u>	<u>(43.4)%</u>

Year Ended December 31, 2023, Compared with Year Ended December 31, 2022:

Patient care revenues—Patient care revenues for our Healthcare Services segment, decreased by approximately \$13.3 million, or 60.0%, to \$8.8 million for the year ended December 31, 2023 from approximately \$22.1 million for the year ended December 31, 2022 because of the termination of the Foster Lease.

Rental revenues.—Total rental revenue decreased by approximately \$5.7 million, or 44.7%, to \$7.1 million for the year ended December 31, 2023, compared with \$12.8 million for the year ended December 31, 2022. The decrease was due to the termination of the Foster Lease and taking over operations at Glenvue in 2022. For further information see Note 6 - Leases, to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" included in this Annual Report.

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Other revenues—Other revenues increased by approximately \$0.2 million, or 707.7%, to \$0.2 million for the year ended December 31, 2023, compared with approximately \$0.0 million for the year ended December 31, 2022. The rise in revenue is due to the release of rent liability by the Covington landlord for satisfying performance terms.

Patient care expense—Patient care expense decreased by approximately \$11.3 million, or 55.0%, to \$9.2 million for the year ended December 31, 2023, compared with \$20.5 million for the year ended December 31, 2022. The 2022 expense, which required an increased level of staffing, is due to the additional facilities we operated when compared to the current year.

Facility rent expense—Facility rent decreased by approximately \$4.3 million, or 87.8%, to \$0.6 million for the year ended December 31, 2023, compared with approximately \$4.9 million for the year ended December 31, 2022. The decrease is due to the termination of the Foster Lease in December 2022.

Depreciation and amortization—Depreciation and amortization decreased by approximately \$0.1 million, or 6.2%, to \$2.3 million for the year ended December 31, 2023, compared with \$2.4 million for the year ended December 31, 2022. The decrease is primarily due to the reduction in depreciation from fully depreciated equipment and computer related assets in the current year along with the cessation of depreciation for leasehold improvements associated the termination of the Foster Lease.

General and administrative— General and administrative costs decreased by \$0.7 million, or 14.5%, to \$4.0 million for the year ended December 31, 2023, compared with \$4.7 million for the year ended December 31, 2022. The decrease was driven predominantly by the termination of the Foster Lease.

The following table presents our general and administrative expenses by segment:

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2023	2022	Amount	Percent
General and administrative expenses:				
Real Estate Segment				
	\$ 3,686	\$ 3,458	\$ 228	6.6 %
Healthcare Services	290	1,194	(904)	(75.7)%
Total	\$ 3,976	\$ 4,652	\$ (676)	(14.5)%

Provision for doubtful accounts—Provision for doubtful accounts expense decreased by approximately \$3.8 million, or 76.6%, to approximately \$1.1 million, for the year ended December 31, 2023, compared with \$4.9 million for the year ended December 31, 2022. This decrease in expense is due to a \$4.2 million provision for doubtful accounts recorded in the year ended December 31, 2022 for non-payment of rent and from reductions taken to gain cooperation in transitioning facilities to a new operator as well as the impairment of straight-line rent associated with the lease terminations of Lumber City, LaGrange, Thomasville, Glenvue, Sumter, Southland and Georgetown within our Real Estate segment.

The following table presents our provision for doubtful accounts expense by segment:

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2023	2022	Amount	Percent
Provision for doubtful accounts:				
Real Estate Segment				
	\$ 175	\$ 4,298	\$ (4,123)	(95.9)%
Healthcare Services (private payor)	975	618	357	57.8 %
Total	\$ 1,150	\$ 4,916	\$ (3,766)	(76.6)%

Loss on Disposal of Assets- The loss on the disposal of assets for the year ended December, 31, 2022 is comprised of \$1.4 million of leasehold improvements made at the Foster facilities.

Loss on Lease Termination- The loss on lease termination for the year ended December 31, 2022 is comprised of the write-off of straight line rent and a right of use asset of Lumber City, LaGrange, Thomasville, Glenvue, Sumter, Southland and Georgetown.

Other operating expenses — Other operating expenses decreased by approximately \$1.8 million, or 90.0%, to \$0.2 million for the year ended December 31, 2023, compared with \$2.0 million for the year ended December 31, 2022. The decrease was due to the other operating expenses no longer incurred due to the termination of the Foster Lease.

The following table presents our other operating expenses by segment:

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2023	2022	Amount	Percent
Other operating expenses:				
Real Estate Segment	\$ 246	\$ 631	\$ (385)	(61.0)%
Healthcare Services	(48)	1,343	(1,391)	(103.6)%
Total	\$ 198	\$ 1,974	\$ (1,776)	(90.0)%

Interest expense, net—Interest expense, net increased by approximately \$0.2 million, or 8.8%, to \$2.7 million for the year ended December 31, 2023, compared with \$2.5 million for the year ended December 31, 2022. The increase was from the variable rate debt for Sylva and Southland. See Note 8 – *Notes Receivable: Payable and Other Debt* to our audited consolidated financial statements included in Part II, Item 8., “Financial Statements and Supplementary Data.” of this Annual Report.

Loss on extinguishment of debt—Loss on extinguishment of debt for the year ended December 31, 2022 is due to the refinancing of three facilities with the United States Housing and Urban Development (“HUD”), see Note 2 - *Liquidity* to our audited consolidated financial statements included in Part II, Item 8., “Financial Statements and Supplementary Data.” in this Annual Report.

Other expense, net—Other expense, net increased by approximately \$3.2 million, or 111.3%, to \$0.3 million for the year ended December 31, 2023, compared with -\$2.9 million in the year ended December 31, 2022. The increase is primarily due to the gain recognized for unclaimed property in 2022 offset by professional fees associated with the Exchange Offer.

Liquidity and Capital Resources

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, collection of patient accounts receivable, and debt refinancing during the twelve months from the date of this filing. At December 31, 2023, the Company had \$1.0 million in unrestricted cash and \$1.4 million of net accounts receivable, mainly consisting of patient account receivables, which the Company plans to collect over the next twelve months.

During the year ended December 31, 2023, cash provided by operating activities was \$3.7 million, mostly due to the collection in accounts receivable. The Company anticipates positive cash flow from operations in the future as the patient accounts receivable is collected, subject to the continued uncertainty in the industry, including the COVID-19 pandemic, and its impact on the Company's business, financial condition, and results of operations.

Series A Preferred Stock Exchange Offer

In connection with the completion of the Exchange Offer and the implementation of certain amendments to the Charter, 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 December 31, 2023, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, see Note 10 – Common and Preferred Stock to our audited consolidated

financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

The Company is current with all of its debt and other financial obligations. In early 2020, the Company began on-going 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.

Costs associated with these efforts have been expensed as incurred in "Other expense, net" and were \$0.9 million and approximately \$1.3 million for the years ended December 31, 2023 and December 31, 2022, respectively.

Series A Preferred Dividend Suspension

Prior to the Exchange Offer, 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. Prior to the completion of the Exchange Offer, as a result of the suspension of the dividend payment on the Series A Preferred Stock commencing with the fourth quarter 2017 dividend period, the Company had approximately \$50.4 million of undeclared Series A Preferred Stock dividends in arrears. The dividend

suspension had 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 has increased to 12.875%, which is equivalent to approximately \$3.20 per share each year. As discussed above, in connection with the closing of the Exchange Offer, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated.

Debt

As of December 31, 2023, the Company had \$50.7 million in indebtedness, net of \$1.1 million deferred financing and unamortized discounts. The Company anticipates net principal repayments of approximately \$1.9 million during the next twelve-month period, which include approximately \$1.3 million of routine debt service amortization, approximately \$0.4 million payments on other non-routine debt and a \$0.2 million payment of bond debt.

Debt Refinance. For the year ended December 31, 2023, the Company did not refinance any debt. On October 21, 2022, the Company, through wholly-owned subsidiaries, consummated a 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.

The aggregate principal amount of the three HUD Notes is \$7.8 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 \$5.0 million and matures on November 1, 2052. The Greenfield HUD Note has a principal amount of \$2.0 million and matures on November 1, 2052. 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 Modification. For the year ended December 31, 2023, the Company did not modify any debt. 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 our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Notes Receivable

Peach Health Group

In connection with a master sublease agreement as amended on March 30, 2018, originally dated June 18, 2016, that the Company entered into with affiliates of Peach Health, the Company extended a line of credit to Peach Health (the "Peach Line"), which was subordinated to a line of credit extended to Peach Health by a third-party lender (the "Peach Working Capital Facility"). On August 27, 2020, subsequent to Peach Health repaying their Peach Working Capital Facility, the Company and Peach Health modified the Peach Line to: (i) reduce the then-outstanding \$1.3 million balance under the Peach Line to approximately \$0.5 million, in connection with which Peach Health paid to the Company \$0.45 million in cash and the Company accepted \$0.35 million non-cash payment in exchange for Peach Health assuming from the Company certain bed tax liabilities related to facilities their affiliates operate; (ii) extend the maturity date of the Peach Line to August 1, 2025; (iii) decrease the interest rate from 16.5% to 8% per annum; and (iv) Peach Health agreed not to pledge, hypothecate or grant any security interest in their collateral to any other party, other than their current arrangement with the U.S. Small Business Administration (the "SBA"), without the Company's prior written consent. The remaining balance under the Peach Line ~~shall~~will be paid by Peach Health to the Company in 60 equal monthly installments. As of ~~December 31, 2022~~December 31, 2023, in accordance with the Peach Line terms, ~~32~~20 such installments remain.

Symmetry Healthcare Management

Effective October, 21, 2022, the Company terminated the leases for two ~~skilled nursing facilities~~SNFs located in South Carolina with affiliates of Dawn Healthcare (a subsidiary of Symmetry Healthcare Management). As part of the termination, Dawn Healthcare entered into a promissory note to pay the Company \$407,199 in 14 installments of \$29,085 each beginning in January 2023.

Beacon Health Management

In ~~May 2022~~, in connection with the Operations Transfer Agreement for Lumber City, Beacon Health and the Company entered into a promissory note in the amount of \$546,690. The balance will be paid over 24 months in amount of \$24,000 per month. The principal balance will accrue at the rate of 8% annually.

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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 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.

The Company made no acquisitions or dispositions during the years ended ~~December 31, 2022~~December 31, 2023 and ~~December 31, 2021~~December 31, 2022.

For further information, see Note 1 – *Summary of Significant Accounting Policies*, and Note 8 – *Notes Payable and Other Debt*, to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Results of Operations

Years Ended December 31, 2022 and 2021

The following table sets forth, for the periods indicated, statement of operations items and the amount and percentage 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 audited consolidated financial statements and the notes thereto, which are included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	Percent
Revenues:				
Patient care revenues	22,060	\$ 9,485	12,575	132.6 %
Rental revenues	12,794	16,093	(3,299)	(20.5)%
Management fees	1,045	1,021	24	2.3 %
Other revenues	26	91	(65)	(71.5)%
Total revenues	35,925	26,690	9,235	34.6 %
Expenses:				
Patient care expense	20,453	9,243	11,210	121.3 %
Facility rent expense	4,876	6,464	(1,588)	(24.6)%
Cost of management fees	619	672	(53)	(7.9)%
Depreciation and amortization	2,404	2,591	(187)	(7.2)%
General and administrative expense	4,652	3,931	721	18.3 %
Doubtful accounts expense (recovery)	4,916	182	4,734	2601.1 %
Loss on disposal of assets	1,417	—	1,417	-
Loss on Lease Termination	1,436	—	1,436	-
Other operating expenses	1,974	1,074	900	83.8 %
Total expenses	42,747	24,157	18,590	77.0 %
Income from operations	(6,822)	2,533	(9,355)	(369.3)%
Other expense (income):				
Interest expense, net	2,529	2,669	(140)	(5.2)%
(Gain) Loss on extinguishment of debt	452	(146)	598	(409.6)%
Other (income) expense, net	(2,936)	1,192	(4,128)	(346.3)%
Total other expense, net	45	3,715	(3,670)	(98.8)%
Net loss	\$ (6,867)	\$ (1,182)	\$ (5,685)	481.0 %

*Not meaningful ("NM").

Year Ended December 31, 2022, Compared with Year Ended December 31, 2021:

Patient care revenues— Patient care revenues for our Healthcare Services segment, as a result of the Company taking over operations at the LaGrange and Lumber City locations in May of 2022, the Thomasville location in July of 2022,

and the Glenvue location in August of 2022, increased to \$22.1 million for the year ended December 31, 2022 from approximately \$9.5 million for the year ended December 31, 2021.

Rental revenues.— Total rental revenue decreased by approximately \$3.3 million, or 20.5%, to \$12.8 million for the year ended December 31, 2022, compared with \$16.1 million for the year ended December 31, 2021. The decrease reflects approximately \$3.1 million decrease in straight-line rent due to the C.R Management and Beacon Health Management Lease Terminations recognized for the year ended December 31, 2022. For further information see Note 6 - Leases, to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" included in this Annual Report.

Other revenues—Other revenues decreased by approximately \$0.07 million, or 71.5%, to \$0.03 million for the year ended December 31, 2022, compared with approximately \$0.09 million for the year ended December 31, 2021.

Patient care expense—Patient care expense was \$20.5 million for the year ended December 31, 2022, up from \$9.2 million for the twelve months ended December 31, 2021. The current period expense, which required an increased level of staffing, is due to the additional facilities we operated when compared to the prior year.

Facility rent expense—Facility rent decreased by approximately \$1.6 million, or 24.6%, to \$4.9 million for the year ended December 31, 2022, compared with approximately \$6.5 million for the year ended December 31, 2021. The decrease is due primarily to an amendment to the Foster Lease as well as forgiveness for unpaid rent. See Note 6 - Leases, to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Depreciation and amortization—Depreciation and amortization decreased by approximately \$0.2 million or 7.2%, to \$2.4 million for the year ended December 31, 2022, compared with \$2.6 million for the year ended December 31, 2021. The decrease is primarily due to the reduction in depreciation from fully depreciated equipment and computer related assets in the current year.

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	Percent
General and administrative expenses:				
Real Estate Services				
	\$ 3,458	\$ 3,427	\$ 31	0.9%
Healthcare Services	1,194	504	690	NM
Total	\$ 4,652	\$ 3,931	\$ 721	18.3%

General and administrative— General and administrative costs increased by \$0.7 million, or 18.3%, to \$4.7 million for the year ended December 31, 2022, compared with \$3.9 million for the year ended December 31, 2021. The increase within Healthcare Services is driven predominantly by the additional facilities which we're currently operating. For the Real Estate Services segment, the expenses were roughly flat year over year.

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	Percent
Provision (recovery) for doubtful accounts:				
Real Estate Services				
	\$ 4,298	\$ (78)	\$ 4,376	NM
Healthcare Services (private payor)	618	260	358	137.7%

Total	\$ 4,916	\$ 182	\$ 4,734	2601.1%
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Provision (recovery) for doubtful accounts—Provision for doubtful accounts expense increased by approximately \$4.7 million, to approximately \$4.9 million, for the year ended December 31, 2022, compared with \$0.2 million for the year ended December 31, 2021. This increase in expense is due to a \$4.2 million provision for doubtful accounts recorded for non-payment of rent and from reductions taken to gain cooperation in transitioning facilities to a new operator as well as the impairment of straight-line rent associated with the lease terminations of Lumber City, LaGrange, Thomasville, Glenvue, Sumter, Southland and Georgetown within our Real Estate Services segment.

Loss on extinguishment of debt—Loss on extinguishment of debt is due to the refinancing of three facilities with HUD, see Note 2 - *Liquidity* to our audited consolidated financial statements included in Part II, Item 8., “Financial Statements and Supplementary Data.” in this Annual Report.

Loss on Disposal of Assets—The loss on the disposal of assets for the year ended December 31, 2022 is comprised of \$1.4 million of leasehold improvements made at the eight leased facilities.

(Amounts in 000's)	Year Ended December 31,		Increase (Decrease)	
	2022	2021	Amount	Percent
Other operating expenses:				
Real Estate Services	\$ 631	\$ 1,016	\$ (385)	(37.9)%
Healthcare Services	1,343	58	1,285	NM
Total	\$ 1,974	\$ 1,074	\$ 900	83.8 %

Other operating expenses—Other operating expenses increased by approximately \$0.9 million or 84%, to \$2.0 million for the year ended December 31, 2022, compared with \$1.1 million for the year ended December 31, 2021. The increase was due to professional and legal services related to operator transition transactions and additional expenses incurred in the current year from our expanded Healthcare Services segment.

Interest expense, net—Interest expense, net decreased by approximately \$0.1 million or 5.2%, to \$2.5 million for the year ended December 31, 2022, compared with \$2.7 million for the year ended December 31, 2021. The decrease reflects the lower amount of debt outstanding. See Note 8 – *Notes Payable* and Other Debt to our audited consolidated financial statements included in Part II, Item 8., “Financial Statements and Supplementary Data.” of this Annual Report

Loss on Lease Termination—The loss on lease termination for the twelve months ended December 31, 2022 is comprised of the write-off of straight line rent and a right of use asset.

Other expense, net—Other expense, net decreased by approximately \$4.1 million, generating income of \$2.9 million, for the year ended December 31, 2022, compared with an expense of \$1.2 million in the year ended December 31, 2021. These expenses in both years are related to professional and legal services to evaluate and assist with possible opportunities to improve the Company's capital structure. The expenses were offset by a \$2.4 million gain related to the write-down of certain accounts payable balances for unclaimed property.

Liquidity and Capital Resources

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, collection of patient accounts receivable, and debt refinancing during the twelve months from the date of this filing. At December 31, 2022, the Company had \$0.8 million in unrestricted cash, including a Medicaid overpayment of \$0.2 million, which was included in "Accrued Expenses" in the Company's consolidated balance sheet as of December 31, 2022 and repaid by the time of this filing. In addition, as of December 31, 2022 the Company had \$7.6 million of accounts receivable, mainly consisting of patient account receivables, which the Company plans to collect over the next twelve months.

During the year ended December 31, 2022, the Company generated negative cash flow from continuing operations of \$3.5 million, mostly due to the increase in patient accounts receivable. The Company anticipates positive cash flow from operations in the future as the patient accounts receivable is collected, subject to the continued uncertainty in the industry, including the COVID-19 pandemic, and its impact on the Company's business, financial condition, and results of operations. Subsequent to year end, the Company collected \$1.9 million from the Employee Retention Tax Credit and continues to focus on collecting the patient receivables generated from operating five skilled nursing facilities in Georgia in 2022.

The Company is current with all of its debt and other financial obligations. During the year ended December 31, 2020, the Company benefited from various, stimulus measures not made available during the year ended December 31, 2021, made available to it through the CARES Act enacted by Congress in response to the COVID-19 pandemic which allowed for, among other things: (i) a deferral of debt service payments on U.S. Department of Agriculture ("USDA") loans to maturity, (ii) an allowance for debt service payments to be made out of replacement reserve accounts for U.S. Department of Housing and Urban Development ("HUD") loans and (iii) debt service payments to be made by the SBA on all SBA loans. For further information see Note 8 – *Notes Payable and Other Debt* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

In early 2020, the Company began on-going 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. Our ability to retire or refinance our outstanding Series A Preferred Stock will depend on the capital markets and our financial condition at such time. There can be no assurance that any such alternative will be pursued or accomplished, and we may not be able to engage in any of these activities or engage in any of these activities on desirable terms. Costs associated with these efforts have been expensed as incurred in "Other expense, net" and were \$1.3 million and approximately \$1.2 million for the year ended December 31, 2022 and December 31, 2021, respectively.

Series A Preferred Dividend Suspension

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. As of December 31, 2022, as a result of the suspension of the dividend payment on the Series A Preferred Stock commencing with the fourth quarter 2017 dividend period, the Company has approximately \$45.9 million of undeclared Series A Preferred Stock dividends in arrears. The dividend suspension has provided the Company with additional funds to meet its ongoing liquidity needs. As the Company has 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 has increased to 12.875%, which is 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

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date following such time as the Company has paid all accumulated and unpaid dividends on the Series A Preferred Stock in full in cash.

Debt

As of December 31, 2022, the Company had \$52.2 million in indebtedness, net of \$1.1 million deferred financing and unamortized discounts. The Company anticipates net principal repayments of approximately \$1.8 million during the next twelve-month period, which include approximately \$1.3 million of routine debt service amortization, approximately \$0.4 million payments on other non-routine debt and a \$0.1 million payment of bond debt.

Debt Refinance. On October 21, 2022, the Company, through wholly-owned subsidiaries, consummated a 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.

The aggregate principal amount of the three HUD Notes is \$7.8 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 \$5.0 million and matures on November 1, 2052. The Greenfield HUD Note has a principal amount of \$2.0 million and matures on November 1, 2052. 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.

On September 30, 2021, the Company and the Exchange Bank of Alabama executed a \$5.1 million Promissory Note with a 3.95% annual fixed interest rate and maturity date of October 10, 2026 (the "Coosa Credit Facility"). The Coosa Credit Facility refinanced \$5.1 million prime + 1.5% variable interest rate debt owed to Metro City Bank with a maturity date of January 31, 2036, (the "Coosa MCB Loan"). The Coosa Credit Facility is secured by the assets of the Company's subsidiary Coosa Nursing ADK, LLC ("Coosa") which owns the 124-bed SNF located in Glencoe, Alabama (the "Coosa Facility") and the assets of the Company's subsidiary Meadowood Property Holdings, LLC ("Meadowood") which owns the

161-bed assisted living facility located in Glencoe, Alabama (the "Meadowood Facility"). The Company incurred approximately \$0.1 million in new deferred financing fees and expensed approximately \$0.1 million deferred financing fees associated with the Coosa MCB Loan.

Consequently, the Company recorded a net gain of approximately \$0.1 million on extinguishment of debt during the three months ended September 30, 2021, consisting of the \$0.2 million gain on forgiveness of the PPP Loan partially offset by \$0.1 million of expensed deferred financing fees associated with the extinguishment of the Coosa MCB Loan.

Debt Modification. In conjunction with the September 30, 2021, Coosa Facility refinance, the Company and the Exchange Bank of Alabama signed an agreement on October 1, 2021, (the "Meadowood Credit Facility"), that extended the maturity date on the \$3.5 million Meadowood Credit Facility, as amended, in senior debt other mortgage indebtedness secured by the assets of Coosa and the assets of Meadowood, from May 1, 2022, to October 1, 2026. Additionally 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").

In February 2022, the Company commenced an offer to exchange any and all of its outstanding shares of Series A Preferred Stock for newly issued shares of the Company's 12.5% Series B Cumulative Redeemable Preferred Shares. On July 25, 2022, the Company terminated such exchange offer, as a result of the failure to obtain the requisite approval from the holders of common stock.

For further information see Note – 8 Notes Payable and Other Debt to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Changes in Operational Liquidity

Beginning in 2021, several of the Company's operators have defaulted on their contractual obligations and elected to transition the facilities back to the Company. Given the complexities in identifying and negotiating with new operators, the Company was forced to become the licensed operator of the facilities, most importantly the eight leased facilities under the "Foster Lease". **Foster Lease.** Operating the facilities requires substantial working capital until the facilities can begin receiving the government reimbursements.

Powder Springs Lease. In December 2020, the Company entered into a lease termination agreement with two affiliates of Wellington. Following the Wellington Lease Termination, effective January 1, 2021, Regional leased the Powder Springs Facility to PS Operator LLC ("PS Operator"), an affiliate of Empire Care Center, pursuant to a sublease (the "PS Sublease"). The PS sublease contained a variable lease component. For more information, see Note 6- Leases to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

During the year ended December 31, 2021, the Company recognized and collected \$1.4 million of variable rent for the Powder Springs Facility replacing approximately \$2.0 million of cash rent previously anticipated from the Wellington Tenant. During the year ended December 31, 2022, the Company recognized and collected \$.9 million in rent.

Healthcare Services segment. As part of the Portfolio Stabilization initiative, the company Company took back five facilities in 2022. In addition to becoming the licensed operator, the Company is obligated to fund the working capital needs of each facility until patient reimbursement collections begin. For the years ended December 31, 2021 December, 31 2023 and 2022, the

Healthcare Services lost \$1.9 million segment net loss was \$2.8 million and \$1.8 million \$0.5 million, respectively. In addition, the gross Account Receivable for the Healthcare Services segment increased decreased to \$2.8 million in 2023 from \$0.9 million in 2021 to \$6.5 million in 2022. As described in more detail as referenced in Note 6 - Leases, to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report, the Company terminated the master lease. As of December 31 2022, December 31, 2023 and December 31, 2022, the company Company operated 2 facilities.

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

(Amounts in 000's)	Twelve Months Ended December 31,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 3,712	\$ (3,596)
Net cash used in investing activities	(958)	(281)
Net cash used in financing activities	(2,479)	(2,062)
Net change in cash and restricted cash	275	(5,939)
Cash and restricted cash at beginning of year	3,909	9,848
Cash and restricted cash, ending	<u>\$ 4,184</u>	<u>\$ 3,909</u>

Year Ended December 31, 2023

Net cash provided by operating activities

(Amounts in 000's)	Twelve Months Ended December 31,	
	2022	2021
Net cash (used in) provided by operating activities	\$ (3,596)	\$ 4,894
Net cash used in investing activities	(281)	(123)
Net cash used in financing activities	(2,062)	(2,415)
Net change in cash and restricted cash	(5,939)	2,356
Cash and restricted cash at beginning of year	9,848	7,492
Cash and restricted cash, ending	<u>\$ 3,909</u>	<u>\$ 9,848</u>

for the year ended December 31, 2023 was approximately \$3.7 million, consisting primarily of changes in our working capital accounts totaling \$7.8 million offset by our net loss of \$4.0 million. This is approximately the same amount of cash used in operating activities compared to the same period in the prior year which includes an increase in accounts receivable of \$6.6 million offset by \$4.9 million of bad debt expense from the additional 5 facilities the Company operated in 2022.

49 Net cash used in investing activities

for the year ended December 31, 2023, was approximately \$1.0 million. These capital expenditure was primarily used from escrow funds funded by our operators.

Net cash used in financing activities for the year ended December 31, 2023 was approximately \$2.5 million, consisting of routine repayments totaling \$1.4 million towards our senior debt obligations, \$0.1 million repayment of the City of Springfield, Ohio First Mortgage Revenue Series 2012 B Bonds, and approximately \$1.0 million toward our professional and general liability insurance and our directors' and officers' insurance.

Year Ended December 31, 2022

Net cash used in operating activities for the year ended December 31, 2022, was approximately \$3.6 million, consisting primarily of our income from operations plus changes in working capital. The approximate \$8.5 million decrease to the same period in the prior year includes an increase in accounts receivable of \$6.6 million from the additional 5 facilities the company Company operated in 2022.

Net cash used in investing activities for the year ended December 31, 2022, was approximately \$0.3 million. This capital expenditure was for computer hardware, software and furniture and fixtures for the additional facilities the Company operated in 2022.

Net cash used in financing activities for the year ended December 31, 2022, is the result of routine repayments totaling \$1.6 million towards our senior debt obligations, \$0.1 million repayment of the City of Springfield, Ohio First Mortgage Revenue Series 2012 B Bonds, and approximately \$1.0 million toward our professional and general liability insurance and our directors' and officers' insurance.

Year Ended December 31, 2021⁵⁵

Net cash provided by operating activities for the year ended December 31, 2021, was approximately \$4.9 million, consisting primarily of our income from operations plus changes in working capital, and noncash charges consisting of our collection of rent arrears from the Wellington Lease Termination and income from operations less noncash charges (primarily, depreciation and amortization and lease revenue in excess of cash rent received). The approximate \$2.7 million increase compared to the same period in the prior year includes a \$1.5 million Medicaid overpayment that the Company expects to repay shortly and reflects the net collection of \$2.5 million from the Wellington Lease Termination, approximately \$0.4 million additional interest payments as result of the CARES Act interest deferrals and additional net operating outflows of \$0.9 million. The net additional operating outflows include significant outflows in relation to professional and legal services to evaluate and assist with possible opportunities to improve

the Company's capital structure, including on-going efforts to investigate alternatives to retire or refinance our outstanding Series A Preferred Stock.

Net cash used in investing activities for the year ended December 31, 2021, was approximately \$0.1 million. This capital expenditure was for computer hardware, software and furniture and fixtures for the Tara Facility.

Net cash used in financing activities for the year ended December 31, 2021, is the result of routine repayments totaling \$1.6 million towards our senior debt obligations, \$0.1 million repayment of the City of Springfield, Ohio First Mortgage Revenue Series 2012 B Bonds, and approximately \$1.0 million toward our current funding of other debt for professional and general liability insurance and our directors' and officers' insurance.

Notes Payable and Other Debt

Notes payable and other debt consists of the following:

Amounts in (000's)	December 31,	
	2022	2021
Senior debt—guaranteed by HUD	\$ 29,781	\$ 30,178
Senior debt—guaranteed by USDA (a)	7,525	7,824
Senior debt—guaranteed by SBA (b)	580	602
Senior debt—bonds	6,253	6,379
Senior debt—other mortgage indebtedness	8,267	8,601
Other debt	895	594
Sub Total	53,301	54,178
Deferred financing costs	(1,005)	(1,177)
Unamortized discounts on bonds	(119)	(125)
Notes payable and other debt	\$ 52,178	\$ 52,876

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Amounts in (000's)	December 31,	December 31,
	2023	2022
Senior debt—guaranteed by HUD	\$ 28,979	\$ 29,782
Senior debt—guaranteed by USDA (a)	7,259	7,526
Senior debt—guaranteed by SBA (b)	557	580
Senior debt—bonds	6,117	6,253
Senior debt—other mortgage indebtedness	8,001	8,266
Other debt	889	895
Sub Total	51,802	53,302
Deferred financing costs	(954)	(1,005)
Unamortized discounts on bonds	(113)	(119)
Notes payable and other debt	\$ 50,735	\$ 52,178

- (a) U.S. Department of Agriculture ("USDA")
- (b) U.S. Small Business Administration ("SBA")

For a detailed description of each of the Company's debt financings, see Note 8 - *Notes Payable and Other Debt* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Scheduled Minimum Debt Principal payments and Maturity payments

The schedule below summarizes the scheduled gross minimum principal payments and maturity payments as of **December 31, 2022** **December 31, 2023** for each of the next five years and thereafter.

		Amounts in (000's)	
2023		\$ 1,778	
Amounts in (000's)			
2024		1,578	\$ 1,944
2025		2,157	2,154
2026		8,624	8,621
2027		1,425	1,425
2028			1,500
Thereafter		37,740	36,158
Subtotal		53,302	51,802
Less: unamortized discounts on bonds		(119)	
Less: deferred financing costs		(1,005)	
Less: Deferred financing costs			(954)
Less: Unamortized discounts on bonds			(113)
Total notes payable and other debt	\$ 52,178	\$ 50,735	

Debt Covenant Compliance

As of **December 31, 2022** **December 31, 2023**, the Company had approximately 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 "Financial Covenants"). The Company routinely tracks and monitors its compliance with its covenant requirements.

Included in several of the Company's loan agreements are administrative covenants requiring that a set of audited financial statements be provided to the guarantor within 90 days of the end of each fiscal year (the "Administrative Covenants").

At **December 31, 2022** **December 31, 2023**, the Company was in compliance with the various Financial Covenants and Administrative Covenants related to all of the Company's credit facilities.

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 entity's current financial condition, including its sources of liquidity at the date that the consolidated financial statements are issued, will enable the entity to meet its obligations as they come due 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 entity will be able to continue as a going concern. The Company's consolidated financial statements have been presented on a

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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 as well as the Company's recurring business operating expenses. The Company is able to conclude 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** **its** consolidated financial statements within the parameters set forth in the accounting guidance.

Receivables

Our operations could be adversely affected if we experience significant delays in receipt of rental income from our operators and our patient care revenues. Our future liquidity will continue to be dependent upon the relative amounts of current assets (principally cash and accounts receivable) and current liabilities (principally accounts payable and accrued expenses). In that regard, accounts receivable can have a significant impact on our liquidity.

As of **December 31, 2022** **December 31, 2023** and **December 31, 2021** **December 31, 2022**, the Company reserved for approximately **\$1.3 million** **\$2.1 million** and **\$0.2 million** **\$1.3 million**, respectively, of uncollected receivables. We continually evaluate the adequacy of our bad debt reserves based on aging of older balances, payment terms and historical collection trends. Accounts receivable, net totaled **\$1.4 million** at **December 31, 2023** compared with **\$6.3 million** at **December 31, 2022** compared with **\$2.1 million** at **December 31, 2021**.

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

(Amounts in 000's)	December	December	December 31, 2023	December 31, 2022
	31, 2022	31, 2021		
Gross receivables				
Real Estate Services	\$ 1,094	\$ 1,442		
Real Estate Segment			\$ 693	\$ 1,094
Healthcare Services (a)	6,493	880	2,750	6,493
Subtotal	7,587	2,322	3,443	7,587
Allowance				
Real Estate Services	(338)	(35)		
Healthcare Services (a)	(960)	(142)		
Real Estate Segment			—	(338)
Healthcare Services			(2,040)	(960)
Subtotal	(1,298)	(177)	(2,040)	(1,298)
Accounts receivable, net of allowance	\$ 6,289	\$ 2,145	\$ 1,403	\$ 6,289

(a) As of December 31, 2022, includes \$1.9 million from the Employee Retention Tax Credit (ERTC).

Off-Balance Sheet Arrangements

Guarantee

On November 30, 2018, the Company subleased five of the Company's facilities located in Ohio (the "Aspire Facilities") to affiliates of Aspire, pursuant to those subleases (the "Aspire Subleases"), whereby the Aspire affiliates took possession of, and commenced operating, the Aspire Facilities as subtenant. The Aspire Subleases became effective on December 1, 2018 and are structured as triple net leases. The Aspire Facilities are comprised of: (i) a 94-bed skilled nursing facility located in Covington, Ohio (the "Covington Facility"); (ii) an 80-bed assisted living facility located in Springfield, Ohio (the "Eaglewood ALF Facility"); (iii) a 99-bed skilled nursing facility located in Springfield, Ohio (the "Eaglewood Care Center Facility"); (iv) a 50-bed skilled nursing facility located in Greenfield, Ohio (the "H&C of Greenfield Facility"); and (v) a 50-bed skilled nursing facility located in Sidney, Ohio (the "Pavilion Care Facility"). Pursuant to the Aspire Subleases, 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 consolidated financial statements at **December 31, 2022** **December 31, 2023**.

Operating Leases

As of **December 31, 2022** **December 31, 2023**, the Company leased a total of one SNF under non-cancelable leases, which has a rent escalation clause and provisions for payments of real estate taxes, insurance and maintenance costs; the SNF is leased by the Company **are and then** subleased to and operated by a third-party operator. The Company took over operations at the LaGrange and Lumber City locations in May of 2022, the Thomasville location in July of 2022, and the Glenview location in August of 2022, all of which were previously subleased **skilled nursing facilities**.**SNFs**.

Future minimum lease payments for each of the next five years and thereafter ending December 31 are as follows:

(Amounts in 000's)	Future rental payments	Accretion of lease liability (1)	Operating lease obligation
2024	\$ 678	\$ (29)	\$ 649
2025	672	(77)	595
2026	658	(120)	538
2027	671	(165)	506
2028	685	(208)	477
Thereafter	230	(78)	152
Total	\$ 3,594	\$ (677)	\$ 2,917

(Amounts in 000's)	Future rental payments	Accretion of lease liability (1)	Operating lease obligation
2023	\$ 648	\$ (54)	\$ 594
2024	633	(73)	560
2025	645	(118)	527
2026	658	(162)	496
2027	671	(203)	468
Thereafter	915	(334)	581
Total	\$ 4,170	\$ (944)	\$ 3,226

(1) Weighted average discount rate 7.98%

For a further description of the Company's operating leases, see Note 6 - *Leases* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Leased and Subleased Facilities to Third-Party Operators

As of **December 31, 2022** December 31, 2023, eleven facilities (ten owned by us and one leased to us) are leased or subleased on a triple net basis, meaning that the lessee (i.e., the third-party operator of the property, or the Company with respect to the operated facilities) is obligated under the lease or sublease, as applicable, for all liabilities of the property in respect to insurance, taxes and facility maintenance, as well as the lease or sublease payments, as applicable.

Future minimum lease receivables for each of the next five years and thereafter ending December 31 are as follows:

	(Amounts in 000's)
2023	\$ 6,256
2024	6,187
2025	6,034
2026	5,362
2027	5,445
Thereafter	<u>11,605</u>
Total	<u>\$ 40,888</u>

(Amounts in 000's)	
2024	\$ 6,559
2025	6,666
2026	6,771
2027	6,879
2028	6,730
Thereafter	<u>8,227</u>
Total	<u>\$ 41,832</u>

The following is a summary of the Company's leases to third-parties and which comprise the future minimum lease receivables of the Company. The terms of each lease are structured as "triple-net" leases. Each lease contains specific rent escalation amounts ranging from 1.0% to 3.0% annually. Further, each lease has one or more renewal options. For those facilities subleased by the Company, the renewal option in the sublease agreement is dependent on the Company's renewal of its lease agreement.

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Expi rati on on Cash	Expiration 2024 Cash
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Facility Name (5)	Operator Affiliation (1)	Date e n	Annual Rent (Thou s)	Annual Rent (Thousands)		
				Operator Affiliation (1)	Date	Annual Rent (Thousands)
Owned						
Eaglewood Village	Aspire	11/30/2028	630	Aspire Regional Partners	11/30/2028	\$ 630
Eaglewood Care Center	Aspire	11/30/2028	821	Aspire Regional Partners	11/30/2028	821
Hearth & Care of Greenfield	Aspire	11/30/2028	372	Aspire Regional Partners	11/30/2028	372
The Pavilion Care Center	Aspire	11/30/2028	343	Aspire Regional Partners	11/30/2028	343
Southland Healthcare (2)						
Autumn Breeze Healthcare Center	C.R. Management	9/30/2030	986	Beacon Health Management	10/31/2024	516
Coosa Valley Health & Rehab	C.R. Management	8/31/2030	1,099	C.R. Management	9/30/2030	986
Georgetown Healthcare & Rehabilitation	Oak Hollow Management	3/31/2030	344	Oak Hollow Health Care	3/31/2030	344
Mountain Trace Rehabilitation and Nursing Center	Vero Health Management	2/28/2029	541	Vero Health Management	2/28/2029	541
Sumter Valley Nursing and Rehab Center	Oak Hollow Management	3/31/2030	602	Oak Hollow Health Care	3/31/2030	602
Subtotal		5,443				
Owned		44				
Facilities (9)		3				
Subtotal						
Owned						
Facilities (10)						\$ 6,254

Leased							
Covington Care Center	Aspire	11/30/2028					
	Regional	202	81				
	Partners	8	3	Aspire Regional Partners	11/30/2028	\$ 821	
Subtotal							
Leased			81				
Facilities (1)			\$ 3			\$ 821	
			<u>6</u>				
			25				
Total (10)			\$ 6				
Total (11)						\$ 7,075	

(1) Represents the number of facilities which are leased or subleased to separate tenants, which tenants are affiliates of the entity named in the table above. See "Portfolio of Healthcare Investments" in Part I, Item 1, "Business" in this Annual Report.

(2) Southland's revenue is recognized when received and is not straight-lined.

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For a detailed description of each of the Company's leases, see Note 6- *Leases* and Note 2- *Liquidity* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Professional and General Liability

As of the date of filing this Annual Report, the Company is a defendant in a total of 105 professional and general liability actions. The Company has one legacy action from prior to the Transition and is a named party in 95 actions related directly to patient care that our current or prior tenants provided to their patients. For further information, see below Note 12 – *Commitments and Contingencies* to our audited consolidated financial statements included in Part II, and Note 1514 – *Subsequent Events* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

As of the date of filing this Annual Report, the Company is a defendant in one professional and general liability action commenced on behalf of one of our former patients who received care at one of our facilities prior to the Transition. The plaintiff in this action alleges negligence due to failure 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 is covered by insurance, except that any punitive damages awarded would be excluded from coverage.

As of the date of filing this Annual Report, the Company is also a defendant in 9 professional and general liability actions which set forth claims relating to time periods after the Transition, 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 on behalf of former patients of our current or prior tenants 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****three** 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.

The Company maintains insurance for professional and general liability claims for its Healthcare Services segment however, for claims prior to January 1, 2020, the Company is self-insured against professional and general liability

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claims since it discontinued its healthcare operations in connection with transitioning all of the Transition Company's facilities in 2015. The Company established a self-insurance reserve for these professional and general liability claims, included within "Accrued expenses" in the Company's audited consolidated balance sheets of \$0.1 million and **\$0.2 million** \$0.1 million at December 31, 2022 December 31, 2023, and December 31, 2021 December 31, 2022, respectively. Additionally at December 31, 2021 and December 31, 2020, approximately \$0.1 million and \$0.1 million was reserved for settlement amounts in "Accounts payable" in the Company's audited consolidated balance sheets.

Accordingly, the self-insurance reserve accrual primarily reflects the Company's estimate of settlement amounts for the pending actions, as appropriate and legal costs of settling or litigating the pending actions, as applicable. These amounts are expected to be paid over time as the legal proceedings progress. The duration of such legal proceedings could be greater than one year subsequent to the year ended December 31, 2022 December 31, 2023; however management cannot reliably estimate the exact timing of payments.

See Note 13 – *Commitments and Contingencies* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Critical Accounting Policies

We **prepare****have prepared** our financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. These principles are numerous and with the instructions to Form 10-K and Rule 8-03 of Article 8 of Regulation S-X complex. The preparation of these financial statements requires us to make 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 revenue recognition, doubtful accounts, income taxes, stock compensation, intangible assets, extinguishment of debt, self-insurance reserve 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 – *Summary of Significant Accounting Policies* to our audited consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data”, in this Annual Report.

Revenue Recognition and Allowances

Patient Care Revenue. The Financial Accounting Standards Board's (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”) 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 new Healthcare Services business segment is derived from services rendered to patients in the Tara Facility. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by 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 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. 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 patient care revenues.

Triple-Net Leased Properties. *Triple-Net Leased Properties.* 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. FASB Accounting Standards Update (“ASU”)

2014-09, Revenue from Contracts with Customers, as codified in ASC 606, does not apply to rental revenues, which are the Company's primary source of revenue. 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 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. **Accordingly, rental revenues were recorded on a cash basis for one facility in Alabama for the month of December 2021 and two facilities in Georgia for the fourth quarter of 2020, (until operator or Company management transition on January 1, 2021, for both properties.** For additional information with respect to such facilities, see Note 6 - *Leases* to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Management Fee Revenues and Other Revenues. **On January 1, 2018, the Company adopted ASU 2014-09, Revenue from Contracts with Customers, as codified in ASC 606, which 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.** The Company recognizes management fee revenues as services are **provided.** **provided in accordance with ASC 606.** The Company has one contract to manage three facilities (the "Management Contract"), with payment for each month of service generally received in full 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. 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.

Allowances. The Company assesses the collectability of its rent receivables, including straight-line rent receivables and working capital loans to 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 in its assumptions or estimates. The Company has reserved for approximately 1.5% of our patient care receivables based on **the history provided by Vero Health for private payors and continues to assess the adequacy of such reserve.**

accepted industry standards.

As of December 31, 2022 December 31, 2023, and December 31, 2021 December 31, 2022, the Company reserved for approximately \$1.3 million \$2.1 million and \$0.2 million \$1.3 million, respectively, of uncollected receivables. Accounts receivable, net totaled \$1.4 million at December 31, 2023 compared with \$6.3 million at December 31, 2022 compared with \$2.1 million at December 31, 2021.

Leasing. On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") ASU 2016-02, Leases, as codified in ASC 842, using the non-comparative transition option pursuant to ASU 2018-11. The Company recognized both right of use assets and lease liabilities for leases in which we lease land, real property or other equipment, electing the practical expedient to maintain the prior operating lease classification. Effective January 1, 2019, the Company 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 are reporting revenues and expenses for real estate taxes and insurance where the lessee has not made those payments directly to a third party in accordance with their respective leases with us. Additionally, we now expense certain leasing costs, other than leasing commissions, as they are incurred. Current GAAP provides for the deferral and amortization of such costs over the applicable lease term. Adoption of ASU 2016-02 has not had a material effect on the Company's consolidated financial statements, other than the initial balance sheet impact of recognizing the right-of-use assets and the right-of-use lease liabilities. Upon adoption, we recognized operating lease assets of \$39.8 million on our consolidated balance sheet for the period ended March 31, 2019, which represents the present value of minimum lease payments associated with such leases. Also, upon adoption, we recognized operating lease liabilities of \$41.5 million on our consolidated balance sheet for the period ended March 31, 2019. The present value of minimum lease payments was calculated on each lease using a

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discount rate that approximated our incremental borrowing rate and the current lease term and upon adoption we utilized a discount rate of 7.98% for the Company's leases. See Note 1 – *Summary of Significant Accounting Policies* and Note 6 - *Leases* to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Asset Impairment

We review the carrying value of long-lived assets that are held and used in our operations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is determined based upon expected undiscounted future net cash flows from the operations to which the assets relate, utilizing management's best estimate, assumptions, and projections at the time. If the carrying value is determined to be unrecoverable from future operating cash flows, the asset is deemed impaired and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair value of the asset. We estimate the fair value of assets based on the estimated future discounted cash flows of the asset. Management has evaluated its long-lived assets and identified no material asset impairment during the years ended December 31, 2022 December 31, 2023 and 2021, 2022.

We test indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is subject to annual testing for impairment. In addition, goodwill is tested for impairment if events occur or circumstances change that would reduce the fair value of a facility below its carrying amount. We perform annual testing for impairment during the fourth quarter of each year (see Note 5 - *Intangible Assets and Goodwill* to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report).

Stock Based Compensation

The Company follows the provisions of ASC Topic 718 "Compensation - Stock Compensation", which requires the use of the fair-value based method to determine compensation for all arrangements under which employees, non-employees, and others receive shares of stock or equity instruments (options, warrants or restricted shares). All awards are amortized on a straight-line basis over their vesting terms.

Self-Insurance Reserve

The Company maintains insurance for professional and general liability claims for its Healthcare Services segment, which includes the Tara Facility or any other facility, such as the Meadowood Facility which the Company is likely to operate, however for claims prior to January 1, 2020, the Company is self-insured against professional and general liability claims since it discontinued its healthcare operations in connection with the **Transition**, transitioning all of our facilities in 2015. 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* and Note 13 - *Commitments and Contingencies* to our audited consolidated financial statements in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

Income Taxes

As required by ASC Topic 740, "Income Taxes", we established deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities at tax rates in effect

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when such temporary differences are expected to reverse. When necessary, we record a valuation allowance to reduce our net deferred tax assets to the amount that is more likely than not to be realized. At **December 31, 2022** **December 31, 2023**, the Company has a valuation allowance of approximately **\$20.2 million** **\$20.7 million**. In future periods, we will continue to assess the need for and adequacy of the remaining valuation allowance. ASC 740 provides information and procedures for financial statement recognition and measurement of tax positions taken, or expected to be taken, in tax returns.

Among other changes, the Tax Reform Act reduced the US federal corporate tax rate from 35% to 21% beginning in 2018. As a result of the Tax Reform Act, net operating loss ("NOL") carry forwards generated in tax years 2018 and forward have an indefinite life. For this reason, the Company has taken the position that the deferred tax liability related to the indefinite lived intangibles can be used to support an equal amount of the deferred tax asset related to the 2018 NOL carry forward generated.

In determining the need for a valuation allowance, the annual income tax rate, or the need for and magnitude of liabilities for uncertain tax positions, we make certain estimates and assumptions. These estimates and assumptions are based on, among other things, knowledge of operations, markets, historical trends and likely future changes and, when appropriate, the opinions of advisors with knowledge and expertise in certain fields. Due to certain risks associated with our estimates and assumptions, actual results could differ. Judgment is required in evaluating uncertain tax positions. The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the "more-likely-than-not recognition threshold" it is measured to determine the amount of benefit to recognize in the financial statements. The Company classifies unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as liabilities in the consolidated balance sheets. As of **December 31, 2022** **December 31, 2023**, the Company has a full valuation allowance on all deferred tax balances.

The Company is subject to income taxes in the U.S. and numerous state and local jurisdictions. In general, the Company's tax returns filed for the **2019** **2020** through **2022** **2023** tax years are still subject to potential examination by taxing authorities. To the Company's knowledge, the Company is not currently under examination by any major income tax jurisdiction.

Further information required by this Item is provided in Note 1 - *Summary of Significant Accounting Policies* to our audited consolidated financial statements included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Disclosure pursuant to Item 7A. of Form 10-K is not required to be reported by smaller reporting companies.

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Regional Health Properties, Inc.

Atlanta, Georgia

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Regional Health Properties, Inc. (the "Company") as of December 31, 2022 December 31, 2023 and 2021, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

Matters

The critical audit matter **matters** communicated below **is a matter** **are matters** arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter **cherry** in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit **matter** **matters** below, providing a separate opinion on the critical audit **matter** **matters** or on the accounts or disclosures to which it relates.

Patient Care Revenue Recognition

Description of Matter

The Company had **\$22 million** **\$8.8 million** in patient care revenues for the year ended **December 31, 2022** **December 31, 2023**. As disclosed in the Note 1 to the consolidated financial statements, the Company provides patient care services to customers and

receives payments for those services from Medicare, Medicaid, commercial insurers, and individual patients. Net revenues are recorded at the transaction price, which the Company determines based on contractually agreed-upon amounts or rates, adjusted for estimates of variable consideration, such as implicit price concessions. Management estimates variable

consideration using the expected value method, based on both historical and current information, which includes contractual agreements, discount policies, and historical reimbursement experience. The Company may constrain the estimated variable consideration included in the transaction price.

Management makes significant judgment in the estimation of variable consideration. Such assumptions include the application of historical collection rates, by payor, and consideration of other changes in the current business operations and external environment, to the current period revenues. As a result, a high degree of auditor judgment was required in performing audit procedures to evaluate the reasonableness of management's estimates. Changes in these estimates can have a material effect on the amount of revenue recognized.

How We Addressed the Matter in Our Audit

Based on our knowledge of the Company, we determined the nature and extent of procedures to be performed over patient care revenue. Our audit procedures included the following:

- Obtained an understanding of the internal controls and processes in place over the Company's patient care revenue recognition process.
- Analyzed the significant assumptions and estimates made by management as discussed above.
- Assessed the recorded revenue by selecting a sample of transactions, analyzing the related contract, testing management's identification of distinct performance obligations, and comparing the amounts recognized for consistency with underlying documentation.

Going Concern

Description of Matter

As described further in Note 2 to the consolidated financial statements, the Company has incurred losses during the year ended December 31, 2023, and expects to incur additional losses in the future. Currently management's forecasts and related assumptions illustrate their ability to sufficiently fund operations and satisfy the Company's obligations as they come due for at least one year from the financial statement issuance date.

Management made judgments to conclude that it is probable that the Company's plans will be effectively implemented and will provide the necessary cash flows to fund the Company's obligations as they become due. The judgments with the highest degree of impact and subjectivity in reaching this conclusion included the revenue growth and gross margin assumptions underlying its forecast operating cash flows, its ability to collect on outstanding receivables and its ability to access funding. As a result, a high degree of auditor judgment and increased audit effort was required in performing audit procedures to evaluate the reasonableness of management's estimates.

How We Addressed the Matter in Our Audit

Our audit procedures included the following:

- Obtained an understanding of the internal controls and processes in place over the Company's preparation of forecasted information and considerations of the Company's obligations.
- Tested the reasonableness of the forecasted revenue, operating expenses, and uses and sources of cash used in management's assessment of whether the Company has sufficient liquidity to fund operations

for at least one year from the financial statement issuance date. This testing included inquiries with management, comparison of prior period forecasts to actual results, consideration of positive and negative evidence impacting management's forecasts, and the Company's financing arrangements in place as of the report date.

We have served as the Company's auditor since 2018.

/s/ Cherry Bekaert LLP

Atlanta, Georgia

April 14, 2023

62 April 1, 2024

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REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in 000's)

	De ce Dec emb er 31, 31, 202 2022	mb er 31, 202 1	December 31, 2023	December 31, 2022
ASSETS				
Property and equipment, net		5 0, 46, 61	\$ 45,337	\$ 46,611
Cash		6, 7 84 3	953	843

Restricted cash	3, 0 3,0 66	5 6	3,231	3,066
Accounts receivable, net of allowances of \$1,298 and \$177	2, 1 6,2 89	4 6 0 2		
Accounts receivable, net of allowances of \$2,040 and \$1,298			1,403	6,289
Prepaid expenses and other		4 74 6 1,0 99	609	746
Notes receivable		3 6 2 99	1,044	1,099
Intangible assets - bed licenses		2, 4 2,4 71	2,471	2,471
Intangible assets - lease rights, net		1 11 0	87	110
Right-of-use operating lease assets		2 9, 9 2,8 48	2,556	2,848
Goodwill		1, 5 1,5 85	1,585	1,585
Lease deposits and other deposits		3 9 — 8	4	—
Straight-line rent receivable		8, 2 2,9 12	2,901	2,912
Total assets		1 0 5, 68, 58	\$ 62,181	\$ 68,580
<u>LIABILITIES AND EQUITY</u>				

Senior debt, net	4			
	6,			
	45, 0			
	16 4			
	3 \$ 3	\$ 43,855	\$ 45,163	
Bonds, net	6,			
	2			
	6,1 3			
	20 9	5,991	6,120	
Other debt, net	5			
	89 9			
	5 4	889	895	
Accounts payable	3,			
	7			
	3,2 4			
	93 9	2,493	3,293	
Accrued expenses	4,			
	9			
	5,0 8			
	36 7	4,060	5,036	
Operating lease obligation	3			
	2,			
	0			
	3,2 5			
	26 9	2,917	3,226	
Other liabilities	1,			
	6			
	1,1 2			
	31 9	1,791	1,131	
Total liabilities	9			
	5,			
	64, 3			
	86 0			
	4 0	61,996	64,864	
Commitments and Contingencies (Note 13)				
Stockholders' equity:				
Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,794 and 1,775 shares issued and 1,775 and 1,775 shares outstanding at December 31, 2022 and December 31, 2021, respectively	6			
	2,			
	62, 5			
	70 1			
	2 5			
Preferred stock, no par value; 5,000 shares authorized; 2,812 shares issued and outstanding, redemption amount \$70,288 at December 31, 2022 and December 31, 2021	6			
	2,			
	62, 4			
	42 2			
	3 3			

Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,850 and 1,793 shares issued and 1,839 and 1,784 shares outstanding at December 31, 2023 and December 31, 2022, respectively	63,059	62,702
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; 559 shares authorized, issued and outstanding at December 31, 2023, with a redemption amount \$426 at December 31, 2023; 5,000 shares authorized, 2,812 shares issued and outstanding at December 31, 2022, with a redemption amount of \$70,288	426	62,423
Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at December 31, 2023, with a redemption amount \$18,602 at December 31, 2023; no shares authorized, issued and outstanding at December 31, 2022	18,602	—
Accumulated deficit	(1 1 4, (12 1,4 09)	(1 1 4, (12 1,4 09) 2) (81,902) (121,409)
Total stockholders' equity	1 0, 3 3,7 16	1 0, 3 3,7 16 185 3,716
Total liabilities and stockholders' equity	1 0 5, 68, 58	1 0 5, 68, 58 \$ 0 \$ 6 \$ 62,181 \$ 68,580

See accompanying notes to consolidated financial statements

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REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year Ended		Year Ended December	
	December		31,	
	2022	2021	2023	2022
Revenues:				
Patient care revenues	22,0	9,48		
	\$ 60	\$ 5	\$ 8,835	\$ 22,060
Rental revenues	12,7	16,0		
	94	93	7,069	12,794
Management fees	1,04	1,02		
	5	1	1,050	1,045
Other revenues	26	91	210	26
Total revenues	35,9	26,6		
	25	90	17,164	35,925
Expenses:				
Patient care expense	20,4	9,24		
	53	3	9,200	20,453
Facility rent expense	4,87	6,46		
	6	4	594	4,876
Cost of management fees	619	672	595	619
Depreciation and amortization	2,40	2,59		
	4	1	2,255	2,404
General and administrative expense	4,65	3,93		
	2	1	3,976	4,652
Doubtful accounts expense (recovery)	4,91			
	6	182		
Doubtful accounts expense			1,150	4,916
Loss on disposal of assets	1,41			
	7	—	—	1,417
Loss on lease termination	1,43			
	6	—	—	1,436
Other operating expenses	1,97	1,07		
	4	4	198	1,974
Total expenses	42,7	24,1		
	47	57	17,968	42,747
(Loss) income from operations	(6,8	2,53		
	22)	3		
Loss from operations			(804)	(6,822)
Other (income) expense:				
Interest expense, net	2,52	2,66		
	9	9	2,751	2,529

(Gain) Loss on extinguishment of debt	452	(146)		
Loss on extinguishment of debt			—	452
Other (income) expense, net	(2,9	1,19		
	36)	2	333	(2,936)
Total other (income) expense, net		3,71		
	45	5		
Total other expense, net			3,084	45
Net loss	(6,8	(1,18		
	67)	2)	(3,888)	(6,867)
Preferred stock dividends - undeclared	(8,9	(8,99		
	97)	7)	—	(8,997)
Net Loss attributable to Regional Health Properties, Inc. common stockholders	(15,	(10,1		
	\$ 864)	\$ 79)		
Net loss per share of common stock attributable to Regional Health Properties, Inc.				
Basic and diluted:		(8.9		
	\$ 3)	\$ (5.87)		
Preferred stock dividends - gain on extinguishment			43,395	—
Net profit (loss) attributable to Regional Health Properties, Inc. common stockholders			\$ 39,507	\$ (15,864)
Net profit (loss) per share of common stock attributable to Regional Health Properties, Inc.:				
Basic			\$ 21.05	\$ (8.93)
Diluted			\$ 21.05	\$ (8.93)
Weighted average shares of common stock outstanding:				
Basic and diluted	1,77	1,73		
	6	4		
Basic			1,877	1,776
Diluted			1,877	1,776

See accompanying notes to consolidated financial statements

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REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in 000's)

Stock-based compensation	2	2										
	3	3										
	—	—	3	—	—	3	—	—	—	—	233	—
Exercise of restricted share awards net of settlement option	—	—	6	—	—	6	—	—	—	(8)	(46)	—
Forfeitures of stock-based awards							(15)	—	—	—	—	—
Net loss							(6	,	,	,	,)
							6	8	8	6	6	6
							—	—	—	—	—	—
Balance, December 31, 2022	—	—	—	—	—	—	(1	6	6	2	3)
	1,	2,	2,	2,	1,	,	7	8	7	4	4	7
	7	1	0	2	0	1	7	1	0	2	0	1
	\$ 5	\$ 2	\$ 2	\$ 3	\$ 9)	\$ 6	1,784	2,812	—	(9)	\$ 62,702	\$ 62,423
	<u> </u>											
Restricted stock issuance							99	—	—	—	—	—
Stock-based compensation							—	—	—	—	357	—
Forfeiture of stock-based awards							(44)	—	—	(2)	—	—
Extinguishment of Series A to Series B							—	(2,252)	—	—	—	(61,997)
Exchange of Series A to Series B							—	—	2,252	—	—	18,602
Net loss							—	—	—	—	—	—
Balance, December 31, 2023	—	—	—	—	—	—	1,839	560	2,252	(11)	\$ 63,059	\$ 426
	<u> </u>											

See accompanying notes to consolidated financial statements

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000's)

	Twelve Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2023	2022
Cash flows from operating activities:				
Net loss	\$ (6,867)	\$ (1,182)	\$ (3,888)	\$ (6,867)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	2,404	2,591	2,255	2,404
Stock-based compensation expense	233	481	357	233
Rent expense in excess of cash paid	122	7	(17)	122
Rent revenue in excess of cash received	(425)	(2,687)	199	(425)
Amortization of deferred financing costs, debt discounts and premiums	86	97	75	86
(Gain) Loss on extinguishment of debt	452	(146)		
Loss on extinguishment of debt			—	452
Loss on disposal of assets	1,417	—	—	1,417
Loss on lease termination	1,436	—	—	1,436
Bad debt expense	4,916	182	1,150	4,916
Changes in operating assets and liabilities:				
Accounts receivable	(6,677)	790	3,545	(6,677)
Prepaid expenses and other assets	197	932	1,152	197
Accounts payable and accrued expenses	(393)	3,377	(1,776)	(393)
Other liabilities	(497)	452	660	(497)
Net cash (used in) provided by operating activities	(3,596)	4,894		
Net cash provided by (used in) operating activities			3,712	(3,596)
Cash flows from investing activities:				
Purchase of property and equipment	(281)	(123)	(958)	(281)
Net cash used in investing activities	(281)	(123)	(958)	(281)
Cash flows from financing activities:				
Proceeds from senior debt	7,778	—	—	7,778
Payment of senior debt	(8,830)	(2,266)	(1,357)	(8,830)

Deferred financing costs	(296)	—	(17)	(296)
Payment of other debt	(718)	(121)	(1,105)	(718)
Debt extinguishment and issuance costs	—	(21)	—	—
Proceeds from other debt	50	—	—	50
Repurchase of common stock	(46)	(7)	—	(46)
Net cash used in financing activities	(2,062)	(2,415)	(2,479)	(2,062)
Net change in cash and restricted cash	(5,939)	2,356	275	(5,939)
Cash and restricted cash, beginning	9,848	7,492	3,909	9,848
Cash and restricted cash, ending	<u>\$ 3,909</u>	<u>\$ 9,848</u>	<u>\$ 4,184</u>	<u>\$ 3,909</u>

See accompanying notes to consolidated financial statements

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REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

(Amounts in 000's)

	Twelve Months Ended December 31,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 2,445	\$ 2,797
Supplemental disclosure of non-cash activities:		
Non-cash payments of long-term debt	—	(5,044)
Non cash debt issuance costs and extinguishment expenses	—	(102)
Net payments through Lender	\$ —	\$ (5,146)
Non-cash proceeds from sale of property and equipment	—	—
Non-cash proceeds from financing	—	5,146
Net proceeds through Lender	<u>\$ —</u>	<u>\$ —</u>
Non-cash gain on PPP Loan forgiveness	\$ —	\$ 229
Capture of security deposit and other payables	\$ —	\$ 38
Settlement agreements in excess of cash paid	\$ —	\$ —
Reclassification from accounts receivable to notes receivable	\$ 546	\$ —
Vendor-financed insurance	\$ 1,259	\$ 867

Year Ended December 31.

	2023	2022
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 2,668	\$ 2,445
Cash income taxes paid	\$ —	\$ —
Supplemental disclosure of non-cash activities:		
Reclassification from accounts receivable to notes receivable	\$ 312	\$ 546
Exchange of preferred stock Series A to Series B	\$ 18,602	\$ —
Gain on extinguishment of preferred stock	\$ 43,395	\$ —
Vendor-financed insurance	\$ 1,170	\$ 1,259

See accompanying notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Business Overview

Regional Health's 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"). 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, 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 Glenview 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 OTCQB Venture Market under the symbol "RHEPB".

Basis of Presentation

The accompanying consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles ("GAAP") in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported results of operations during the reporting period. Significant estimates include the self-insurance reserve for professional and general liability, patient care revenues, allowance for doubtful accounts and credit losses, contractual allowances for Medicaid, Medicare, and managed care reimbursements, deferred tax valuation allowance, valuation of goodwill and other long-lived assets, and cash flow projections. Actual results could differ materially from those estimates.

Reclassifications

Certain reclassifications have been made to the amounts in prior periods in order to conform to the current period's presentation. These classifications had no impact on net loss or cash flows from operations for the year ended 2022 or 2021.

Principles of Consolidation

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

Arrangements with other business enterprises are evaluated, and those in which Regional Health is determined to have controlling financial interest are consolidated. Guidance is provided by FASB ASC Topic 810-10, **"Consolidation—Overall"**, which includes consolidation of business enterprises to which the usual condition of consolidation (ownership

of a majority voting interest) does not apply. This guidance includes controlling financial interests that may be achieved through arrangements that do not involve voting interests. In absences of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's ("VIE") assets and activities are the best evidence of control. If an enterprise holds the power to direct and right to receive benefits or absorb the losses of an entity, it would be considered the primary beneficiary. The primary beneficiary is required to consolidate the assets, liabilities and results of operations of the VIE in its financial statements.

The Company has evaluated and concluded that as of December 31, 2022, December 31, 2023 and December 31, 2021 December 31, 2022, the Company has no relationship with a VIE in which it is the primary beneficiary required to consolidate the entity.

Cash and Restricted Cash and Investments

The Company considers all unrestricted short-term investments with original maturities less than three months, which are readily convertible into cash, to be cash equivalents. Certain cash and investment amounts are restricted for specific purposes such as (i) mortgage escrow requirements; (ii) reserves for capital expenditures on United States Housing and Urban Development ("HUD") insured facilities; and (iii) collateral for other debt obligations.

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 Tara, Lumber City, LaGrange, Meadowood, Thomasville and Glenvue facilities. facilities during 2022 and Meadowood and Glenvue during 2023. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by 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 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. Estimated uncollectable amounts due from patients are generally considered implicit price concessions that are a direct reduction to net patient care revenues.

Triple-Net Leased Properties. The Company's 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. ASU 2014-09, *Revenue from Contracts with Customers*, as codified in ASC 606, does not apply to rental revenues, which is a portion of the Company's revenue. 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. For additional information with respect to such facilities, see Note 2 – *Liquidity* and Note 6 – *Leases*.

Management Fee Revenues and Other Revenues. On January 1, 2018, the Company adopted **recognizes management fee revenues as services are provided in accordance with ASU 2014-09, Revenue from Contracts with Customers,** as codified in ASC 606, which requires a company **revenue to recognize revenue when the company transfers control of promised goods and services to a customer.** Revenue is **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 **recognizes management fee revenues as services are provided.** The Company has one contract to manage three facilities (the “Management

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Contract”), with payment for each month of service generally received in full 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. 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.

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Allowances. The Company assesses the collectability of its rent receivables, including straight-line rent receivables and working capital loans to 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 in its assumptions or estimates. See Note 6 – *Leases*. The Company has reserved for approximately 1.5% of our patient care receivables based on the historic industry standards and continues to assess the adequacy of such reserve.

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As of December 31, 2022, December 31, 2023 and December 31, 2021 December 31, 2022, the Company reserved for approximately \$1.32.1 million and \$0.21.3 million, respectively, of uncollected receivables. Accounts receivable, net totaled \$1.4 million at December 31, 2023 compared with \$6.3 million at December 31, 2022 compared with \$2.1 million at December 31, 2021.

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

(Amounts in 000's)	December 31,		December 31, 2021
	2022	2021	
Gross receivables			
Real Estate Services	\$ 1,094	\$ 1,442	
Healthcare Services (a)	6,493	880	
Subtotal	7,587	2,322	
Allowance			
Real Estate Services	(338)	(35)	
Healthcare Services (a)	(960)	(142)	
Subtotal	(1,298)	(177)	
Accounts receivable, net of allowance	\$ 6,289	\$ 2,145	

(Amounts in 000's)	December 31,		December 31, 2022
	2023	2022	
Gross receivables			
Real Estate Segment	\$ 693	\$ 1,094	
Healthcare Services (a)	2,750	6,493	
Subtotal	3,443	7,587	
Allowance			
Real Estate Segment	—	(338)	
Healthcare Services	(2,040)	(960)	
Subtotal	(2,040)	(1,298)	
Accounts receivable, net of allowance	\$ 1,403	\$ 6,289	

(a) At December 31, 2022, our accounts receivable included \$1.9 million from the Employee Retention Tax Credit (ERTC), which was received in 2023.

Concentrations of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash, restricted cash, accounts receivable and straight-line rent receivables. Cash and restricted cash are held with various financial institutions. From time to time, these balances exceed the federally insured limits. These balances are maintained with high quality financial institutions which management believes limits the risk.

Accounts receivable are recorded at net realizable value. The Company performs ongoing evaluations of its tenants and significant third-party payors with which it contracts, and generally does not require collateral. The Company maintains an allowance for doubtful accounts and credit losses which management believes is sufficient to cover potential losses. Delinquent accounts receivable are charged against the allowance for doubtful accounts and credit losses once collection has been determined to be

unlikely. Accounts receivable are considered past due and placed on delinquent status based upon contractual terms as well as how frequently payments are received, on an individual account basis.

Prepaid Expenses and Other

As of December 31, 2023 and December 31, 2022, the Company had \$0.6 million and \$0.7 million, respectively, in prepaid expenses and other; approximately \$0.1 million decrease is related to insurance for the facilities we operate while the other amounts are predominantly for directors' and officers' insurance and mortgage insurance premiums.

Notes Receivable

Notes receivable are initially recorded when accounts receivable are transferred into a promissory note and are recorded as an alternative to accounts receivable to memorialize an unqualified promise to pay a specific sum, typically with interest, in accordance with a defined payment schedule. The Company's payment terms with customers on promissory notes can vary based on several factors and the circumstances of each promissory note, however typically promissory notes mature over a 1 to 3 year period. Similar to accounts receivable, each reporting period the Company evaluates the collectability of outstanding notes receivable balances and will record an allowance to represent an estimate of future expected credit losses. As of December 31, 2023 and December 31, 2022, the Company has provided for no allowance.

Property and Equipment

Property and equipment are stated at cost. Expenditures for major improvements are capitalized. Depreciation commences when the assets are placed in service. Maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded. Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets. Property and equipment also includes bed license intangibles for states other than Ohio (where the building and bed license are deemed complimentary assets) and are amortized over the life of the building.

The Company reviews property and equipment for potential impairment whenever events or changes in circumstances indicate that the carrying amounts of assets may not be recoverable. The circumstances and events regarding the possible presence of impairment are based on inputs such as, market conditions, operator performance, and legal matters. If there is an indication of possible impairment we conduct a review that is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to result from the property's use and estimated hold period. This estimate considers

factors such as expected future operating income, market and other applicable trends including the terminal value of the property. If impairment exists, due to the inability to recover the carrying amount of the property, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property.

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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 financing lease. As of **December 31, 2022** **December 31, 2023**, the Company's leased facility is accounted for as an operating 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.

On January 1, 2019, the Company adopted *Accounting Standards Update ("ASU") ASU 2016-02, Leases*, as codified in ASC 842, using the non-comparative transition option pursuant to ASU 2018-11. The Company recognized both right of use assets and lease liabilities for leases in which we lease land, real property or other equipment, electing the practical expedient to maintain the prior operating lease classification. Effective January 1, 2019, the Company 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 are reporting revenues and expenses for real estate taxes and insurance where the lessee has not made those payments directly to a third party in accordance with their respective leases with us.

The following table summarizes real estate tax recognized on our consolidated statements of operations in "Other Operating Expenses" for the **year** **years** ended **December 31, 2022**, **December 31, 2023** and **2021**, **2022**:

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(Amounts in 000's)	Year Ended December 31,	
	2022	2021
Rental revenues	\$ 391	\$ 464
Other operating expenses	\$ 391	\$ 464

Additionally, we now expense certain leasing costs, other than leasing commissions, as they are incurred. Current GAAP provides for the deferral and amortization of such costs over the applicable lease term.

(Amounts in 000's)	Year Ended December 31,	
	2023	2022
Rental revenues	\$ 336	\$ 391
Other operating expenses	\$ 336	\$ 391

Accounts Payable

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

(Amounts in 000's)	December 31,		December 31, 2021
	2022	2021	
Accounts payable			
Real Estate Services	\$ 797	\$ 2,781	
Healthcare Services	2,496	968	
Total Accounts payable	\$ 3,293	\$ 3,749	

(Amounts in 000's)	December 31,		December 31, 2022
	2023	2022	
Real Estate Segment	\$ 751	\$ 797	
Healthcare Services	1,742	2,496	
Total accounts payable	\$ 2,493	\$ 3,293	

Other Liabilities

As of December 31, 2022, December 31, 2023 and December 31, 2021 December 31, 2022, the Company had \$1.11.8 million and \$1.61.1 million, respectively, in Other liabilities; the \$0.50.7 million decrease increase compared to the prior period relates to restricted sublease improvements with lease security deposits comprising the remainder of the balances in both periods.

Intangible Assets and Goodwill

Intangible assets consist of finite lived and indefinite lived intangibles. The Company's finite lived intangibles include lease rights and certain certificate of need ("CON") and bed licenses that are not separable from the associated buildings. Finite lived intangibles are amortized over their estimated useful lives. For the Company's lease related intangibles, the estimated remaining useful life is based on the terms of the underlying facility leases averaging approximately seven years. For the Company's CON/bed licenses that are not separable from the buildings, the estimated useful life is based on the building life when acquired with a remaining average estimated useful life of approximately 24 years.

The Company evaluates the recoverability of the finite lived intangibles whenever an impairment indicator is present. The circumstances and events regarding the possible presence of an impairment indicator are based on inputs such as, market conditions, operator performance, and legal matters. If there is an indication of possible impairment, we conduct a review that is based on an estimate of the future undiscounted cash flows, excluding interest charges, expected to

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result from the property's use and estimated hold period. This estimate considers factors such as expected future operating income, market and other applicable trends including the terminal value of the property. If impairment exists, due to the inability to recover the carrying amount of the CON, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the CON.

The Company's indefinite lived intangibles consist primarily of values assigned to CON/bed licenses that are separable from the buildings. The Company does not amortize goodwill or indefinite lived intangibles. The Company's goodwill is related to certain property acquisitions but is evaluated for impairment on the operator level. On an annual basis, the Company evaluates the recoverability of the indefinite lived intangibles and goodwill by performing an impairment test. The Company performs its annual test for impairment during the fourth quarter of each year or more frequently if events and circumstances indicate the goodwill might be impaired. For the years ended December 31, 2023 and December 31, 2022, and 2021, the test results indicated no impairment necessary.

Prepaid Expenses and Other

As of December 31, 2022, and December 31, 2021, the Company had \$0.7 million and \$0.5 million, respectively, in Prepaid expenses and other; approximately \$0.2 million increase is related to insurance for the facilities we operate while the other amounts are predominantly for directors' and officers' insurance and mortgage insurance premiums.

Extinguishment of Debt

The Company recognizes extinguishment of debt when the criteria for a troubled debt restructure are not met and the change in the debt terms is considered substantial. The Company calculates the difference between the reacquisition price of the debt and the net carrying amount of the extinguished debt (including deferred finance fees) and recognizes

a gain or loss on the consolidated statement of operations in the period of extinguishment. For further information see Note – 2 *Liquidity, and "Debt – Debt Refinance"* in Part II, Item 7., "Management's Discussion

and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Annual Report.

Earnings Per Share

Basic earnings per share is computed by dividing net income or 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 earnings per share except that the net income or 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:

(Amounts in 000's)	December	December	December 31,	December 31,
	31, 2022	31, 2021	2023	2022
Stock options	13	13	33	13
Common Stock warrants - employee	34	34	32	34
Common Stock warrants - nonemployee	1	9	—	1
Total shares	48	56	65	48

The weighted average contractual terms in years for these securities, with no intrinsic value, are 1.5 6.9 years for the stock options and 1.9 1.0 years for the warrants.

Other Operating Expenses

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Other operating expenses includes real estate tax expenses recognized during the year ended December 31, 2022, December 31, 2023 and December 31, 2021 December 31, 2022, where the lessee has not made those payments directly to a third party in accordance with their respective leases with us, mortgage insurance and other professional services expenses.

Other expense, net

The Company has retained professional and legal services a law firm to evaluate and assist with possible opportunities to improve the Company's capital structure, including on-going efforts to investigate alternatives to retire or refinance our outstanding Series A Preferred Stock. For the year ended December 31, 2023 and December 31, 2022, these costs were \$0.9 million and \$1.3 million, respectively. For further information, see Note 2 – Liquidity.

Deferred Financing Costs

The Company records deferred financing costs associated with debt obligations as direct reduction from the carrying amount of the debt liability. Costs are amortized over the term of the related debt using the straight-line method and are reflected as interest expense. The straight-line method yields results substantially similar to those that would be produced under the effective interest rate method.

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Income Taxes and Uncertain Tax Positions

Deferred tax assets or liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that included the enactment date. Deferred tax assets are also recognized for the future tax benefits from net operating loss and other carry forwards. Valuation allowances are recorded for deferred tax assets when the recoverability of such assets is not deemed more likely than not.

On December 22, 2017, tax legislation commonly known as The Tax Cuts and Jobs Act (the "Tax Reform Act") was enacted. Among other changes the Tax Reform Act reduced the US federal corporate tax rate from 35% to 21% beginning in 2018.

As a result of the Tax Reform Act, net operating loss ("NOL") carry forwards generated in tax years 2018 and forward have an indefinite life. For this reason, the Company has taken the position that the deferred tax liability related to the indefinite lived intangibles can be used to support an equal amount of the deferred tax asset related to the 2018 NOL carry forward generated.

Judgment is required in evaluating uncertain tax positions. The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold it is measured to determine the amount of benefit to recognize in the financial statements. The Company classifies unrecognized tax benefits that are not expected to result in payment or receipt of cash within one year as liabilities in the consolidated balance sheets. As of **December 31, 2022** **December 31, 2023**, the Company has a full valuation allowance on all deferred tax balances.

On January 1, 2020, the Company adopted ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance removes certain exceptions for recognizing deferred taxes for equity method investments, performing intra period allocation, and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group, among others. The Company's adoption of this new guidance had no impact on its Consolidated Financial Statements.

The Company is subject to income taxes in the U.S. and numerous state and local jurisdictions. In general, the Company's tax returns filed for the **2019** **2020** through **2022** **2023** tax years are still subject to potential examination by taxing authorities. To the Company's knowledge, the Company is not currently under examination by any major income tax jurisdiction.

Stock Based Compensation

The Company follows the provisions of ASC Topic 718, **"Compensation - Stock Compensation"**, which requires the use of the fair-value based method to determine compensation for all arrangements under

which employees, non-employees, and others receive shares of stock or equity instruments (options, warrants or restricted shares). All awards are amortized on a straight-line basis over their vesting terms. Stock-based compensation is measured at the grant date for all stock-based awards based upon the fair value of the awards and forfeitures are recognized as they occur.

Fair Value Measurements and Financial Instruments

Accounting guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization of a measurement within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1— Quoted market prices in active markets for identical assets or liabilities

Level 2— Other observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3— Significant unobservable inputs

The respective carrying value of certain financial instruments of the Company approximates their fair value. These instruments include cash, restricted cash, and investments, accounts receivable, notes receivable, and accounts payable. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values, they are receivable or payable on demand, or the interest rates earned and/or paid approximate current market rates.

Self-Insurance

Prior to the Transition, the Company was self-insured for employee medical claims (in all states except for Oklahoma, where the Company participated in the Oklahoma state subsidy program) and had a large deductible workers' compensation plan (in all states except for Ohio, where workers' compensation is covered under a premium-only policy provided by the Ohio Bureau of Workers' Compensation).

In 2015, the insurance programs described above changed in order to address the different needs of the Company as a result of the Transition. The Company's workers compensation plan transitioned from a high deductible to a guaranteed cost program in February 2015. As of December 31, 2023 and December 31, 2022, there are no outstanding claims or unsettled claims for the legacy self-insured employee medical plan and the large deductible workers' compensation plan.

Professional liability insurance was provided to facilities operations up until the date of the Transition. Claims which were associated with operations of the Company prior to the Transition but not reported as of the transition date were self-insured.

The Company maintains insurance for professional and general liability claims for its Healthcare Services segment, which includes any facility the Company is likely to operate, however for claims prior to January 1, 2020, the Company is self-insured against professional and general liability claims since it discontinued its healthcare operations in connection with the Transition. 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* and Note 13 - *Commitments and Contingencies*.

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In addition, the Company maintains certain other insurance programs, including commercial general liability, property, casualty, directors' and officers' liability, crime, and employment practices liability.

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Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. In November 2018, the FASB issued ASU 2018-19 *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*. The amendment clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, *Leases*. ASU 2019-10 *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, extended the effective date of ASU 2016-13, which is now effective for annual and interim periods beginning after December 15, 2022, for smaller reporting companies

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and early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company adopted ASU 2016-13 effective January 1, 2022. The adoption of ASU 2016-13 did not have a material impact on the Company's consolidated financial statements.

In July 2021, the FASB issued ASU 2021-05—*Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*, which amends the lease classification requirements for lessors. Lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if the lease would have been classified as a sales-type lease or a direct financing lease and the lessor would have otherwise recognized a day-one loss. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The Company adopted ASU 2021-05 effective January 1, 2022, and as all our current leases are classified as operating leases, the adoption ASU 2021-05 did not have an impact on the Company's consolidated financial statements.

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 does not expect the adoption of ASU 2023-01 to have an impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements

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 2023-07.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires a public company, on 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.

Discontinued Operations

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 December 31, 2022, the company determined remaining escheatment liabilities for discontinued operations are \$80.8 million and are included in accrued expenses. As a result of this change in accounting estimate the Company recognized income net of expenses for discontinued operations of approximately \$2.4 million for the year ended December 31, 2022 included in "Other (income) expense".

As of December 31, 2023, the remaining balance included in accrued expenses for escheatment liabilities for discontinued operations was \$0.3 million.

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NOTE 2. LIQUIDITY

Overview

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 having access to several sources of liquidity, including cash on hand, cash flows from operations, and debt refinancing during the twelve months from following the date of this filing, issuance of these consolidated financial statements. At December 31, 2022 December 31, 2023, the Company had \$0.81.0 million in unrestricted cash including a Medicaid overpayment of and \$0.2 million received in the third and fourth quarter of 2021, which the Company repaid on March 10, 2023 and is recorded in "Accrued Expenses" in the Company's consolidated balance sheet as of December 31, 2022. In addition, as of December 31, 2022 the Company had \$7.61.4 million of net accounts receivable, mainly consisting of patient account receivables which and rent receivables.

For the year ended December 31, 2023, the Company's cash provided by operating activities was \$3.7 million due to collection of the Employee Retention Tax Credit. 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")

On June 30, 2023, the Company plans closed the Company's offer to collect over exchange (the "Exchange Offer") any and all outstanding shares of the next twelve months. 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 December 31, 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 9 – Common and Preferred Stock.

In early 2020, the Company began on-going 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. Our ability to retire or refinance our outstanding Series A Preferred Stock will depend on the capital markets and our financial condition at such time. There can be no assurance that any such alternative will be pursued or accomplished, and we may not be able to engage in any of these activities or engage in any of these activities on desirable terms. Costs associated with these efforts have been expensed as incurred in "Other expense, net" and were approximately \$1.3 million and approximately \$1.2 million for the year ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Series A Preferred Dividend Suspension

We 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. As of December 31, 2022, as a result of the suspension of the dividend payment on the Series A Preferred Stock commencing with the fourth quarter 2017 dividend period, the Company has had approximately \$45.9 million of undeclared preferred stock dividends in arrears. The dividend suspension has provided the Company with additional funds to meet its ongoing liquidity needs. As the Company has 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 has had increased to 12.875%, which is 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 has 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

As of December 31, 2022 December 31, 2023, the Company had \$52.2 50.7 million in indebtedness, net of \$1.1 million deferred financing and unamortized discounts. The Company anticipates net principal repayments of approximately \$1.8 1.9 million during the next twelve-month period, which include approximately \$1.7 1.4 million of routine debt service amortization, approximately \$0.1 0.4 million payments on other non-routine debt and a \$0.1 million payment of bond debt. For further information, see Note 8 – Notes Payable and Other Debt.

Debt Refinance. For the year ended December 31, 2023, the Company did not refinance any debt. On October 21, 2022, the Company, through wholly-owned subsidiaries, consummated a 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.

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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 Englewood Care Center, The Pavilion Care Center, and Hearth & Care of Greenfield loans.

The aggregate principal amount of the three HUD Notes is \$7.8 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 \$5.0 million and matures on November 1, 2052. The Greenfield HUD Note has a principal amount of \$2.0 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.

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On September 30, 2021, the Company and the Exchange Bank of Alabama executed a \$5.1 million Promissory Note with a 3.95% annual fixed interest rate and maturity date of October 10, 2026 (the "Coosa Credit Facility"). The Coosa Credit Facility refinanced \$5.1 million prime + 1.5% variable interest rate debt owed to Metro City Bank with a maturity date of January 31, 2036, (the "Coosa MCB Loan"). The Coosa Credit Facility is secured by the assets of the Company's subsidiary Coosa Nursing ADK, LLC ("Coosa") which owns the 124-bed SNF located in Glencoe, Alabama (the "Coosa Facility") and the assets of the Company's subsidiary Meadowood Property Holdings, LLC ("Meadowood") which owns the 161-bed assisted living facility located in Glencoe, Alabama (the "Meadowood Facility"). The Company incurred approximately \$0.1 million in new deferred financing fees and expensed approximately \$0.1 million deferred financing fees associated with the Coosa MCB Loan.

Consequently, the Company recorded a net gain of approximately \$0.1 million on extinguishment of debt during the year ended December 31, 2021, consisting of the \$0.2 million gain on forgiveness of the PPP Loan partially offset by \$0.1 million of expensed deferred financing fees associated with the extinguishment of the Coosa MCB Loan.

Debt Modification. In conjunction with For the September 30, 2021 year ended December 31, 2023, Coosa Facility refinance, the Company and the Exchange Bank of Alabama signed an agreement on October 1, 2021, (the "Meadowood Credit Facility"), that extended the maturity date on the \$3.5 million Meadowood Credit Facility, as amended, in senior debt other mortgage indebtedness secured by the assets of Coosa and the assets of Meadowood, from May 1, 2022, to October 1, 2026. Additionally on August 17, 2021 it modify any debt. On December 30, 2022, the Company extended

the maturity date on approximately \$0.5 million other debt from August 25, 2021 2023, to August 25, 2023 2025 (known as the "KeyBank Exit Notes"). For further information, see See Note 8 – Notes Payable and Other Debt.

Debt Covenant Compliance

At December 31, 2023 and December 31, 2022, 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

Beginning in 2021, several Several of the Company's operators have defaulted on their contractual obligations and elected to transition the facilities back to the Company. Company beginning in 2021. Given the complexities in identifying and negotiating with new operators, the Company was forced to become the licensed operator of the five facilities, most importantly four of the eight leased facilities under the "Foster Lease". Operating the facilities requires substantial working capital until the facilities can begin receiving the government reimbursements.

Powder Springs Lease. In December 2020, the Company entered into a lease termination agreement with two affiliates of Wellington. Following the Wellington Lease Termination, effective January 1, 2021, Regional leased the Powder Springs Facility to PS Operator LLC ("PS Operator"), an affiliate of Empire Care Center, pursuant to a sublease (the "PS Sublease"). The PS sublease contained a variable lease component. For more information, please reference Note 6- Leases.

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During the year ended December 31, 2021, the Company recognized and collected \$1.4 million of variable rent for the Powder Springs Facility replacing approximately \$2.0 million of cash rent previously anticipated from the Wellington Tenant. During the year ended December 31, 2022, the Company recognized and collected \$.9 million in rent.

Healthcare Services segment. As part of the Portfolio Stabilization initiative, the company Company took back five facilities in 2022. In addition to becoming the licensed operator, the Company is obligated to fund the working capital needs of each facility until patient reimbursement collections begin. For the year ended 2022 2023 and 2021, 2022, the Healthcare Services lost net loss was \$\$.52.8 million and \$1.8 0.5 million, respectively. In addition, the gross Account Receivable for the segment increased from decreased to \$0.9 2.8 million in 2021 to 2023 from \$6.5 million in 2022. As described in more detail as referenced in Note 6 - Leases, the Company terminated the master lease. As of December 31 2022, December 31, 2023 and December 31, 2022, the Company operated 2 two facilities.

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 entity's current financial condition, including its sources of liquidity at the date that the consolidated financial statements are issued, will enable the entity to meet its obligations as they come due 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 entity 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 as well as the Company's recurring business operating expenses.

The Company is able to conclude 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.

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NOTE 3. CASH, RESTRICTED CASH, AND INVESTMENTS

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

Amounts in (000's)	December 31,	
	2022	2021
Cash (a)	\$ 843	\$ 6,792
Restricted cash:		
Cash collateral	135	125
HUD and other replacement reserves	2,155	1,914
Escrow deposits	459	700
Restricted investments for debt obligations	317	317
Total restricted cash	3,066	3,056
 Total cash and restricted cash	 \$ 3,909	 \$ 9,848

(a) Includes a Medicaid overpayment of \$.02 million which the Company expects to repay soon and is recorded in "Accrued Expenses" in the Company's consolidated balance sheet as of December 31, 2022 and a Medicaid overpayment of \$1.5 million as of December 31, 2021.

Amounts in (000's)	December 31, 2023	December 31, 2022
	\$ 953	\$ 843
Cash		
Restricted cash:		
Cash collateral	159	135
HUD and other replacement reserves	2,125	2,155
Escrow deposits	630	459
Restricted investments for debt obligations	317	317
Total restricted cash	3,231	3,066
 Total cash and restricted cash	 \$ 4,184	 \$ 3,909

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.

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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.

NOTE 4. PROPERTY AND EQUIPMENT

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

(Amounts in 000's)	Lives (Years)	December 31,		Lives (Years)	December 31, 2023		December 31, 2022
		2022	2021		2022	2021	
Buildings and improvements	5 - 40	\$ 63,746	\$ 65,695	5 - 40	\$ 64,447	\$ 63,746	
Equipment and computer related	2 - 10	1,807	4,494	2 - 10	1,187	1,807	
Land ⁽¹⁾	—	2,774	2,776	—	2,774	2,774	
		68,327	72,965		68,408	68,327	
Less: accumulated depreciation and amortization		(21,716)	(22,838)		(23,071)	(21,716)	
Property and equipment, net		\$ 46,611	\$ 50,127		\$ 45,337	\$ 46,611	

⁽¹⁾ Includes \$0.1 million of land improvements with an average estimated useful remaining life of approximately 7 years.

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During the year ended December 31, 2022, December 31, 2023 and the twelve months ended December 31, 2021 December 31, 2022, the Company recorded no impairments in property and equipment.

The following table summarizes total depreciation and amortization for the year ended December 31, 2022, December 31, 2023 and 2021:2022:

Amounts in (000's)	December 31,		Year Ended December 31,	
	2022	2021	2023	2022
Depreciation	\$ 1,966	\$ 2,153	\$ 1,817	\$ 1,966
Amortization	438	438	438	438
Total depreciation and amortization	\$ 2,404	\$ 2,591	\$ 2,255	\$ 2,404

NOTE 5. INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

		Bed Licenses - Non-Separable(1)					Bed Licenses - Separable(2)		Lease Rights		Total		Goodwill(2)	
(Amounts in 000's)		(1)	(2)	hts	I	(2)								
Balances, December 31, 2021														
Gross				1										
				6,										
				2	9	1,								
		14,	2,4	0	5	58								
		\$ 276	\$ 71	\$ 6	\$ 3	\$ 5								
Accumulated amortization				(4										
				(,2									
		(4,1		7	4									
		68)	—	2)	0)	—								
Net carrying amount				1										
				2,										
				1	7	1,								
		10,	2,4	3	1	58								
		\$ 108	\$ 71	\$ 4	\$ 3	\$ 5								
Amortization expense				((4									
		(41		2	3									
		4)	—	4)	8)	—								
Balances, December 31, 2022														
Gross				1										
				6,										
				2	9	1,								
		14,	2,4	0	5	58								
		276	71	6	3	5	\$							
Accumulated amortization				(4										
				(,6									
		(4,5		9	7									
		83)	—	6)	8)	—								
							(4,583)							
								—						
									(96)					
									(4,679)					

Net carrying amount	1	2,	1,	1,	1,	1,	1,	1,
9,6	2,4	1	7	58				
\$ 93	\$ 71	\$ 0	\$ 5	\$ 5				
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>				
Net carrying amount, December 31, 2022		\$ 9,693	\$ 2,471	\$ 110	\$ 12,274	\$ 1,585		
 Balances, December 31, 2023								
Gross		\$ 14,276	\$ 2,471	\$ 176	\$ 16,923	\$ 1,585		
Accumulated amortization		(4,997)	—	(89)	(5,086)	—		
Net carrying amount, December 31, 2023		\$ 9,279	\$ 2,471	\$ 87	\$ 11,837	\$ 1,585		
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </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.

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

Amounts in (000's)	Bed Licenses		Lease Rights		Bed Licenses		Lease Rights	
	\$	414	\$	23	\$	414	\$	18
2023								
2024		414		18	\$	414	\$	18
2025		414		18		414		18
2026		414		18		414		18
2027		414		18		414		18
2028						414		15
Thereafter		7,623		15		7,209		—
Total	\$	9,693	\$	110	\$	9,279	\$	87

NOTE 6. LEASES

Operating Leases

As of December 31, 2021 From January 1, 2022 through December 30, 2022, the Company leased a total of nine SNFs from owners unaffiliated with the Company under non-cancelable leases, most of which had rent escalation clauses and provisions for payments of real estate taxes, insurance, and maintenance costs.

On December 30, 2022, the Company and Spring Valley entered into a 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"). In connection with the foregoing, the Company entered into certain Operations Transfer Agreements (the "Operations Transfer Agreements") with the new operators. Pursuant to the Lease Termination Agreement, (a) Spring Valley forgave all past due and current rent, late penalties, and additional rent for taxes due under the lease as of the Lease Termination Date, as well as all accrued and unpaid interest and unpaid principal under the Promissory Note dated September 30, 2022, (b) the Company remains liable to Spring Valley for any nursing home provider fees owed to the State of Georgia arising on or before the Lease Termination Date ("Unpaid Provider Fees"), (c) to fund any reimbursement for Unpaid Provider Fees, the Company agreed to enter into a Promissory Note with a line of credit feature in favor of Spring Valley in the principal sum of \$2,700,000 bearing an interest rate of 6.25%, payable monthly over 24 months, secured by the accounts receivables associated with the facilities and earned prior to the Lease Termination Date, and guaranteed by the Company, and (d) except as set forth in the Lease Termination Agreement, Spring Valley, Tenant and the Company agreed to a release of claims.

(see Note 14 – Subsequent Events)

As of December 31, 2023 and December 31, 2022, the Company leases one SNF facility in Covington, Ohio. Ohio under a non-cancelable lease, which 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 5.6 4.9 years. years as of December 31, 2023. The Company subleases the Covington facility to a third party.

The Company also leases its corporate offices 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 Atlanta, Georgia. The sublease expires on July 31, 2025.

As of both December 31, 2023 and December 31, 2022 and December 31, 2021, the Company is in compliance with all operating lease financial covenants.

Facility Leased to the Company

The Covington facility is leased under an agreement dated August 26, 2002, as subsequently amended (the "Covington Prime Lease"), by and between the Company and Covington Realty, LLC ("Covington"). On August 1, 2015, the Covington Prime Lease was amended, whereby the parties agreed to: (i) provide consent to the sublease of the facility to a third-party operator; (ii) extend the term of the lease; and (iii) set the annual base rent, effective May 1, 2015, and continuing throughout the lease term, equal to 102% of the immediately preceding lease year's base rent. On January 11, 2019, the Company and Covington entered into a forbearance agreement (the "Covington Forbearance Agreement"), whereby the Company and Covington agreed to: (i) extend the lease term from April 30, 2025 until April 30, 2029 (the "Term"); (ii) reduce the base rent by approximately \$0.8 million until April 30, 2025, the remainder

of the prior lease term; and (iii) relieve the Company from approximately \$0.5 million of outstanding lease amounts (the "Rent Due") as of December 31, 2018. Covington has released the Company of 2/3100% of the Rent Due and will release the remaining 1/3 as of Rent Due on December 31, 2023, assuming the Company and its sublessee remains in compliance with the lease. During each of December 2021 2023 and December 2022, the Company recognized approximately \$0.1 million as a reduction of "Facility rent expense" on our consolidated statements of operations from the respective portions of forgiven rent.

Future Minimum Lease Payments

Future minimum lease payments for each of the next five years ended December 31, and thereafter are as follows:

(Amounts in 000's)	Future rental paymen ts		Accre tion of lease liability (1)		Operating lease obligation		Future Rental Payments	Accre tion of Lease Liability (1)	Operating Lease Obligation
	ts	of lease liability (1)	Operating lease obligation						
2023	\$ 648	\$ (54)	\$ 594						
2024	633	(73)	560	\$	678	\$	(29)	\$	649
2025	645	(118)	527		672		(77)		595
2026	658	(162)	496		658		(120)		538
2027	671	(203)	468		671		(165)		506
2028					685		(208)		477
Thereafter	915	(334)	581		230		(78)		152
Total	4,17								
	\$ 0	\$ (944)	\$ 3,226	\$	3,594	\$	(677)	\$	2,917

(1) 1. Weighted average discount rate 7.98%

Lessor

Facilities Leased or Subleased by the Company

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 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 of December 31, 2021 December 31, 2023, the principal remaining balance is \$304,000.

From January 1, 2022 through December 30, 2022, the Company leased or subleased 20 facilities (12 owned by the Company and eight leased to the Company) to third-party tenants on a triple net basis, meaning that the lessee (i.e., the third-party tenant of the property) is obligated under the lease or sublease, as applicable, for all costs of operating the property, including insurance, taxes and facility maintenance, as well as the lease or sublease payments to the Company, as applicable.

As of December 31, 2022 December 31, 2023, the Company leased or subleased 11 facilities to third-party tenants on a triple net basis. The reduction in facilities leased by the Company is the result of the Lease Termination Agreement described above, whereby the Company terminated its lease (and related subleases) of eight SNFs.

The weighted average remaining lease term for our facilities is 5.65.5 years.

Below is a description of the leases with the Company as lessor as of December 31, 2022 December 31, 2023.

Aspire. On November 30, 2018, the Company subleased five facilities located in Ohio to affiliates (collectively, "Aspire Sublessees") of Aspire Regional Partners, Inc. ("Aspire"). The Aspire Subleases became effective on December 1, 2018 and are structured as triple net leases. The Aspire Facilities are comprised of 5 facilities: (i) a 94-bed SNF located in Covington, Ohio (the "Covington Facility"); (ii) an 80-bed assisted living facility located in Springfield, Ohio (the "Eaglewood ALF Facility"); (iii) a 99-bed SNF located in Springfield, Ohio (the "Eaglewood Care Center Facility"); (iv) a 50-bed SNF located in Greenfield, Ohio (the "H&C of Greenfield Facility"); and (v) a 50-bed SNF located in Sidney, Ohio (the "Pavilion Care Facility"). Under the Aspire Subleases, a default related to an individual facility may cause a default under all the Aspire Subleases. Each sublease has an initial term of 10 years, with renewal options, except for the H&C of Greenfield Facility, which has an initial five year term, and set annual rent increases generally commencing in the third lease year. From month seven of the Aspire Subleases, monthly rent amounts may increase based on each facility's prior month occupancy, with minimum annual rent escalations of at

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least 1% generally commencing in the third lease year. Minimum rent receivable for the Covington Facility, the Eaglewood ALF Facility, the Eaglewood Care Center Facility, the H&C of Greenfield Facility and the Pavilion Care Facility for the year ended December 31, 2019 (the first lease year) was \$0.4 million, \$0.5 million, \$0.4 million, \$0.2 million and \$0.2 million per annum, respectively. For the year ended December 31, 2020, minimum rent receivable

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increased for the Covington and the Eaglewood ALF Facility to \$0.5 million and \$0.6 million per annum, respectively. The set annual rent increases, mentioned above, commenced on December 1, 2021.

Symmetry. Affiliates of Symmetry Healthcare Management, LLC ("Symmetry" or "Symmetry Healthcare") (collectively the "Symmetry Tenants") leased the following facilities from the Company, pursuant to separate lease agreements which expire in 2030 (the "Symmetry Leases"): (i) the Company's 106-bed, SNF located in Sylvia, North Carolina (the "Mountain Trace Facility"); (ii) the Company's 96-bed, SNF located in Sumter, South Carolina (the "Sumter Facility"); and (iii) the Company's 84-bed, SNF located in Georgetown, South Carolina (the "Georgetown Facility").

On February 28, 2019, the Company and the Mountain Trace tenant mutually terminated the lease with respect to the Mountain Trace Facility and operations at the facility were transferred to Vero Health X, LLC, an affiliate of Vero Health Management, LLC (both "Vero Health"). On November 1, 2022, the Company and the Sumter and Georgetown tenants mutually terminated the leases for the Sumter and Georgetown facilities and operations for those facilities were transferred to an affiliate of Oak Hollow Healthcare Management, LLC.

Vero Health. On February 28, 2019, the Company entered into a lease agreement (the "Vero Health Lease") with Vero Health, providing that Vero Health would take possession of and operate the Mountain Trace Facility located in North Carolina. The Vero Health Lease became effective, upon the termination of the prior Mountain Trace Tenant mutual lease termination on March 1, 2019. The Vero Health Lease is for an initial term of 10 years, with renewal options, is structured as a triple net lease and rent for the Mountain Trace Facility is approximately \$0.5 million per year, with an annual 2.5 % rent escalation clause.

Oak Hollow Healthcare Management. On November 1, 2022, the Company entered into two lease agreements ("the Oak Hollow Lease") with Oak Hollow Healthcare Management, providing that Oak Hollow would take possession of and operate the Georgetown and Sumter Facilities located in South Carolina. The Oak Hollow Lease became effective, upon the termination of the prior Georgetown and Sumter Tenant mutual lease termination on November 1, 2022. The Oak Hollow Leases are for an initial term of 10 years, with renewal options, is structured as a triple net leases and rent for the Georgetown and Sumter Facilities are approximately \$0.3 and \$.4 million per year, respectfully. Both leases have annual 2.5 % rent escalation clauses.

C.R. Management. Since 2015, the Company has leased six facilities to affiliates of C.R. Management ("CRM"), pursuant to a long-term, triple net operating lease. On December 14, 2021, CRM and the Alabama Department of Public Health (the "ADPH") entered into two Consent Agreements (one for the ALF and one for the SCALF, collectively a multi-campus) pursuant to which CRM will no longer be permitted to operate or manage the Meadowood Facility. On December 14, 2021, the State Board of Health for the State of Alabama issued final administrative Consent Orders with respect to the Consent Agreements. The action imposed by the State of Alabama was a violation of the lease and put CRM in violation of all six facilities with the Company.

The Company and CRM agreed to take back three **skilled nursing facilities SNFs** and one assisted living facility, and the Company became the licensed operator and Peach Health Group agreed to manage the facilities. Currently, CRM leases two skilled nursing facilities, Autumn Breeze and **Coosa** **Cocoa** Valley, from the Company.

Future Minimum Lease Receivables

Future minimum lease receivables for each of the next five years ended December 31, and thereafter are as follows:

	(Amounts in 000's)
2023	\$ 6,256
2024	6,187
2025	6,034
2026	5,362
2027	5,445
Thereafter	11,605
Total	40,888

(Amounts in 000's)	Future Lease Receivables
--------------------	-----------------------------

2024		\$ 6,559
2025		6,666
2026		6,771
2027		6,879
2028		6,730
Thereafter		8,227
Total		\$ 41,832

The following table summarizes the Company's leases to third-parties as of December 31, 2022 December 31, 2023. Each lease is structured as "triple-net" and contains specific rent escalation amounts ranging from 1.0% to 23.0.5% annually. Further, each lease has one or more renewal options. For those facilities subleased by the Company, the renewal option in the sublease agreement is dependent on the Company's renewal of the prime lease agreement.

Facility Name	Operator Affiliation ⁽¹⁾	Expira tion 2023		Operator Affiliation ⁽¹⁾	Expiration	2024 Cash
		Date	Annual Rent			
		(Thous ands)				
Owned						
Eaglewood Village	Aspire Regional Partners	11/30 /2028	\$ 630	Aspire Regional Partners	11/30/2028	\$ 630
Eaglewood Care Center	Aspire Regional Partners	11/30 /2028	813	Aspire Regional Partners	11/30/2028	821
Southland Healthcare and Rehabilitation Center				Beacon Health Management	10/31/2024	516
Hearth & Care of Greenfield	Aspire Regional Partners	11/30 /2023	311	Aspire Regional Partners	11/30/2028	372
The Pavilion Care Center	Aspire Regional Partners	11/30 /2028	340	Aspire Regional Partners	11/30/2028	343
Autumn Breeze Healthcare Center	C.R. Management	9/30/ 2025	962	C.R. Management	9/30/2030	986
Coosa Valley Health Care	C.R. Management	8/31/ 2030	1,072	C.R. Management	8/31/2030	1,099
Georgetown Healthcare & Rehabilitation	Oak Hollow Healthcare Management	10/31 /2032	337	Oak Hollow Healthcare Management	10/31/2032	344
Mountain Trace Rehabilitation and Nursing Center	Vero Health Management	2/28/ 2029	528	Vero Health Management	2/28/2029	541
Sumter Valley Nursing and Rehab Center	Oak Hollow Healthcare Management	10/31 /2032	450	Oak Hollow Healthcare Management	10/31/2032	602

Subtotal Owned Facilities		5,4				
(10)		\$ 43				6,254
Leased						
Covington Care Center	Aspire Regional	11/30				
	Partners	/2028	813	Aspire Regional Partners	11/30/2028	821
Subtotal Leased Facilities						
(1)		\$ 813				821
Total (11)		6,2				
		\$ 56				\$ 7,075

⁽¹⁾ Represents the number of facilities which are leased or subleased to separate tenants, which tenants are affiliates of the entity named in the above.

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NOTE 7. ACCRUED EXPENSES

Accrued expenses consist of the following:

Amounts in (000's)	December 31,		December 31, 2023	December 31, 2022
	2022	2021		
Accrued employee benefits and payroll related	\$ 539	\$ 343	\$ 255	\$ 539
Real estate and other taxes ⁽¹⁾	2,428	1,391	3,077	2,428
Self-insured reserve	80	162	61	80
Accrued interest	210	206	225	210
Unearned rental revenue	43	192	—	43
Medicaid overpayment - Healthcare Services	169	1,529	—	169
Insurance escrow			98	—
Other accrued expenses ⁽²⁾	1,567	1,164	344	1,567
Total	\$ 5,036	\$ 4,987	\$ 4,060	\$ 5,036

⁽¹⁾ In 2023, includes approximately \$0.7 million of 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⁾ In 2022, includes approximately \$0.7 million of bed taxes in arrears related to the Wellington Transition in 2020 as well as \$1.3 million of our own dates of operation under the Healthcare Services segment and approximately \$0.3 million property tax accrual for the twelve months ended December 31, 2022 for the Real Estate segment. In 2021, includes approximately \$0.7 million of bed taxes in arrears related to the Wellington

Transition and approximately \$0.3 million bed tax accrual for the twelve months ended December 31, 2021 for the Healthcare Services segment.

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NOTE 8. NOTES PAYABLE AND OTHER DEBT

Notes payable and other debt consists of the following:

(Amounts in 000's)	December 31,	December 31,	December 31,	December 31,
	2022	2021	2023	2022
Senior debt—guaranteed by HUD	\$ 29,782	\$ 30,178	\$ 28,979	\$ 29,782
Senior debt—guaranteed by USDA ^(a)	7,526	7,824		
Senior debt—guaranteed by SBA ^(b)	580	602		
Senior debt—guaranteed by USDA ⁽¹⁾			7,259	7,526
Senior debt—guaranteed by SBA ⁽²⁾			557	580
Senior debt—bonds	6,253	6,379	6,117	6,253
Senior debt—other mortgage indebtedness	8,266	8,601	8,001	8,266
Other debt	895	594	889	895
Subtotal	53,302	54,178	51,802	53,302
Deferred financing costs	(1,005)	(1,177)	(954)	(1,005)
Unamortized discount on bonds	(119)	(125)	(113)	(119)
Notes payable and other debt	\$ 52,178	\$ 52,876	\$ 50,735	\$ 52,178

^{(a)(1)} U.S. Department of Agriculture ("USDA")

^{(b)(2)} U.S. Small Business Administration ("SBA")

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

(Amounts in
000's)

Facility			Dec emb	Dec emb	Lender	Maturity	Interest Rate (1)	December 31,	December 31,
	Mat	er	er	2023				2022	
	Lende r	urit y	Interest Rate (a)		2022				2021
Senior debt - guaranteed by HUD (b)									
Senior debt - guaranteed by HUD (2)									
The Pavilion	New point	12/01/	3						
Care Center	Capitol	2039	Fix ed	9 7%	\$ 5	\$ 2	Newpoint Capital	12/01/2039	Fixed 3.97%
Hearth and Care of Greenfield	New point	8/01/2	3				Newpoint Capital	08/01/2050	Fixed 3.97%
Woodland Manor	Capitol	2050	Fix ed	9 7%	9	5	Newpoint Capital	11/01/2052	Fixed 3.97%
Glenvue	New point	10/01/	3				Newpoint Capital	10/01/2044	Fixed 3.75%
Autumn Breeze	KeyBank	2045	Fix ed	7 5%	7	8	KeyBank	01/01/2045	Fixed 3.65%
Georgetown	New point	10/01/	2				Newpoint Capital	10/01/2046	Fixed 2.98%
Sumter Valley	KeyBank	2047	Fix ed	9 0%	21	30	KeyBank	01/01/2047	Fixed 3.70%
Total				29	30			5,027	5,163
				,7	,1				
				\$ 82	\$ 78			28,979	29,782

Senior debt - guaranteed by USDA (c)							
Mountain		Pri					
Trace (d)	Com	12/ me	8				
	munit	24/ +	.	3,	3,		
	y	20 1.7	0	68	83		
	B&T	36 5%	0%	\$ 0	\$ 5		
Southland							
(e)	Cade	07/ me	7				
	nce	27/ +	.	3,	3,		
	Bank	20 1.5	7	84	98		
	, NA	36 0%	5%	6	9		

Senior debt - guaranteed by USDA (g)							
Mountain		Prime +					
Trace		Community B&T	12/24/2036	1.75%	10.25 %	3,539	3,680
		Cadence Bank,		Prime +			
Southland		NA	07/27/2036	1.50%	10.00 %	3,720	3,846
Total						7,259	7,526

Senior debt - guaranteed by SBA							
Southland(f,		Pri					
g)	Cade	07/ me	8				
	nce	27/ +	.				
	Bank	20 2.2	5	58	60		
	, NA	36 5%	0%	0	2		
Southland							
(4)		Cadence Bank,		Prime +			
		NA	07/27/2036	2.25%	10.75 %	557	580
Total						557	580
Total debt						\$ 36,795	\$ 37,888

(a)(1) Represents interest rates as of December 31, 2022 December 31, 2023 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.

(b)(2) For the seven SNF's, the Company has term loans insured 100% by HUD with financial institutions. 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 loans, the facilities entered into a healthcare regulatory agreement and a promissory note, each containing customary terms and conditions.

(c)(3) For the two SNF's, the Company has term loans with financial institutions, 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 have prepayment penalties of 1% through 2020, capped at 1% for the remainder of the first 10 years of the term and 0% thereafter.

(d) Pursuant to the CARES Act, the monthly principal and interest payments due May 1, 2020 through September 1, 2020 for the loan for the Facility, were deferred (a part of the "USDA Payment Program"). Monthly payments that commenced on October 1, 2020 were being applied to interest, then deferred interest until the deferred interest was paid in full on April 1, 2021. Payments were re-amortized over the remaining term loan. On September 30, 2021, the Company fully refinanced the MCB Coosa Loan with the Exchange Bank of Alabama, see "Senior debt - mortgage indebtedness" below.

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

(f) 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.

(g)(4) For one SNF, commonly known as Southland, the Company has a term loan with a financial institution, which is insured 75% 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 (a)	December 31, 2022	December 31, 2021	
Senior debt - bonds (b)						
Eaglewood Bonds Series A	City of Springfield, Ohio	05/01/2042	Fixed	7.65 %	\$ 6,253	\$ 6,379
Total					\$ 6,253	\$ 6,379

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

(a)(1) Represents interest rates as of December 31, 2022 December 31, 2023 as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs of approximately 0.10% per annum.

(b) In April 2012, a wholly-owned subsidiary of the Company entered into a loan agreement with the City of Springfield, Ohio pursuant to which City of Springfield lent to such subsidiary the proceeds from the sale of City of Springfield's Series 2012 Bonds. The Series 2012 Bonds consisted of \$6.6 million in Series 2012A First Mortgage Revenue Bonds and \$0.6 million in Taxable Series 2012B First Mortgage Revenue Bonds. The bonds are secured by the Company's assisted living facility located in Springfield, Ohio known as Eaglewood Village and guaranteed by Regional. There is an original issue discount of \$0.3 million related to this loan.

(c) On May 3, 2021, in accordance with the terms of The City of Springfield, Ohio First Mortgage Revenue Series 2012 B Bonds, the Company fully repaid approximately \$0.1 million in outstanding principal and interest.

(a) (1) Represents interest rates as of December 31, 2022 December 31, 2023 as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs of 0.34% per annum.

(b) (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, 2 October 1, 2026.

(c) (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 1st year, 4% in the 2nd year and 1% thereafter.

Total	\$ 895	\$ 594	\$ 889	\$ 895
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(a)(1) Annual Insurance financing primarily for the Company's directors' and officers' insurance.

(b)(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 December 31, 2022 December 31, 2023, the Company had approximately 16 credit related instruments outstanding that include various financial and administrative covenant requirements. Covenant requirements include, but are not limited to,

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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;

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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.

At December 31, 2022 December 31, 2023, the Company was in compliance with the various financial and administrative covenants related to all of the Company's credit facilities facilities.

Scheduled Minimum Debt Principal payments and Maturity payments

The schedule below summarizes the scheduled gross minimum principal payments and maturity payments as of December 31, 2022 December 31, 2023 for each of the next five years and thereafter.

		(Amounts in 000's)	
2023	\$	1,778	
			Future Minimum Payments
(Amounts in 000's)			
2024		1,578	\$ 1,944
2025		2,157	2,154
2026		8,624	8,621
2027		1,425	1,425
2028			1,500

Thereafter	37,740	36,158
Subtotal	53,302	51,802
Less: unamortized discounts	(119)	
Less: deferred financing costs, net	(1,005)	
Less: Deferred financing costs, net		(954)
Less: Unamortized discounts		(113)
Total notes and other debt	\$ 52,178	\$ 50,735

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NOTE 9. SEGMENT RESULTS

Effective January 1, 2021, pursuant to In 2023, the Wellington Lease Termination, as a portfolio stabilization measure the Company commenced operating the previously subleased Tara Facility. Healthcare Services segment consisted of two facilities: Meadowood and Glenvue. In 2022, the Company commenced operations at the previously leased Meadowood and Glenvue facilities as well as the subleased Lumber City, LaGrange and Thomasville facilities. Accordingly, the Company now has two primary reporting segments: (i) Real Estate Services, segment, 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 Lumber City, LaGrange, Meadowood, Thomasville, Glenvue and the Tara 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.

(Amounts in 000's)	Twelve Months Ended December 31,			Twelve Months Ended December 31,		
	2022		2022	2021		2021
	Real Estate	Healthcare	Total	Real Estate	Healthcare Services	Total
Revenues:						
Patient care revenues	\$ —	\$ 22,060	\$ 22,060	\$ —	\$ 9,485	\$ 9,485
Rental revenues	12,794	—	12,794	16,093	—	16,093
Management fees	1,045	—	1,045	1,021	—	1,021
Other revenues	26	—	26	91	—	91
Total revenues	13,865	22,060	35,925	17,205	9,485	26,690
Expenses:						
Patient care expense	—	20,453	20,453	—	9,243	9,243
Facility rent expense	4,050	826	4,876	5,274	1,190	6,464
Cost of management fees	619	—	619	672	—	672
Depreciation and amortization	2,371	33	2,404	2,575	16	2,591
General and administrative expense	3,458	1,194	4,652	3,427	504	3,931
Doubtful accounts expense (recovery)	4,298	618	4,916	(78)	260	182
Loss on disposal of assets	1,296	121	1,417	—	—	—
Loss on Lease Termination	1,436	—	1,436	—	—	—

Other operating expenses	631	1,343	1,974	1,016	58	1,074
Total expenses	18,159	24,588	42,747	12,886	11,271	24,157
Income (loss) from operations	(4,294)	(2,528)	(6,822)	4,319	(1,786)	2,533
Other (income) expense:						
Interest expense, net	2,567	(38)	2,529	2,653	16	2,669
(Gain) Loss on extinguishment of debt	452	—	452	(146)	—	(146)
Other (income) expense, net	(987)	(1,949)	(2,936)	1,192	—	1,192
Total other (income) expense, net	2,032	(1,987)	45	3,699	16	3,715
Net loss	\$ (6,326)	\$ (541)	\$ (6,867)	\$ 620	\$ (1,802)	\$ (1,182)

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(Amounts in 000's)	Year Ended December 31,			Year Ended December 31,		
	2023		2023	2022		2022
	Real Estate	Healthcare Services	Total	Real Estate	Healthcare Services	Total
Revenues:						
Patient care revenues	\$ —	\$ 8,835	8,835	\$ —	\$ 22,060	\$ 22,060
Rental revenues	7,069	—	7,069	12,794	—	12,794
Management fees	1,050	—	1,050	1,045	—	1,045
Other revenues	210	—	210	26	—	26
Total revenues	8,329	8,835	17,164	13,865	22,060	35,925
Expenses:						
Patient care expense	—	9,200	9,200	—	20,453	20,453
Facility rent expense	(6)	600	594	4,050	826	4,876
Cost of management fees	595	—	595	619	—	619
Depreciation and amortization	2,040	215	2,255	2,371	33	2,404
General and administrative expense	3,686	290	3,976	3,458	1,194	4,652
Doubtful accounts expense	175	975	1,150	4,298	618	4,916
Loss on disposal of assets	—	—	—	1,296	121	1,417
Loss on lease termination	—	—	—	1,436	—	1,436
Other operating expenses	246	(48)	198	631	1,343	1,974
Total expenses	6,736	11,232	17,968	18,159	24,588	42,747
Income (loss) from operations	1,593	(2,397)	(804)	(4,294)	(2,528)	(6,822)
Other (income) expense:						
Interest expense, net	2,593	158	2,751	2,567	(38)	2,529
Loss on extinguishment of debt	—	—	—	452	—	452

Other (income) expense, net	115	218	333	(987)	(1,949)	(2,936)
Total other (income) expense, net	2,708	376	3,084	2,032	(1,987)	45
Net loss	\$ (1,115)	\$ (2,773)	\$ (3,888)	\$ (6,326)	\$ (541)	\$ (6,867)

Total assets for the Real Estate segment and Healthcare Services segment were \$54.2 million and \$8.0 million respectively, as of December 31, 2023.

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

Total assets for the Real Estate Services segment and Healthcare Services segment were \$103.2 million and \$2.5 million respectively, as of December 31, 2021.

NOTE 10. COMMON AND PREFERRED STOCK

On June 27, 2023, the Company convened a special meeting (the "Special Meeting") of the holders of its 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 Exchange. 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 "Charter") with respect to the Series A Preferred Stock to significantly

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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 December 31, 2023, the Company had 55,000,000 shares of Common Stock authorized and 1,849,908 shares issued and 1,839,028 shares outstanding. There were no dividends declared or paid on the common stock during the years ended December 31, 2022 December 31, 2023 and 2021, 2022.

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Preferred Stock

As of December 31, 2023, 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 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 December 31, 2023, 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 \$45.9 million were forfeited as part of the extinguishment. As of December 31, 2022, the Company had 2,811,535 shares of the Series A Preferred Stock issued and outstanding. The Company may, at its option, redeem the Series A Preferred Stock, in whole or in part, by paying \$25.00 per share, plus any accrued outstanding, and unpaid dividends to the redemption date.

No dividends were declared or paid on the Series A Preferred Stock for the years ended December 31, 2022 and 2021.

Holders of the Series A Preferred Stock generally have no voting rights but have limited voting rights under certain circumstances, as described in the Charter. The Company is required to redeem the Series A Preferred Stock following a "Change of Control," as defined in the Charter.

Dividends

The following table summarizes the preferred stock dividends in arrears at December 31, 2022:

	Date paid / Arrears date	Dividends Per		Dividend Arrears (in 000's)
		Share		
Common Stock Dividends: *				
	4/30/2015	\$	0.050	\$ 0.050
	7/31/2015		0.055	0.055
	10/31/2015		0.060	0.060
For the year ended December 31, 2015		\$	0.165	\$ 0.165
Preferred Stock Dividends:				
	3/31/2017	\$	0.68	\$ —
	6/30/2017		0.68	—
	9/30/2017		0.68	—
	12/31/2017	\$	0.68	\$ 1,912
For the year ended December 31, 2017		\$	0.68	\$ 1,912
	3/31/2018	\$	0.68	\$ 1,912
	6/30/2018		0.68	1,912
	9/30/2018		0.68	1,912
	12/31/2018		0.80	2,249
For the year ended December 31, 2018		\$	2.84	\$ 7,985
	3/31/2019	\$	0.80	\$ 2,250
	6/30/2019		0.80	2,249
	9/30/2019		0.80	2,249
	12/31/2019		0.80	2,249
For the year ended December 31, 2019		\$	3.20	\$ 8,997
	3/31/2020	\$	0.80	\$ 2,250
	6/30/2020		0.80	2,249
	9/30/2020		0.80	2,249
	12/31/2020		0.80	2,249

For the year ended December 31, 2020	\$ 3.20	\$ 8,997
3/31/2021	\$ 0.80	\$ 2,250
6/30/2021	0.80	2,249
9/30/2021	0.80	2,249
12/31/2021	0.80	2,249
For the year ended December 31, 2021	\$ 3.20	\$ 8,997
3/31/2022	0.80	2,250
6/30/2022	0.80	2,249
9/30/2022	0.80	2,249
12/31/2022	0.80	2,249
For the year ended December 31, 2022	\$ 3.20	\$ 8,997
Cumulative Total Outstanding		\$ 45,885

* The Board has suspended payment of the quarterly dividend on the Series A Preferred Stock indefinitely. Such dividend suspension does not trigger a default under the Company's outstanding indebtedness.

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As of December 31, 2022, as a result of the suspension of the dividend payment on the Series A Preferred Stock commencing with the fourth quarter 2017 dividend period, the Company **has had** approximately \$45.9 million of undeclared preferred stock dividends in arrears. Holders of the Series A Preferred Stock are entitled to receive, when and as

No dividends **were** declared by the Board out of funds of the Company legally available for the payment of distributions, cumulative preferential cash dividends at an annual rate equal to 10.875% of the \$25.00 per share stated liquidation preference of the Series A Preferred Stock, which is equivalent to an annual rate of \$2.72 per share. Dividends **or paid** on the Series A Preferred Stock **are payable quarterly in arrears, on March 31, June 30, September 30, for the years ended December 31, 2023 and December 31, of each year, unless suspended by the Board. On June 8, 2018, the Board determined to continue suspension 2022.**

Series B Preferred Stock

The terms and provisions of the **payment** 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 **quarterly dividend on the cumulative redemption provisions**, (ii) ranks senior to our common stock, our Series A Preferred Stock **indefinitely. Under** 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 A 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.

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As of December 31, 2023, the Company had 2,252,272 shares of Series B Preferred Stock issued and outstanding. No dividends were declared or paid on the Series AB Preferred Stock shall continue for the year ended December 31, 2023.

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 accrue 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 accumulate regardless became effective on February 14, 2023. The Series E Preferred Stock was distributed on February 28, 2023 to shareholders of whether such dividends are declared by the Board. As the Company has failed to pay cash dividends record on the outstanding Dividend Record Date.

All shares of Series AE Preferred Stock were redeemed in full for four dividends periods: (i) connection with the annual dividend rate on the Special Meeting. The Series AE Preferred Stock designation has increased to be eliminated from the Charter and, as of December 31, 2023, there are 12.875 no%, which is equivalent to an annual rate shares of approximately \$3.20, commencing on the first day after the missed fourth quarterly payment (October 1, 2018) continuing until the second consecutive dividend payment date following such time as the Company has paid all accumulated and unpaid dividends on the Series AE Preferred Stock in full in cash; issued and (ii) the holders of the Series A Preferred Stock are entitled to vote, as a single class, for the election of outstanding.

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additional directors to serve on the Board, as further described in the amended and restated articles of incorporation of the Company, otherwise referred to as the Charter.

	Date paid / Arrears date	Dividends Per		Dividend Arrears	
		Share		(in 000's)	
Common Stock Dividends: *					
	4/30/2015	\$	0.050	\$	0.050
	7/31/2015		0.055		0.055
	10/31/2015		0.060		0.060
For the year ended December 31, 2015		\$	0.165	\$	0.165
Preferred Stock Dividends:					
	3/31/2017	\$	0.68	\$	—
	6/30/2017		0.68		—
	9/30/2017		0.68		—
	12/31/2017	\$	0.68	\$	1,912
For the year ended December 31, 2017		\$	0.68	\$	1,912

	3/31/2018	\$ 0.68	\$ 1,912	
	6/30/2018	0.68	1,912	
	9/30/2018	0.68	1,912	
	12/31/2018	0.80	2,249	
For the year ended December 31, 2018		\$ 2.84	\$ 7,985	
	3/31/2019	\$ 0.80	2,250	
	6/30/2019	0.80	2,249	
	9/30/2019	0.80	2,249	
	12/31/2019	0.80	2,249	
For the year ended December 31, 2019		\$ 3.20	\$ 8,997	
	3/31/2020	\$ 0.80	2,250	
	6/30/2020	0.80	2,249	
	9/30/2020	0.80	2,249	
	12/31/2020	0.80	2,249	
For the year ended December 31, 2020		\$ 3.20	\$ 8,997	
	3/31/2021	\$ 0.80	2,250	
	6/30/2021	0.80	2,249	
	9/30/2021	0.80	2,249	
	12/31/2021	0.80	2,249	
For the year ended December 31, 2021		\$ 3.20	\$ 8,997	
	3/31/2022	0.80	2,250	
	6/30/2022	0.80	2,249	
	9/30/2022	0.80	2,249	
	12/31/2022	0.80	2,249	
For the year ended December 31, 2022		\$ 3.20	\$ 8,997	
	3/31/2023	\$ 0.80	2,249	
	6/30/2023	—	—	
	9/30/2023	—	—	
	12/31/2023	—	—	
For the year ended December 31, 2023		\$ 0.80	\$ 2,249	

NOTE 11. STOCK BASED COMPENSATION

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Stock Incentive Plans

On November 4, 2020 September 21, 2023 (the "Effective Date"), 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 authorizes the Compensation Committee of the Board adopted, of the Company to grant awards to non-employee directors, employees (including executive officers) and consultants. Under the terms of the 2023 Plan, the maximum number of shares of common stock reserved for delivery in settlement of awards shall be an aggregate of 225,000 shares of our common stock and grants are subject to certain limitations. The 2023 Plan permits the grant of any or all of the following types of awards to grantees: (i) stock options, including non-qualified options and incentive stock options; (ii) stock appreciation rights; (iii) restricted shares; (iv) performance units; (v) performance shares; (vi) deferred stock; (vii) restricted stock units; (viii) dividend equivalents; and (vii) other stock-based awards.

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"). The Company's shareholders approved Outstanding awards under the 2020 Plan will continue to be governed by the terms of the 2020 Plan until exercised, expired or otherwise terminated or canceled, but no further equity awards will be granted under the 2020 Plan.

On November 4, 2020, the Board adopted the 2020 Plan which was approved by the Company's shareholders 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 under the 2020 Plan is 250,000 shares, subject to certain adjustments. No awards may could be made under the 2020 Plan after the 10th anniversary of the date of shareholder approval of the 2020 Plan, and no incentive stock options may could be granted after the 10th anniversary of the date of Board approval of the 2020 Plan. As of September 21, 2023, the effective date of the 2023 Plan,

The 2020 Plan replaces 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 which 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 no additional awards may be granted under the 2011 2020 Plan.

As of December 31, 2022 December 31, 2023, the number of securities remaining available for future issuance under the 2020 our 2023 Plan is 155,000 225,000.

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; or (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. Shares of common stock repurchased by the Company on the open market or shares of common stock withheld upon vesting of restricted common stock to satisfy the Company's tax withholding obligation will not be added back to the shares of common stock available for issuance under the 2020 Plan.

The following table summarizes employee and nonemployee stock-based compensation for the years ended December 31, 2022 December 31, 2023 and 2021; 2022:

Amounts in (000's)	Year Ending December 31,	
	2023	2022
Employee compensation:		
Stock options	\$ 72	\$ —
Restricted stock	285	233
Total employee stock-based compensation expense	\$ 357	\$ 233

As of December 31, 2023, the Company has no unrecognized compensation expense related to stock options.

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Amounts in (000's)	Year Ending December 31,	
	2022	2021
Employee compensation:		
Restricted stock	\$ 233	\$ 481
Total employee stock-based compensation expense	\$ 233	\$ 481
Non-employee compensation:		
Restricted stock	\$ —	\$ —
Total non-employee stock-based compensation expense	\$ —	\$ —
Total stock-based compensation expense	\$ 233	\$ 481

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Common Stock Options

The following summarizes the Company's employee and non-employee stock option activity for the years ended December 31, 2022 December 31, 2023 and 2021:2022:

	Number of Options (000's)	Weighted			Aggregate Value (000's) (a)
		Weighted Average		Average Remaining	
		Exercise Price	Contract Life (in years)		
Outstanding and vested at December 31, 2020	13	\$ 47.53	3.5	\$ —	
Granted	—	\$ —			
Exercised	—	\$ —			
Forfeited	—	\$ —			
Expired	—	\$ —	—	—	
Outstanding and vested at December 31, 2021	13	\$ 47.53	2.5	\$ —	
Granted	—	\$ —			
Exercised	—	\$ —			
Forfeited	—	\$ —			
Expired	—	\$ —	—	—	
Outstanding and vested at December 31, 2022	13	\$ 47.53	1.6	\$ —	

(a) Represents the aggregate gain on exercise for vested in-the-money options.

	Number of Options	Weighted		Aggregate Intrinsic Value (000's) (a)
		Weighted Average	Average Remaining	
			Remaining	

	(000's)	Exercise Price	Contract Life (in years)	Value (000's)
Outstanding at December 31, 2021	13	\$ 47.53	2.5	\$ —
Granted	—	\$ —	—	—
Expired	—	\$ —	—	—
Outstanding at December 31, 2022	13	\$ 47.53	1.6	\$ —
Granted	24	\$ 3.32	—	—
Expired	(4)	\$ 48.96	—	—
Outstanding at December 31, 2023	33	\$ 14.84	6.9	\$ —

No For the year ended December 31, 2023, a stock option to purchase 24,000 shares of common stock was granted under our 2020 Plan to an employee with an exercise price of \$3.32. The weighted average fair value of the option granted was \$2.99 and was estimated using the Black-Scholes option-pricing model with the following assumptions: (i) expected term of 5.0 years, (ii) risk free interest rate of 3.95%, (iii) dividend yield of 0.0%, and (iv) expected volatility of 143.23%. For the year ended December 31, 2022, no stock options were granted during the years ended December 31, 2022 and December 31, 2021. At December 31, 2022, the Company has no unrecognized compensation expense related to options granted.

The following summary information reflects stock options outstanding, vested, and related details as of December 31, 2022 December 31, 2023:

	Stock Options					Stock Options Outstanding					Stock Option Exercisable		
	Stock Options Outstanding		Exercisable			Stock Options Outstanding		Stock Option Exercisable					
	Number	Remaining ing	Weight	Averag ed	Vested	Averag ed	Number	Remaining ing	Average	Weighted	Vested and Exercisable	Average	Weighted
		Outstand ing	Contractual Term	Exercis able	Exercisa ble	Exercis able	Outstanding	Contractual Term	Exercise	Exercisable	(000's)	Price	Exercise
Exercise Price	(000's)	(in years)	Price	(000's)	Price	(000's)	(000's)	(in years)	Price	(000's)		Price	Price
\$15.72 -			46.8		46.8				9.0	\$ 3.32		24	\$ 3.32
\$47.99	9	2.0	\$ 1	9	\$ 1				1.0	\$ 46.80		9	\$ 46.80
\$48.00 -			48.9		48.9								
\$51.60	4	0.8	\$ 6	4	\$ 6								
\$3.32				24									
\$46.80				9									
Total			47.5	47.5									
	13	1.6	\$ 3	13	\$ 3		33		6.9	\$ 14.84		33	\$ 14.84

Common Stock Warrants

The Company grants stock warrants to officers, directors, employees and certain consultants to the Company from time to time as determined by the Board and, when appropriate, the Compensation Committee of the Board. The Board administers the granting of warrants, determines the persons to whom awards will be made, the amount of the awards, and the other terms and conditions of the awards.

The following summarizes the Company's employee and non-employee common stock warrant activity for the years ended **December 31, 2022 and 2021**; **December 31, 2023 and 2022**:

			Weighted			
			Number of Warrants (000's)	Weighted		Aggregate Intrinsic Value (000's) ^(a)
				Average	Exercise	
Outstanding and vested at December 31, 2020			58	\$ 52.09	3.0	\$ —
Granted			—	\$ —		
Exercised			—	\$ —		
Forfeited			—	\$ —		
Expired			(15)	\$ 50.28		\$ —
Outstanding and vested at December 31, 2021			43	\$ 52.71	2.6	\$ —
Granted			—	\$ —		
Exercised			—	\$ —		
Forfeited			—	\$ —		
Expired			(8)	\$ 49.76		\$ —
Outstanding and vested at December 31, 2022			35	\$ 53.31	1.9	\$ —

^(a) Represents the aggregate gain on exercise for vested in-the-money warrants.

			Weighted			
			Number of Warrants (000's)	Weighted		Aggregate Intrinsic Value (000's)
				Average	Exercise	
Outstanding at December 31, 2021			43	\$ 52.71	2.6	\$ —
Granted			—	\$ —		
Expired			(8)	\$ 49.76		
Outstanding at December 31, 2022			35	\$ 53.31	1.9	\$ —
Granted			—	\$ —		
Expired			(3)	\$ 63.81		
Outstanding at December 31, 2023			32	\$ 52.50	1.0	\$ —

No warrants were granted during the years ended **December 31, 2022** **December 31, 2023** and **December 31, 2021** **December 31, 2022**. The Company has no unrecognized compensation expense related to common stock warrants as of **December 31, 2022** **December 31, 2023**.

The following summary information reflects warrants outstanding, vested, and related details as of **December 31, 2022** **December 31, 2023**:

	Warrants Outstanding	Warrants Exercisable

Exercise Price	Number Outstanding (000's)	Number	Weighted	Weighted	Vested and	Weighted
		Average	Average	Exercisable	Average	Average
		Remaining	Exercise	(000's)	Exercise	Exercise
		Contractual	Price			Price
		Term (in years)				
\$36.00 - \$47.99	1	0.8	\$ 47.52		1	\$ 47.52
\$48.00 - \$59.99	32	1.8	\$ 52.50		32	\$ 52.50
\$60.00 - \$70.80	2	0.4	\$ 70.80		2	\$ 70.80
Total	35	1.9	\$ 53.31		35	\$ 53.31

Exercise Price	Warrants Outstanding			Warrants Exercisable		
	Number Outstanding (000's)	Weighted		Vested and Exercisable (000's)	Weighted	
		Average	Remaining		Average	Average
		Contractual	Term		Exercise	Exercise
		Price				
\$51.00	15	1.3	\$ 51.00	15	\$	4.00
\$53.88	17	0.8	\$ 53.88	17	\$	53.88
Total	32	1.0	\$ 52.50	32	\$	52.50

Restricted Stock

The following summarizes the Company's restricted stock activity for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

	Number of Shares (000's)	Weighted		
		Number		Average
		of		Grant Date
		Shares (000's)		Fair Value
Unvested at December 31, 2020			14	\$ 3.60
Granted			87	\$ 13.01
Vested			(22)	\$ 7.18
Forfeited			—	\$ -
Unvested at December 31, 2021			79	\$ 12.99
Granted			24	\$ 4.51
Vested			(29)	\$ 13.01
Forfeited			(23)	\$ 12.95
Unvested at December 31, 2022			51	\$ 8.99

	Number of Shares (000's)	Weighted		
		Number		Average
		of		Grant Date
		Shares (000's)		Fair Value
Unvested at December 31, 2021			79	\$ 12.99

Granted	24	\$ 4.51
Vested	(29)	\$ 13.01
Forfeited	(23)	\$ 12.95
Unvested at December 31, 2022	51	\$ 8.99
Granted	99	\$ 3.61
Vested	(26)	\$ 9.06
Forfeited	(44)	\$ 3.61
Unvested at December 31, 2023	80	\$ 5.27

For restricted stock unvested at December 31, 2022 December 31, 2023, approximately \$0.20.1 million in compensation expense will be recognized over the next year.two years.

NOTE 12. VARIABLE INTEREST ENTITIES 102

The Company has a loan receivable with Peach Health Sublessee. Such agreement creates a variable interest in 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 entities' economic performance. For more information, see Note 6 - Leases.

NOTE 13.12. 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 December 31, 2022 December 31, 2023, all of the Company's facilities operated, leased and subleased to third-party operators and managed for third-parties or operated by the Company are certified by CMS and are operational.

The Company believes that it is in compliance in all material respects with all applicable laws and regulations.

Legal Matters

The Company is 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 prior to the Transition, when its focus was operating SNFs, resulted in injury or death to the residents of the Company's facilities and claims related to 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.

As of December 31, 2022 December 31, 2023, the Company and its tenants operate in an industry that is extremely regulated. As such, in the ordinary course of business, the Company's 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/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, for the Company's prior operations, or the Company's tenants, whether currently asserted or 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

As of December 31, 2023, the Company was a defendant in a total of 2 professional and general liability actions related directly to patient care that our current or prior tenants provided to their patients. For further information, see below.

As of December 31, 2022, the Company is was a defendant in a total of 10 professional and general liability actions. Of these 10 professional and general liability actions, one of which were dismissed in February 2023. The Company has one was a legacy action from prior to the Transition of the facility, and is a named party in 9 actions related directly to patient care that our current or prior tenants provided to their patients, subsequent to December 31, 2022, the Company was named in two additional actions related directly to patient care that one of our tenants provided to their patient. For further information, see below and Note 15 – Subsequent Events. patients.

Claims on behalf of the Company's Former future Tenant's Patients Prior to the Transition

As of December 31, 2022, the Company is a defendant in one professional and general liability action commenced on behalf of one of our former patients who received care at one of our facilities prior to the Transition. The plaintiff

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in this action alleges negligence due to failure 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 is covered by insurance, except that any punitive damages awarded would be excluded from coverage. after Transitioning Operations

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

As of December 31, 2022 December 31, 2023, the Company is has been named in 3 lawsuits pertaining to facilities it transitioned operations to other entities as a defendant lessor in an aggregate of 9 professional and general liability actions which set forth claims relating to time periods after 2015. Even though the Transition, on behalf of former patients residents were not part of our current or prior tenants, two dates of which were dismissed in January 2023, see Note 15 – Subsequent Events. 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 service as the applicable facility operated by our tenants. These actions on behalf operator of former patients of our current or prior tenants all relate to events which occurred after the buildings, the lawsuits claim the Company transitioned knew the operations new operator had a history of providing poor patient care and therefore should not have leased the facilities premises to the new operator. We do not believe there is any basis in question law or fact to hold the previous operator/ lessor liable, and as a third-party operator (and result management has concluded that the likelihood 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 a material adverse result 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. remote

During the year ended December 31, 2022, the following professional and general liability action (included in the 9 actions mentioned above) related to our current or former tenant's former patients were filed against the Company. 103

- On June 28, 2022, Ms. Betty Coleman's husband (and executor of her estate) filed suit against Tara Operator, LLC (amongst others) alleging she received negligent care and treatment while a resident of Tara's skilled nursing facility where she was a resident from Tara at Thunderbolt Health and Rehabilitation (11/18/19-6/30/20). Although Tara Operator was served via its registered agent, due to a misunderstanding, Tara Operator did not answer the complaint timely and automatically went into default. On September 19, 2022, Tara Operator filed its proposed answer to the Complaint and its motion to set aside the default judgment. A hearing was held on that motion on October 21, 2023 at which Tara Operator argued that under Georgia's Default Statute and legal precedent, the Court had the discretion to set aside the default due to the anticipated injustice as well as inconsistent rulings should the default remain. The Court took the matter under advisement and, to date, no order has been issued. Should the default not be set aside, Tara Operator will request a certificate to appeal the ruling to the Court of Appeals and will also move to transfer venue to arbitration.

During the year ended December 31, 2021, the following professional and general liability action (included in the 13 actions mentioned above) related to our current or former tenant's former patients were filed against the Company.

- On October 4, 2021, a medical negligence and wrongful death action was filed in the State Court of Gwinnett County, Georgia, by Bonnie L. Aquilino, Traci R. Randall, and Judy W. Sturgess against Wellington, other legal entities unaffiliated with the Company, the Company, and the Company's Chief Executive Officer, on behalf of, and alleging the wrongful death and medical negligence of, a patient at the facility known as Thunderbolt Transitional Care and Rehabilitation. During the patient's dates of service, the facility was subleased to Wellington (a third-party operator) by the Company and such facility was operated by Wellington. The plaintiff was seeking an amount in excess of \$10,000 for professional malpractice and an unspecified amount for the full value of the life of the patient and other compensatory damages to be determined by jury trial. The Company is indemnified by Wellington in this action. On January 10, 2022, the State Court of Gwinnett County granted our motion to dismiss the Company and the Company's Chief Executive Officer from this action.

Fair Labor Standards Legal Complaint

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On October 7, 2021, a violation of Fair Labor Standards action was filed in the District Court for the Southern District of Ohio, Western Division at Dayton, by Colleen Long against the Company and UVMC Nursing Care Inc. dba Koester Pavilion (the "Defendants") on behalf of herself and all current and former non-exempt employees employed from approximately September 30, 2018 onwards (hereinafter the "Putative Class Members") at a facility managed by the Company alleging Defendants have failed to pay all overtime wages due. The plaintiff is seeking an order certifying the Putative Class Members as an Ohio Class and designation of the plaintiff as representative for the Ohio Class. Additionally, the plaintiff is seeking, for Putative Class Members, back pay equal to the amount of all unpaid overtime pay for three years preceding October 7, 2021 plus an additional equal amount in liquidation damages, punitive damages of not less than \$150.00 for each day the violation continued, an award of 6% of the total unpaid wages or \$200.00 for each instance of failure to pay wages owed within thirty days, whichever is greater, attorney's fees and costs, and any other relief the plaintiff is entitled to. The Company intends to take action most favorable to the Company. There is no guarantee that the Company will prevail in this action. This case has reached a mutually agreed upon settlement.

NOTE 14.13. INCOME TAXES

There was no provision for income taxes for the years ended December 31, 2022 December 31, 2023 and 2021.

2022.

At December 31, 2022 December 31, 2023 and 2021 2022, the tax effect of significant temporary differences representing deferred tax assets and liabilities are as follows:

(Amounts in 000's)	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
Net deferred tax asset (liability):				
Allowance for doubtful accounts	\$ 29	\$ 44	\$ 385	\$ 29

Accrued expenses	192	143	152	192
Right of use asset	800	7,919	724	800
Right of use liability	(706)	(7,388)	(633)	(706)
Net operating loss carry forwards	21,127	18,253	21,662	21,127
Property, equipment & intangibles	(3,315)	(2,998)	(3,581)	(3,315)
Stock based compensation	175	209	184	175
Self-Insurance Reserve	20	40	15	20
Interest Expense	1,862	2,300	1,831	1,862
Total deferred tax assets	20,184	18,522	20,739	20,184
Valuation allowance	(20,184)	(18,522)	(20,739)	(20,184)
Net deferred tax liability	\$ —	\$ —	\$ —	\$ —

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The items accounting for the differences between income taxes computed at the federal statutory rate and the provision for income taxes are as follows:

	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
Federal income tax at statutory rate	21.0%	21.0%	21.0%	21.0%
State and local taxes	2.2%	(2.6)%	(1.2)%	2.2%
Nondeductible expenses	(1.3)%	(1.7)%	(1.1)%	(1.3)%
Change in valuation allowance	(21.6)%	(16.7)%	(13.4)%	(21.6)%
Other			(5.3)%	(0.3)%
Effective tax rate	—%	—%	—%	—%

As of December 31, 2022 December 31, 2023, the Company had consolidated federal NOL carry forwards of \$91.3 93.8 million. As a result of the Tax Reform Act, approximately \$25.8 28.7 million of NOL's generated in 2018 and after do not expire and are currently offset by a full valuation allowance. The NOLs generated before December 31, 2018, which amount to \$65.3 65.1 million begin to expire in 2025 through 2037 and currently are offset by a full valuation allowance. As of December 31, 2022 December 31, 2023, the Company had consolidated state NOL carry forwards of \$48.3 45.8 million. These NOLs begin to expire in 2023 2024 through 2042 2043 and currently are offset by a full valuation allowance.

Given the Company's historical net operating losses, a full valuation allowance has been established on the Company's net deferred tax assets. The Company has generated additional deferred tax liabilities related to its tax amortization of certain acquired indefinite lived intangible assets because these assets are not amortized for book purposes. The tax amortization in current and future years gives rise to a deferred tax liability which will only reverse at the time of ultimate sale or book impairment. As a result of the Tax Reform Act, NOL carry forwards generated in tax years 2018 and forward have an indefinite life. For this reason, the Company has taken the position that the deferred tax liability related to the indefinite lived intangibles can be used to support an equal amount of the deferred tax asset related to the NOL carry forwards generated in tax years 2018 and forward.

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The Company files federal, state and local income tax returns in the U.S. The Company is generally no longer subject to income tax examinations for years prior to fiscal 2018.

NOTE 15.14. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the date the consolidated financial statements were issued and filed with the SEC. The following is a summary of the material subsequent events.

In February 2023, Symmetry Healthcare Management made On February 16, 2024, the first Regional's insurance carrier was able to reach a settlement with the family of 14 monthly payments of \$29,085. The Company accepted a lump sum payment of \$250,000 as payoff for the remaining promissory note balance. Mable Polite within policy limits.

The Taxpayer Certainty and Disaster Tax Relief Act On March 18, 2024, due to an impending potential sale of 2020, enacted December 27, 2020, made a number of changes to employer retention tax credits previously made available under the CARES Act, including modifying and extending the Employee Retention Credit ("ERC") for the six calendar months ending June 30, 2021. As a result of such legislation, Facilities, Spring Valley requested that the Company qualified for ERC for begin repaying the first, second and third calendar quarters of 2021 due to Unpaid Provider Fees in the decrease in its gross receipts and has applied for ERC increased amount of \$1.93,085,090.40 million through amended quarterly payroll tax filings for over 24 months beginning on May 1, 2024. The Company and its counsel are evaluating the applicable quarters. Through the date propriety of this filing, the Company has received all of the ERC which we applied for. We continue to monitor compliance with the terms and conditions of the ERC and PPP programs and developing interpretations and enforcement of the ERC and PPP program rules and the regulations.

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.request.

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

Subsequent to year ended December 31, 2022, the Company was named in two new cases.

The resident's daughter filed suit on behalf of Mr. Shellman filed suit 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 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.

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Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 Chief Executive Officer (principal executive officer) and Chief Financial Officer, Senior Vice President (principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Chief 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 (the "Evaluation Date") covered by this Annual Report on Form 10-K (the "Annual Report"). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer Senior Vice President have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Management evaluated the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this evaluation, management used the framework and criteria set forth in the report entitled *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The COSO framework summarizes each of the components of a company's internal control system, including: (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication and (v) monitoring.

Based on this evaluation, management concluded that the Company maintained effective internal control over financial reporting as of **December 31, 2022** December 31, 2023.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated, can provide only reasonable, but not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management's report in this Annual Report.

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Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth fiscal quarter of **2022** 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Item 9B. Other Information

None. During the fourth quarter of 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange 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 Securities Act of 1933, as amended).

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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PART III

Our website address is www.regionalhealthproperties.com. You may obtain free electronic copies of our annual Annual reports on Form 10-K, quarterly reports Quarterly Reports on Form 10-Q, current reports Current Reports on Form 8-K, and all amendments to those reports from the investor relations section of on our website. These reports are available on our website as soon as reasonably practicable after we electronically file them such material with, or furnish it to, the SEC. These reports are also available through the SEC's website at www.sec.gov.

The Certain corporate governance materials including the charters for the Board's Compensation Committee, the Audit Committee and the Nominating and Corporate Governance Committee (the "Nominating Committee") and our Code of the Board Business Conduct and Ethics, are available in under the corporate governance subsection of heading "Investor Relations" and then "Committee Charters" on the Investor Relations page of our website, at www.regionalhealthproperties.com, and are also available in print upon written request to the Corporate Secretary, Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Pointe Parkway, Suite 100, Suwanee, 720, Atlanta, Georgia 30024, 30338.

Item 10. Directors, Executive Officers and Corporate Governance

Information About our Executive Officers and Directors

The following table sets forth certain information with respect to our executive officers and directors.

directors as of the date of this Annual Report.

Name	Age	Position Position(s)
Brent S. Morrison	47 4 8	Chief Executive Officer, President, Corporate Secretary and Chairman of the Board
Paul J. O'Sullivan	45 4 6	Senior Vice President
Michael J. Fox	45 4 6	Lead Independent Director
Kenneth S. Grossman	66	Director
Steven L. Martin	65	Director
Kenneth W. Taylor	61 63	Director
David A. Tenwick	85 8 6	Director

Directors are elected at each of annual meeting of shareholders of the Company to serve until the Company's next annual meeting of shareholders. The terms of each of the Company's current directors expire at the Company's 2023 annual meeting of shareholders and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal. Executive officers serve at the discretion of the Board. See Part III, Item 11., "Executive Compensation" in this Annual Report for more information.

Biographical information with respect to each of our executive officers and directors is set forth below.

Brent S. Morrison. Mr. Morrison has served as the Company's Chief Executive Officer and President since March 2019, Corporate Secretary since December 2022, a director since October 2014 and Chairman of the Board since January 2023. He also served as the Company's Interim Chief Executive Officer and Interim President from October 2017 to March 2019. Mr. Morrison is currently the Managing Director of Zuma Capital Management LLC, a position he has held since 2012. Prior thereto, Mr. Morrison was a Research Analyst for Wells Fargo Advisors from 2012 to 2013, the Senior Research Analyst at the Strome Group, a private investment firm, from 2009 to 2012, a Research Analyst at Clocktower Capital, LLC, a

global long/short equity hedge fund based in Beverly Hills, California, from 2007 to 2009 and a Vice President of Wilshire Associates, a financial consulting firm, from 1999 to 2007. Mr. Morrison also served on the board of directors of iPass Inc., which provides global enterprises and telecommunications carriers with cloud-based mobility management and Wi-Fi connectivity services, from May 2015 to June 2016. Mr. Morrison's expertise and background in the long-term care industry as well as capital markets provide experience that the Board considers valuable.

Paul J. O'Sullivan. Mr. O'Sullivan has served as Senior Vice President of the Company since January 2023. He served as Vice President of the Company from December 2020 to January 2023. Prior thereto, Mr. O'Sullivan was Vice President of Asset Management for Formation Development Group, LLC, a private equity real estate development firm that specializes in senior housing development from February 2017 to June 2020. Prior to that, Mr. O'Sullivan was a Financial Analyst for CSG Advisors, a municipal bond advisory firm, from 2014 to February 2017, and an Asset

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Manager for Formation Capital, a private equity firm focused on senior housing investments, from 2008 to 2014. From 2001 to 2007, Mr. O'Sullivan held accounting positions with Jameson Inns, Home Depot, Aelera, and Spherion.

Michael J. Fox. Mr. Fox has served as a director since October 2013 and Lead Independent Director since April 2015. Mr. Fox is the Chief Executive Officer of Park City Capital, LLC ("Park City"), a value-oriented investment management firm he founded in June 2008. From 2000 to 2008, Mr. Fox worked at J.P. Morgan in New York, most recently as Vice President and Senior Business Services Analyst. As J.P. Morgan's Senior Business Services Analyst, Mr. Fox headed the firm's Business Services equity research group from 2005 to 2008. From 2000 to 2005, Mr. Fox was a member of J.P. Morgan's Leisure equity research group which was consistently recognized by Institutional Investor's All America Research Team. Mr. Fox also served on the board of directors of Resonant Inc. from February 2016 to March 2022 when Resonant Inc. was acquired by Murata Manufacturing Co., Ltd. Mr. Fox's expertise and background in the financial and equity markets and his involvement in researching the commercial real estate industry provide experience that the Board considers valuable.

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Kenneth S. Grossman. Mr. Grossman has served as a Director since February 2023. Mr. Grossman is an investor and attorney specializing in companies undergoing and/or emerging from restructuring or reorganization; Senior Managing Director of Steppingstone Group, LLC, an investment partnership formed in 2016 with the principals of Brookstone Partners, a private equity investor, to jointly pursue opportunities in distressed debt and restructuring of operating companies. Mr. Grossman has been engaged in the investment and management of capital as a buy-side principal since 1990. Since 2017, Mr. Grossman has served on the boards of several public and private companies, including Lehman Bros. Special Finance, Barnwell Industries, Inc., Performance Sports Group and Nebraska Book Company and has managed capital for Steppingstone Group, LLC, as well as other private partnerships. Mr. Grossman has served as an independent director of both private and public companies, and as a member of creditor, bank group and shareholder committees for other businesses. Mr. Grossman's experience includes a strong network of relationships and management roles involving large portfolios in this investment sector maintained by multi-strategy and arbitrage firms. Admitted to the New York Bar in 1982, Mr. Grossman practiced law with Shea & Gould until 1989, where he specialized in bankruptcy, creditor's rights and commercial litigation. In 1989, Mr. Grossman became affiliated with Balfour Investors where he began managing investments in companies undergoing financial and operational restructuring. He served as senior portfolio manager for several large investment partnerships from 1996 through 2009, including for Alpine Associates, Del Mar Asset Management and Ramius. More recently, Mr. Grossman utilized that experience in leadership roles and as a director of Lehman Brothers Special

Finance, Inc. and Signature Group Holdings, Inc. (formerly Fremont General Corporation), as they emerged from Chapter 11 bankruptcy. Mr. Grossman is currently a board member and/or special advisor for Concise Capital Management and a director of Performance Sports Group, Inc., Buffalo Armory, LLC and Nebraska Book Co, Inc. Mr. Grossman's extensive background in corporate financial and operational restructurings and related capital markets relationships and experience will add valuable insights and knowledge beneficial to the Company and the Board.

Steven L. Martin. Mr. Martin has served as a Director since February 2023. Mr. Martin has worked in the private sector since 2011 managing personal equity/debt accounts and those of friends and family, including public, private and restructurings. Prior to working in the private sector, Mr. Martin worked for Kings Point Capital Management, LLC, a wealth management firm, from October 2015 to March 2016, as a Managing Partner for Slater Capital Management, LLC, from 1996 to 2010, and as a Partner and Retail/Consumer Analyst for Lafer Equity Partners from 1994 to 1996. Mr. Martin is a seasoned investment professional with more than 30 years of experience, primarily in equities, both public and private. Mr. Martin also serves as a board member and Treasurer of New York City Cooperative. Mr. Martin's expertise and background in the financial markets provides experience that the Board considers valuable.

Kenneth W. Taylor. Mr. Taylor has served as a director since February 2018. Since February 2023 to present, Mr. Taylor has served as the Chief Financial Officer and Chief Operations Officer of Pinnacle X-Ray Solutions Holding, Inc., an Altus Capital Partners portfolio company and a leading manufacturer of industrial x-ray systems. Prior to that, Mr. Taylor was the Chief Financial Officer of Construction Forms Inc. an H.I.G. Capital portfolio company and a leading supplier of concrete pumping and industrial processing from February 2022 to February 2023. From March 2019 to January 2022, Mr. Taylor served as the Chief Financial Officer of H-E Parts International, a division of Hitachi Ltd and a leading supplier of parts, remanufactured components and equipment to the global mining, heavy construction and energy industries, since March 2019. Previously, Mr. Taylor served as Chief Operations Officer and Chief Financial Officer for Cellairis, a leading supplier of mobile device accessories and repair services through 500 domestic and international franchisee operated company-leased stores since June 2012. In addition, Mr. Taylor served as Chief Operation Officer and Chief Financial Officer, for Anisa International, Inc., a leading manufacturer of cosmetic brushes, from 2009 to 2012, as Chief Financial Officer for InComm Holdings, Inc., a leading supplier of prepaid and gift cards products and networks, from 2004 to 2009, as Chief Financial Officer for The Edge Flooring, a private equity-backed flooring startup manufacturer, from 2003 to 2004, Chief Financial Officer for Numerex Corporation, a leading supplier of IoT products and gateways, from 2002 to 2003, as Chief Financial Officer for Rodenstock NA, Inc., a startup ophthalmic lens manufacturer, from 2001 to 2002, as Corporate Controller for Scientific Games Corporation, a leading supplier of products and services to the global lottery industry, from 1987 to 2000. Since 2010, Mr. Taylor has also served as a director for Thanks Again, LLC, a leading supplier of loyalty and consumer engagement services to global airports. Mr. Taylor's business and principal financial officer experience provide experience that the Board considers valuable.

David A. Tenwick. Mr. Tenwick is our founder and has served as a director since our organization was founded in August 1991. Mr. Tenwick also served as Chairman of the Board from our founding until March 2015 and as the

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Company's Interim Chief Executive Officer and President from June 1, 2014 to November 1, 2014. Prior to our founding, Mr. Tenwick was an independent business consultant from 1982 to 1990. In this capacity, he has served as a director and an officer of several businesses, including Douglass Financial Corporation, a surety company, and AmeriCare Health & Retirement, Inc., a long-term care management company. From 1967 until 1982, Mr. Tenwick was a director and an officer of Nucorp Energy, Inc., a company which he co-founded co-founded ("Nucorp Energy"). Nucorp Energy was a public company that invested in oil and gas properties and commercial and residential real estate. Prior to founding Nucorp Energy, Mr. Tenwick was an enforcement attorney for the SEC. Mr. Tenwick is a member of the Ohio State Bar Association and was a founding member of the Ohio Assisted Living Association, an association that promotes high quality assisted living throughout the State of Ohio. Mr. Tenwick's tenure with the Company and legal and business background provide experience that the Board considers valuable.

Arrangements with Directors Regarding Election/Appointment

On October 1, 2013, we entered into a letter agreement (the "Fox Agreement") with Park City and Mr. Fox pursuant to which the Board appointed Mr. Fox as a director of the Company effective October 23, 2013.

Pursuant to the Fox Agreement, for so long as Mr. Fox serves on the Board as a nominee of the Board, Park City shall take such action as may be required so that all of the capital stock of the Company which is entitled to vote generally

in the election of directors (the "Voting Securities") and is beneficially owned by Park City, or any person who, within the meaning of Rule 12b-2 under the Exchange Act, is "controlling," "controlled by" or "under common control with" Park City (the "Park City Group"), is voted in favor of each of the Board's nominees to the Board at any and all meetings of our shareholders or at any adjournment or postponement thereof or in any other circumstance in connection with which a vote, consent or other approval of holders of Voting Securities is sought with respect to the election of any nominee to the Board.

In addition, for so long as Mr. Fox serves on the Board as a nominee of the Board, Park City will not do or agree or commit to do (or encourage any other person to do or agree or commit to do) and will not permit any member of the Park City Group or any affiliate or associate thereof to do or agree or commit to do (or encourage any other person to do or agree or commit to do) any of the following:

- (i) solicit proxies or written consents of shareholders with respect to any Voting Securities, or make, or in any way participate in, any solicitation of any proxy to vote any Voting Securities (other than as conducted by us), or become a participant in any election contest with respect to us;
- (ii) seek to call, or request the call of, a special meeting of shareholders or seek to make, or make, any shareholder proposal at any meeting of shareholders that has not first been approved in writing by the Board;
- (iii) make any request or seek to obtain, in any fashion that would require public disclosure by us, Park City or their respective affiliates, any waiver of amendment of any provision of the Fox Agreement or take any action restricted thereby; and
- (iv) except as permitted by the Fox Agreement, make or cause to be made any statement or announcement that constitutes an ad hominem attack on us or our officers or directors in any document or report filed with or furnished to the SEC or any other governmental agency or in any release or other publicly available format.

Furthermore, pursuant to the Fox Agreement, for so long as Mr. Fox serves on the Board as a nominee of the Board, Mr. Fox agrees to comply with all applicable policies and guidelines of the Company and, consistent with his fiduciary duties and his obligations of confidentiality as a member of the Board, to refrain from communicating to anyone any nonpublic information about us that he learns in his capacity as a member of the Board (which agreement shall remain in effect after Mr. Fox leaves the Board). Notwithstanding the foregoing, Mr. Fox may communicate such information to any member of the Park City Group who agrees to be bound by the same confidentiality restrictions applicable to Mr. Fox, provided that Mr. Fox shall be liable for any breach of such confidentiality by any such member. In addition, Mr. Fox has confirmed that each of the other members of the Park City Group has agreed not to trade in any of our securities while in possession of any nonpublic material information about us if and to the extent doing so would be in violation of applicable law or, without the prior written approval of the Board, to trade in any of our securities during any blackout period imposed by us.

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Committees of the Board

The Board has three standing committees that assist it in carrying out its duties — the Audit Committee, the Compensation Committee and the Nominating Committee.

Each member of the Audit Committee, the Compensation Committee and the Nominating Committee is independent under the listing standards of the NYSE American. The charters of the Audit Committee, the Compensation Committee and the Nominating Committee are available [on our website](#) under the heading [Investor Relations](#) and then "Committee Charters" on our website at www.regionalhealthproperties.com and may also be obtained, without charge, by contacting the Corporate Secretary, Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Pointe Parkway, Suite 100,

720, Atlanta, Georgia 30024, 30338. The following chart shows the membership of our standing committees, as of the date of this Annual Report.

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Name	Audit Committee	Compensation Committee	Nominating Committee
Michael J. Fox	✓	✓	Chair
Kenneth S. Grossman	■	■	■
Steven L. Martin	■	■	■
Brent S. Morrison	-	-	-
Kenneth W. Taylor	Chair	✓	✓
David A. Tenwick	✓	Chair	✓

Audit Committee. The Audit Committee was established in accordance with Section 3(e)(58)(A) of the Exchange Act. The Audit Committee has the responsibility of reviewing our financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities and determining that all audits and examinations required by law are performed. The Audit Committee also approves the appointment of the independent auditors for the next fiscal year, approves the services to be provided by the independent auditors and the fees for such services, reviews and approves the auditor's audit plans, reviews and reports upon various matters affecting the independence of the independent auditors and reviews with the independent auditors the results of the audit and management's responses. The Board has determined that Mr. Taylor qualifies as an "audit committee financial expert" as that term is defined in Item 407(d)(5) of Regulation S-K of the Exchange Act, and that he is independent for purposes of the NYSE American rules with respect to audit committee members.

Compensation Committee. The Compensation Committee is responsible for establishing our compensation plans. The Compensation Committee's duties include the development with management of benefit plans for our employees and the formulation of bonus plans and incentive compensation packages. The Compensation Committee approves the compensation of each senior executive and each member of the Board. In approving the compensation of each senior executive (other than the Chief Executive Officer), the Compensation Committee may consider recommendations made by the Chief Executive Officer. The Compensation Committee is also charged with the oversight of compensation plans and practices for all employees of the Company. The Compensation Committee relies upon data made available for the purpose of providing information on organizations of similar or larger scale engaged in similar activities. The purpose of the Compensation Committee's activity is to assure that our resources are used appropriately to recruit and maintain competent and talented executives and employees able to operate and grow the Company successfully.

Nominating Committee. The Nominating Committee is responsible for evaluating and recommending to the Board qualified nominees for election as directors and qualified directors for committee membership, establishing evaluation procedures and conducting an annual evaluation of the performance of the Board, developing corporate governance principles, recommending those principles to the Board and considering other matters pertaining to the size and composition of the Board.

Director Attendance at Board, Committee and Annual Shareholder Meetings

During 2022, the Board held five meetings, the Audit Committee held four meetings, the Compensation Committee held three meetings and the Nominating Committee held no meetings. Each incumbent director attended at least

75% of the aggregate number of meetings held by the Board and by each of the committees on which he served during 2022, 2023. In addition, three one of the four six directors serving at that time attended the Company's 2022 2023 Annual Meeting of Shareholders (the "2022 2023 Annual Meeting"). Directors are expected to make reasonable efforts to attend the Company's annual meeting of shareholders.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires executive officers and directors and persons who beneficially own more than 10% of our common stock and Series A Preferred Stock (the "Reporting Persons") to file initial reports of ownership and reports of changes in ownership with the SEC. Reporting Persons are required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Based solely on a review of reports filed with the copies of such forms furnished to the Company and written representations from the executive officers and directors, SEC, the Company believes that during 2023 fiscal year the Reporting Persons complied with all Section 16(a) filing requirements since January 1, 2022.

except that Mr. Morrison made a single late filing reporting the grant of one equity award and Steven Martin, a former director of the Company, made a single late filing reporting initial ownership.

Board Structure

Our Charter and our Bylaws provide the Board with flexibility to select the appropriate leadership structure for the Company. The Board does not have a policy as to whether the roles of Chairman of the Board and Chief Executive Officer should be separate or combined, or whether the Chairman of the Board should be a management or a non-management director. Currently, Mr. Morrison serves as the Chairman of the Board.

Mr. Fox serves as the Lead Independent Director of the Board (the "Lead Independent Director"). As the primary interface between management and the Board, the Lead Independent Director serves as a key contact for the independent directors, thereby enhancing the Board's independence from management. In addition, the Lead Development Independent Director provides a valuable counterweight to a combined Chairman and Chief Executive Officer role, when we have such a dual role as we have had from time to time, currently have. The Lead Independent Director's responsibilities include as applicable, among other things:

- Consulting with the Chairman of the Board (or the Chief Executive Officer, if there is no Chairman of the Board) regarding the agenda for Board meetings;
- Scheduling and preparing agendas for meetings of non-management directors;
- Presiding over meetings of non-management directors and executive sessions of meetings of the Board from which employee directors are excluded;
- Acting as principal liaison between non-management directors and the Chairman of the Board (or the Chief Executive Officer, if there is no Chairman of the Board) on sensitive issues; and
- Raising issues with management on behalf of the non-management directors when appropriate.

The Board employs a number of corporate governance measures to provide an appropriate balance between the respective needs for the operational and strategic leadership provided by management directors, on one hand, and the oversight and objectivity of independent directors, on the other. These corporate governance measures include having a Lead Independent Director with the responsibilities described above, having all of our standing Board committees consist entirely of independent directors, and having each independent director serve on Board committees. Further: (i) all directors play an active role in overseeing the Company's business both at the Board and committee levels; (ii) directors have full and free access to members of management; and (iii) each of the Board committees has the authority to retain independent financial, legal or other experts as it deems necessary. Also, the Lead Independent Director holds separate executive sessions of non-management directors and independent directors as he deems necessary.

The Board believes its leadership structure promotes strategy development and is optimal for effective corporate governance.

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Director Nomination Process

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With respect to the director nomination process, the Nominating Committee's responsibilities include reviewing the size and overall composition of the Board and recommending changes to the Board; identifying and recommending to the Board qualified individuals to become Board members; making recommendations to the Board with respect to retirement arrangements or policies for Board members; monitoring and reviewing any issues relating to the independence of directors; considering director candidates recommended by shareholders; assisting the Board in developing processes and procedures for evaluating Board nominees recommended by shareholders; and recommending to the Board individuals qualified to fill vacancies.

The Nominating Committee has not established specific minimum age, education, years of business experience or specific types of skills for potential director candidates but, in general, expects qualified candidates will have ample experience and a proven record of business success and leadership. Director candidates will be evaluated based on their financial literacy, business acumen and experience, independence for purposes of compliance with SEC rules and the NYSE American listing standards and their willingness, ability and availability for service, as well as other criteria established by the Nominating Committee. The Nominating Committee believes that continuity in leadership maximizes the Board's ability to exercise meaningful oversight. Because qualified incumbent directors are generally uniquely positioned to provide shareholders the benefit of continuity of leadership and seasoned judgment gained through experience as a director, the Nominating Committee will generally consider as potential candidates those incumbent directors interested in standing for re-election who they believe have satisfied director performance expectations, including regular attendance at, preparation for and meaningful participation in meetings of the Board and its committees.

The Nominating Committee will consider the recommendations of shareholders regarding potential director candidates. Any shareholder who wishes to have the Nominating Committee consider a candidate for election by the Board is required to give written notice of his or her intention to make such a nomination. Our Bylaws set forth the procedures required to be followed for a shareholder to nominate a potential director candidate. A proposed nomination that does not comply with these procedures will not be considered by the Nominating Committee. There are no differences in the manner in

which the Nominating Committee considers or evaluates director candidates it identifies and director candidates who are recommended by shareholders.

Board Diversity

The Nominating Committee has not adopted a formal policy with regard to the consideration of diversity in identifying director nominees. In determining whether to recommend a director nominee, the members of the Nominating Committee will consider and discuss diversity, among other factors, with a view toward the role and needs of the Board as a whole. When identifying and recommending director nominees, the members of the Nominating Committee generally will view diversity expansively to include, without limitation, concepts such as race, gender, national origin, differences of viewpoint and perspective, professional experience, education, skill and other qualities or attributes that together contribute to the functioning of the Board. The Nominating Committee believes that the inclusion of diversity as one of many factors considered in selecting director nominees is consistent with the goal of creating a Board that best serves the needs of the Company and its shareholders.

Risk Oversight

The Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The involvement of the full Board in setting our business strategy is a key part of the Board's risk oversight and method for determining what constitutes an appropriate level of risk for us. Risk is assessed throughout the business, focusing on three primary areas of risk: financial risk, legal/compliance risk and operational/strategic risk.

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While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk management. In particular, the Audit Committee focuses on financial risk,

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including internal controls, and receives an annual risk assessment report from an outside consultant. The Nominating Committee's risk oversight responsibilities include recommending qualified nominees to be elected to the Board by our shareholders, reviewing and assessing periodically our policies and practices on corporate governance, and overseeing an annual evaluation of the Board. In addition, in setting compensation, the Compensation Committee strives to create a combination of short-term and longer-term incentives that encourage a level of risk-taking behavior consistent with our business strategy.

Code of Ethics

We have adopted a written code of conduct, our Code of Business Conduct and Ethics, which is applicable to all our directors, officers and employees (including our principal executive officer, principal financial officer, principal ~~accounting~~ accounting officer or controller, and any person performing similar functions). Our Code of Business Conduct and Ethics is available ~~in~~ under the ~~corporate governance~~ subsection of the ~~Investor Relations~~ page ~~of~~ heading "Investor Relations" and then "Committee Charters" on our website at www.refinitiv.com and also may be obtained, without

charge, by contacting the Corporate Secretary, Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Pointe Parkway, Suite 100, Suwanee, 720, Atlanta, Georgia 30024. 30338.

Insider Trading Policy and Hedging

We have adopted an Insider Trading Policy which, among other things, prohibits our officers, directors and employees from trading our securities on a short-term basis, purchasing our securities on margin, engaging in short sales with respect to our securities, and buying or selling puts or calls with respect to our securities. We have not otherwise adopted any practices or policies regarding the ability of our officers, directors and employees to purchase financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds), or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of our equity securities.

Communication with the Board and its Committees

The Board welcomes communications from shareholders and interested parties. Shareholders and interested parties may send communications to the Board, any of its committees or one or more individual directors, in care of the Corporate Secretary, Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Pointe Parkway, Suite 100, Suwanee, 720, Atlanta, Georgia 30024. 30338. Any correspondence addressed to the Board, any of its committees or to any one of our directors in care of our offices will be forwarded to the addressee without review by management.

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Item 11. Executive Compensation.

Executive Compensation Tables

Summary Compensation Table. The following table sets forth the compensation paid to, earned by or accrued for our named executive officers:

Name and Principal Position	Year	Salary		Stock		All Other Compensation		Total
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Brent S. Morrison*	2022	220,000	150,000	108,240	(1)	—	—	478,240
Chief Executive Officer, President, Corporate Secretary and Director (principal executive officer)	2021	200,000	(2)	—	307,440	(3)	—	507,440
Paul J. O'Sullivan**	2022	150,000	—	—	—	—	—	150,000
Senior Vice President (principal financial officer and principal accounting officer)								

Benjamin A. Waites*** Former Chief Financial Officer and Vice President (former principal financial officer)	2022	94,791 ⁽⁴⁾	24,000	—	—	118,791
	2021	175,000	49,000	307,440 ⁽⁵⁾	—	531,440
Name and Principal Position						
	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Options Awards⁽¹⁾ (\$)	Total (\$)
Brent S. Morrison* Chief Executive Officer, President, Corporate Secretary and Director (principal executive officer)	2023	220,000	—	—	71,802 ⁽²⁾	291,802
Paul J. O'Sullivan** Senior Vice President (principal financial officer and principal accounting officer)	2023	150,000	—	86,640 ⁽⁴⁾	—	236,640
	2022	150,000	—	—	—	150,000

*Mr. Morrison, a director of the Company since October 2014, commenced serving as the Company's Chief Executive Officer and President (and principal executive officer) on March 25, 2019 (when he became an employee of the Company) and commenced serving as the Corporate Secretary on December 30, 2022. Mr. Morrison previously served as the Company's Interim Chief Executive Officer and Interim President (and principal executive officer) from October 18, 2017 until March 24, 2019 (during which time he was a non-employee, independent contractor to the Company).

**Mr. O'Sullivan commenced serving as the Company's principal financial officer and principal accounting officer on May 26, 2022 and commenced serving as the Company's Senior Vice President in January 2023.

***Mr. Waites served as the Company's Chief Financial Officer and Vice President (and principal financial officer) from September 8, 2020 until March 21, 2022.

(1) This column reflects the aggregate grant date fair value computed in accordance with ASC Topic 718 of the options to purchase shares of our common stock granted to the named executive officers. The assumptions used in the valuation of these awards are set forth in Note 11 - *Stock Based Compensation* to our consolidated financial statements. These amounts do not necessarily correspond to the actual value that may be recognized by the named executive officers, which depends, among other things, on the market value of our common stock appreciating from that on the grant date(s) of the option(s).

(2) Represents compensation paid to Mr. Morrison as an employee for the year ended December 31, 2023, in the form of a stock option grant to purchase 24,000 shares of common stock, with an exercise price of \$3.32 per share, which vested in its entirety upon the grant date on January 1, 2023. See "Compensation Arrangements With Executive Officers" below.

(3) Represents compensation paid to Mr. Morrison as an employee for the year ended December 31, 2022, in the form of a restricted stock grant of 24,000 shares of common stock, with a grant price of \$4.51 per share, which vests as to one half of the shares on January 1, 2023 and January 1, 2024. See "Compensation Arrangements With Executive Officer" below.

(2)(4) Represents the amount of Mr. Morrison's pro-rata annual salary of \$220,000, paid to Mr. Morrison as an employee from July 1, 2021, through December 31, 2021 and pro-rata annual salary of \$180,000, paid to Mr. Morrison as an employee from January 1, 2021 through June 30, 2021. See "Compensation Arrangements With Executive Officer" below.

(3) Represents compensation paid to Mr. Morrison O'Sullivan as an employee for the year ended December 31, 2021 December 31, 2023, in the form of a restricted stock grant of 24,000 shares of common stock, with a grant price of \$12.81 \$3.61 per share, which vests as to one-third will vest in equal installments on the first three anniversaries of the shares on January 1, 2022, grant date of January 1, 2023 and January 1, 2024. See "Compensation Arrangements With Executive Officer" below.

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(4) Represents the amount of Mr. Waites's pro-rata annual salary of \$175,000, paid to Mr. Waites as an employee from September 8, 2020 through December 31, 2020.

(5) Represents compensation paid to Mr. Waites as an employee for the year ended December 31, 2021, in the form of a restricted stock grant of 24,000 shares of common stock, with a grant price of \$12.81 per share, which vests as

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to one-third of the shares on January 1, 2022, January 1, 2023 and January 1, 2024. Unearned awards were forfeited upon Mr. Waites separation. See "-Compensation Arrangements With Former Executive Officer" below.

Outstanding Equity Awards at Fiscal Year-End Table

The Outstanding Equity Awards at Fiscal Year-End table below sets forth information regarding the outstanding equity awards held by our named executive officers as of December 31, 2022 December 31, 2023:

OPTION AWARDS	STOCK AWARDS	OPTION AWARDS	STOCK AWARDS
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Name		Type		Status		Value		Quantity		Equity		Incentive		
and	(#)	ns	—	ion	Ex	ve	t	is	ve	t	Number of	Number of	Number of	
Princi	Un	Ex	Exe	pir	No	No	No	hav	Securities	Securities	Shares or	Market	Shares, Units or	
pal	rcis	er	rc	ati	t	t	t	e	Underlying	Underlying	Units of	Value of Shares or	Units or Other	
Positi	on	er	er	e	on	Ve	Ve	Ve	Not	Unexercised	Unexercised	Option	Stock	Rights
ble	ble	isa	isa	Pri	Da	ste	ste	ste	Ves	Options (#)	Options (#)—	Exercise	Expiration	Rights
ce	ce	isa	isa	Pri	Da	ste	ste	ste	Ves	Options (#)—	Options (#)—	Expiration	that have	Rights
te	te	ble	ble	ble	ble	ble	ble	ble	ble	Exercisable	Unexercisable	Price	Date	that have
d	d	ble	ble	ble	ble	ble	ble	ble	ble	Not Vested	Not Vested	Not Vested	Not Vested	that have
d	d	ble	ble	ble	ble	ble	ble	ble	ble	Not Vested	Not Vested	Not Vested	Not Vested	that have
ted	ted	ble	ble	ble	ble	ble	ble	ble	ble	Not Vested	Not Vested	Not Vested	Not Vested	that have

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S.	32		6.	17/			0,	1						
Morris	3		8	20			0,	3,						
on			0	24			0	2						
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							0		4323 ¹	—	\$ 46.80	12/17/2024	—	\$ —
									24,000 ²	—	\$ 3.32	01/01/2033	—	\$ —
									—	—	\$ —	—	20,000 ⁽¹⁾ \$	40,574
										—	—	—	—	—
Paul J.	—	—	\$—	—	—	—	—	5, ⁽³⁾ \$ 6						
O'Sulli							0	2	6,					
van							0,	3						
							0	0						
							0		—	—	\$ —	—	5,000 ⁽³⁾ \$	10,144
Benja	—	—	\$—	—	—	—	—	—						
min A.														
Waites														
(3)														
									24,000 ⁽⁴⁾ \$	48,689	—	\$ —	—	—

(1) Restricted shares vest. This stock option award vested in three substantially equal installments on the following schedule: 8,000 shares on each January 1, 2023 December 17, 2015, December 17, 2016 and January 1, 2024 and 12,000 shares on each of January 1, 2023 and January 1, 2024 December 17, 2017.

(2) Restricted shares vest on the following schedule: 5,000 shares. This stock option award vested in its entirety upon grant on January 1, 2023.

(3) Unearned awards were forfeited upon Mr. Waites's separation. See "-Compensation Arrangements With Former Executive Officer" below. Restricted shares vest on January 1, 2024.

(4) Restricted shares that will vest in equal installments on the first three anniversaries of the grant date of January 1, 2023.

Compensation Arrangements With Executive Officer

Mr. Morrison. Mr. Morrison, a director of the Company since October 2014, commenced serving as the Company's Chief Executive Officer and President (and principal executive officer) on March 25, 2019 and Corporate Secretary on December 30, 2022, and served as Interim Chief Executive Officer and Interim President (and principal executive officer) from October 18, 2017 to March 24, 2019.

On November 17, 2017, the Board and the Compensation Committee of the Board agreed to provide Mr. Morrison, as compensation for his service as a non-employee Interim Chief Executive Officer and Interim President, a cash

payment in the amount of \$15,000 per month, without withholdings, payable on a date to be determined by Mr. Morrison, as well as reimbursement for reasonable travel and other out-of-pocket expenses incurred by Mr. Morrison in connection with the performance of his duties as Interim Chief Executive Officer and Interim President.

On March 25, 2019, upon the Board's appointment of Mr. Morrison as the Company's Chief Executive Officer and President, the Board and the Compensation Committee determined that Mr. Morrison's then-current compensation

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plan would remain place, with withholdings as an employee, until the Company negotiated and executed an employment agreement with Mr. Morrison.

On June 3, 2019, the Board approved a one-time bonus equal to three months of his current salary in the amount of \$45,000 paid upon the closing of the sale of four healthcare properties to MED Healthcare Partners, LLC and upon repayment of the amounts owed to Pinecone Reality Partners II, LLC.

On July 1, 2021, the Company entered into an employment agreement with Mr. Morrison (the "Morrison Employment Agreement"), pursuant to which, among other things: (i) the Company agreed to pay Mr. Morrison \$220,000 per year, subject to increase by the Compensation Committee; (ii) Mr. Morrison is eligible to earn an annual bonus based on achievement of performance goals established by the Compensation Committee of up to 125% of his base salary; and (iii) the Company provides Mr. Morrison with such other benefits as other senior executives of the Company receive. Pursuant to the Morrison Employment Agreement, the Company agreed to employ Mr. Morrison for an initial term of three years.

Pursuant to the Morrison Employment Agreement, the Company granted to Mr. Morrison, subject to the 2020 Plan (as defined herein): (i) on July 1, 2021, a restricted stock award of 24,000 shares of common stock, which vests in three equal installments on January 1, 2022, January 1, 2023 and January 1, 2024; (ii) on January 1, 2022, a restricted stock award of 24,000 shares of common stock, which vests in two equal installments on January 1, 2023 and January 1, 2024; and (iii) on January 1, 2023, an option to purchase 24,000 shares of common stock, which vests immediately on the grant date. Pursuant to the Morrison Employment Agreement, the Company agreed to grant Mr. Morrison, subject to the 2020 Plan, on January 1, 2024, an option to purchase 24,000 shares of common stock, which will vest immediately on the grant date. The exercise price per share for the common stock subject to each option shall equal the Fair Market Value (as defined in the 2020 Plan) of a share of common stock on the respective dates of grant, unless the 2020 Plan requires a higher exercise price.

Pursuant to the Morrison Employment Agreement, upon termination of Mr. Morrison's employment for any reason, the Company will pay Mr. Morrison: (i) unpaid salary earned through his termination date; (ii) any vacation time earned but not used as of his termination date in accordance with the Company's policies as then in effect; (iii) reimbursement, in accordance with the Company's policies and procedures, for business expenses incurred but not yet paid as of his termination date; (iv) except in the case of termination for cause, any annual bonus for any completed fiscal year to the extent not yet paid and earned; and (v) all other payments, benefits or fringe benefits to which he is entitled under the terms of the applicable arrangements and/or under applicable law (all of the foregoing clauses (i) through (v), the "Accrued Obligations"). If Mr. Morrison is terminated for cause, then the awards that were granted to but not yet vested or exercisable as of his termination date will be automatically forfeited.

If Mr. Morrison is terminated without cause, then (i) Mr. Morrison will be entitled to (a) the Accrued Obligations and (b) a severance payment equal to six months salary plus a bonus of 100% of Mr. Morrison's salary for any completed fiscal year to the extent earned but not paid, (ii) to the extent Mr. Morrison participates in Company health programs, the Company will pay Mr. Morrison an amount in cash, on a monthly basis, equal to the Company's portion of the premiums for Mr. Morrison's health plan benefits for Mr. Morrison and any eligible dependents for a period of 12 months from his termination date, and (iii) equity awards shall automatically accelerate and become fully vested and exercisable as of his termination date. If Mr. Morrison is terminated without cause within one year following a change in control, the severance will be increased from six months salary to twelve months salary.

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Compensation Arrangements With Former Executive Officer

Benjamin A. Waites **Mr. O'Sullivan**. Mr. Waites relinquished his duties and responsibilities for the Company effective March 21, 2022, after O'Sullivan commenced serving as the Company's Chief Financial Officer since September 8, 2020. Pursuant to a Separation principal financial officer and Release principal accounting officer on May 26, 2022, and commenced serving as the Company's Senior Vice President in January 2023. We have not entered into an employment agreement with Mr. O'Sullivan. As compensation for his service as Senior Vice President, Mr. O'Sullivan is paid an annual salary in the amount of **Claims Agreement** executed June 13, 2022 \$150,000.

2023 Omnibus Incentive Compensation Plan

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On September 21, 2023 (the "Waites Separation Agreement" "Effective Date"), our 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 authorizes the Compensation Committee of the Board of the Company agreed to pay Mr. Waites: (i) salary grant awards to non-employee directors, employees (including executive officers) and benefits through March 31, 2022, including consultants. Under the payout terms of the 2023 Plan, the maximum number of shares of common stock reserved for delivery in settlement of awards shall be an aggregate of 225,000 shares of our common stock and grants are subject to certain limitations. The 2023 Plan permits the grant of any earned or all of the following types of awards to grantees: (i) stock options, including non-qualified options and incentive stock options ("ISO"); (ii) stock appreciation rights ("SAR"); (iii) restricted stock; (iv) deferred stock and restricted stock units; (v) performance units and performance shares; (vi) dividend equivalents; and (vii) other stock-based awards.

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 2023 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"). Outstanding awards under the 2020 Plan will continue to be governed by the terms of the 2020 Plan until exercised, expired or otherwise terminated or canceled, but unused paid time off no further equity awards will be granted under the 2020 Plan. As of December 31, 2023, no awards were granted under the 2023 Plan.

The Board believes that the 2023 Plan (i) assists the Company in accordance attracting and retaining highly qualified persons to serve as employees, consultants and non-employee directors; (ii) promotes ownership by such employees, consultants and non-employee directors of a greater proprietary interest in the Company; and (iii) aligns their interests more closely with the Company's usual policy and procedures; (ii) three months interests of base salary in accordance with the Company's regular payroll practices; shareholders.

Summary of the 2023 Plan

The following is a summary of the material terms of the 2023 Plan. The complete text of the 2023 Plan is attached hereto as Exhibit 10.2.

Administration. We will bear all expenses of the 2023 Plan and (iii) a final additional payment of \$24,000 within 30 days following our Compensation Committee will administer the last base salary payment, subject plan. The Compensation Committee has the authority to Mr. Waites compliance grant awards to such eligible persons and upon such terms and conditions (not inconsistent with the provisions of the Separation Agreement, 2023 Plan) as it may consider appropriate. Among the Compensation Committee's powers is the authority to (i) determine the form, amount and other terms and

conditions of awards; (ii) clarify, construe or resolve any ambiguity in any provision of the 2023 Plan or any award agreement; (iii) amend the terms of outstanding awards, subject to the grantee's consent in certain cases and the 2023 Plan's prohibitions against repricing of awards without shareholder approval; and (iv) adopt such rules, forms, instruments and guidelines for administering the 2023 Plan as the Compensation Committee deems necessary or proper. The Compensation Committee may delegate any or all of its administrative authority to one or more of our officers, except with respect to awards to non-employee directors and executive officers, including executive officers who are subject to Section 16 of the Exchange Act. Based on service, performance and/or other factors or criteria, the Compensation Committee may, after grant of the award, accelerate the vesting of all or any part of the award. Notwithstanding the foregoing, any exercise of discretion regarding awards for non-employee directors must be approved by our Board.

Share Counting Provisions. Shares of common stock covered by an award shall only be counted as used to the extent actually used. A share of common stock issued in connection with an award under the 2023 Plan shall reduce the total number of shares of common stock available for issuance under the 2023 Plan by one; provided, however, that, upon settlement of a the total number of shares available for issuance under the 2023 Plan shall be reduced by the gross number of shares underlying the portion of the SAR that is exercised. If any award under the 2023 Plan terminates without the delivery of shares of common stock, whether by lapse, forfeiture, cancellation or otherwise, the shares of common stock subject to such award, to the extent of any such termination, shall again be available for grant under the 2023 Plan. Notwithstanding the foregoing, upon the exercise of any such award granted in tandem with any other awards, such related awards shall be cancelled to the extent of the number of shares of common stock as to which the award is exercised, and such number of shares shall no longer be available for awards under the 2023 Plan. If any

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shares subject to an award granted under the 2023 Plan are withheld or applied as payment in connection with the exercise of such award or the withholding or payment of taxes related thereto or separately surrendered by the participant for any such purpose, such returned shares of common stock will be treated as having been delivered for purposes of determining the maximum number of shares remaining available for grant under the 2023 Plan and shall not again be treated as available for grant under the 2023 Plan. The number of shares available for issuance under the 2023 Plan may not be increased through the purchase of shares on the open market with the proceeds obtained from the exercise of any options or purchase rights granted under the 2023 Plan. Notwithstanding the foregoing, however, in the case of any substitute award granted in assumption of or in substitution for an entity award issued by an acquired entity, shares delivered or deliverable in connection with such substitute award shall not be counted against the number of shares reserved under the 2023 Plan (to the extent permitted by applicable stock exchange rules), and available shares of stock under a shareholder-approved plan of an acquired entity (as appropriately adjusted to reflect the transaction) also may be used for awards under the 2023 Plan, and shall not reduce the number of shares otherwise available under the 2023 Plan (subject to applicable stock exchange requirements).

If a dividend or other distribution (whether in cash, shares or other property) (excluding ordinary dividends or distributions), recapitalization, forward or reverse stock split, subdivision, consolidation or reduction of capital, reorganization, merger, consolidation, scheme of arrangement, split-up, spin-off or combination involving us or the repurchase or exchange of shares of our common stock or other securities, or other rights to purchase shares of our securities or other similar transaction or event, affects our shares of common stock such that the Compensation Committee determines that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits (or potential benefits) provided to grantees under the 2023 Plan, the Compensation Committee shall make an equitable change or adjustment as it deems appropriate in the number and kind of securities that may be issued pursuant to awards under the 2023 Plan, the per individual limits on the awards that can be granted in any calendar year and any outstanding awards and the related exercise prices (as defined below) relating to any such awards, if any.

Share Limits. Under the Separation Agreement, Mr. Waites agreed: (i) terms of the 2023 Plan, the maximum number of shares of common stock reserved for delivery in settlement of awards shall be an aggregate of 225,000 shares of our common stock. The total number of shares of common stock that may be delivered pursuant to the exercise of ISOs granted under the 2023 Plan may not exceed 225,000 shares.

Generally, no grantee (other than a non-employee director) may be granted in a single calendar year awards under the 2023 Plan denoted in shares with respect to more than 50,000 shares (twice that limit for awards granted in the year in which the grantee (other than a non-employee director) first commences employment or service). The maximum potential value of awards under the 2023 Plan denoted in cash or other property that may be granted in a single calendar year to any grantee (other than a non-employee director) may not exceed \$250,000 (twice that limit for awards granted to a grantee (other than a non-employee director) in the year in which the grantee first commences employment or service). A non-employee director may not be granted awards under the 2023 Plan in a single calendar year that, taken together with any cash fees paid for the director's service as a director during the year, exceeds \$75,000 in total value (calculating the value of such awards based on the grant date fair value for financial accounting purposes).

Additional Information. Generally, awards under the 2023 Plan are granted for no consideration other than prior and/or future services. Awards granted under the 2023 Plan may, in the discretion of the Compensation Committee, be granted alone or in addition to, in tandem with or in substitution for, any other award under the 2023 Plan or any other plan of ours; provided, however, that if a SAR is granted in tandem with an ISO, the SAR and ISO must have the same grant date and term, and the exercise price of the SAR may not be less than the exercise price of the related ISO. The material terms of each award will be set forth in a written or electronic award agreement between the grantee and the Company. The agreements will specify when the award may become vested, exercisable or payable. No right or interest of a participant in any award will be subject to any lien, obligation or liability of the participant. The laws of the State of Georgia govern the 2023 Plan. The 2023 Plan is unfunded, and we will not segregate any assets for grants of awards under the 2023 Plan. The 2023 Plan is not subject to the Employee Retirement Income Security Act of 1974, as amended.

Other than awards excluded from the minimum vesting requirement as set forth herein, no award may be granted under the 2023 Plan that will be eligible to vest earlier than 12 months after the date of grant and/or have a performance period of three months, less than 12 months. Notwithstanding the foregoing, awards that result in the issuance of an aggregate of up to 5% of the Company regarding matters arising out of shares of our common stock available under the 2023 Plan may be granted without regard to such

minimum vesting requirements. The foregoing restrictions do not limit the Compensation Committee's authority to accelerate, or provide for the acceleration of, related the vesting of all or any part of any award granted under the 2023 Plan.

Types of Awards. The 2023 Plan permits the grant of any or all of the following types of awards to Mr. Waites' service grantees: (i) stock options, including non-qualified options and ISOs; (ii) SARs; (iii) restricted stock; (iv) deferred stock and restricted stock units; (v) performance units and performance shares; (vi) dividend equivalents; and (vii) other stock-based awards.

Stock Options and SARs. The Compensation Committee is authorized to grant SARs and stock options (including ISOs except that an ISO may only be granted to an employee of ours or one of our parent or subsidiary corporations). A stock option allows a grantee to purchase a specified number of our shares at a predetermined price per share (the "Option Exercise Price") during a fixed period measured from the Company; date of grant. A SAR entitles the grantee to receive the excess of the fair market value of a specified number of shares on the date of exercise over a predetermined exercise price per share (the "SAR Exercise Price"). The Option Exercise Price or SAR Exercise Price will be determined by the Compensation Committee and (ii) to customary confidentiality and non-disparagement covenants. Except as set forth in the Separation Agreement, Mr. Waites is not entitled to any further

compensation award agreement, but neither may be less than the fair market value of a share on the grant date (110 percent of the fair market value in case of certain ISOs or benefits. SARs granted in tandem with certain ISOs).

On July 1, 2021 The term of each option or SAR is determined by the Compensation Committee and set forth in the award agreement, except that the term may not exceed 10 years (five years in case of certain ISOs or SARs granted in tandem with certain ISOs). Options may be exercised by payment of the purchase price through one or more of the following means: payment in cash (including personal check or wire transfer), subject to or, with the 2020 Plan, approval of the Company granted to Mr. Waites a restricted stock award of 24,000 Compensation Committee, by delivering shares of common stock previously owned by the grantee, by the withholding of shares of common stock to be acquired upon the exercise of such option or by delivering restricted shares of common stock. The Compensation Committee may also permit a grantee to pay the Option Exercise Price through the sale of shares acquired upon exercise of the option through a broker-dealer to whom the grantee has delivered irrevocable instructions to deliver sales proceeds sufficient to pay the purchase price to us. In the case of ISOs, the aggregate fair market value (determined as of the date of grant) of common stock with respect to which was an ISO may become exercisable for the first time during any calendar year cannot exceed \$100,000; and if this limitation is exceeded, the ISOs that cause the limitation to be exceeded will be treated as nonqualified options. No participant may be granted SARs in tandem with ISOs that are first exercisable in any calendar year for shares of Company stock having an aggregate fair market value (determined as of the date of grant) that exceeds \$100,000.

Restricted Shares. The Compensation Committee may award restricted shares consisting of shares of common stock that remain subject to a risk of forfeiture and may not be disposed of by grantees until certain restrictions established by the Compensation Committee lapse. The vesting conditions may be service-based (i.e., requiring continuous service for a specified period) or performance-based (i.e., requiring achievement of certain specified performance objectives) or both. Unless the award agreement eliminates such rights, a grantee receiving restricted shares will have the right to vote the restricted shares and to receive any dividends payable on such restricted shares if and at the time the restricted shares vest in three equal installments on January 1, 2022, January 1, 2023 and January 1, 2024. On January 1, 2022, (such dividends to either be deemed reinvested into additional restricted shares subject to the 2020 Plan, same terms as the Company granted restricted shares to Mr. Waites an option which such dividends relate or accumulated and paid in cash when the restricted shares vest). Upon termination of the grantee's affiliation with us during the restriction period (or, if applicable, upon the failure to purchase 24,000 satisfy the specified performance objectives during the restriction period), the restricted shares will be forfeited as provided in the award agreement.

Restricted Stock Units and Deferred Stock. The Compensation Committee may also grant restricted stock unit awards and/or deferred stock awards. A deferred stock award is the grant of a right to receive a specified number of our shares of common stock at the end of specified deferral periods or upon the occurrence of a specified event. A restricted stock unit award is the grant of a right to receive a specified number of our shares of common stock upon lapse of a specified forfeiture condition (such as completion of a specified period of service or achievement of certain specified performance objectives). If the service condition and/or specified performance objectives are not satisfied during the restriction period, the award will lapse without the issuance of the shares underlying such award.

Restricted stock units and deferred stock awards carry no voting or other rights associated with stock ownership. Unless the agreement eliminates such rights, however, a grantee receiving restricted stock units or deferred stock will receive dividend equivalents with respect to restricted stock units or deferred stock, and such dividend equivalents

deferred stock becomes vested and payable.

Performance Units. The Compensation Committee may grant performance units, which entitle a grantee to cash or shares of common stock conditioned upon the fulfillment of certain performance conditions and other restrictions as specified by the Compensation Committee and reflected in the award agreement. The Compensation Committee will determine the terms and conditions of such awards, including performance and other restrictions placed on these awards, which will be reflected in the award agreement.

Performance Shares. The Compensation Committee may grant performance shares, which entitle a grantee to a certain number of shares of common stock, conditioned upon the fulfillment of certain performance conditions and other restrictions as specified by the Compensation Committee and reflected in the award agreement. The Compensation Committee will determine the terms and conditions of such awards, including performance and other restrictions placed on these awards, which will be reflected in the award agreement.

Dividend Equivalents. The Compensation Committee is authorized to grant dividend equivalents, which provide a grantee the right to receive payment equal to the dividends paid on a specified number of our shares. Dividend equivalents may be paid directly to grantees upon vesting or may be deferred for later delivery under the 2023 Plan. If deferred, such dividend equivalents may be credited with interest or may be deemed to be invested in our shares, other awards or in other property. No dividend equivalents may be granted in conjunction with any grant of stock options or SARs.

Other Stock-Based Awards. In order to enable us to respond to material developments in the area of taxes and other legislation and regulations and interpretations thereof, and to trends in executive compensation practices, the 2023 Plan also authorizes the Compensation Committee to grant awards that are valued in whole or in part by reference to or otherwise based on shares of our common stock. The Compensation Committee determines the terms and conditions of such awards, including consideration paid for awards granted as share purchase rights and whether awards are paid in shares or cash.

Performance-Based Awards. The Compensation Committee may require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria, as a condition to awards being granted or becoming exercisable or payable under the 2023 Plan, or as a condition to accelerating the timing of such events. Any applicable performance measure may be applied on a pre- or post-tax basis. An award that is intended to become exercisable, vested or payable on the achievement of performance conditions means that the award will not become exercisable, vested or payable solely on mere continued employment or service. However, such an award, in addition to performance conditions, may be subject to continued employment or service by the participant. Notwithstanding the foregoing, the vesting, exercise or payment of an award (other than a performance-based award) can be conditioned on mere continued employment or service.

Settlement of Awards. Awards generally may be settled in cash, shares of our common stock, other awards or other property, in the discretion of the Compensation Committee to the extent permitted by the terms of the 2023 Plan.

Change of Control. If there is a merger or consolidation of the Company with or into another corporation or a sale of substantially all of our shares or assets (a "Corporate Transaction") that results in a Change in Control (as defined in the 2023 Plan), and the outstanding awards are not assumed by the surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company), the Compensation Committee will cancel any outstanding awards that are not vested and nonforfeitable as of the consummation of such Corporate Transaction (unless the Compensation Committee accelerates the vesting of any such awards) and, with respect to any vested and nonforfeitable awards, the Compensation Committee shall either (i) allow all grantees to exercise options and SARs within a reasonable period prior to the consummation of the Corporate Transaction and cancel any outstanding options or SARs that remain unexercised upon consummation of the Corporate Transaction and/or (ii) cancel any or all of such outstanding awards (including options and SARs) in exchange for a payment (in cash, or in securities or other property) in an amount equal to the amount that the grantee would have received (net of the exercise price with respect to any options or SARs) if the vested awards were settled or distributed or such vested options and SARs were exercised immediately prior to the consummation of the Corporate Transaction.

If an exercise price of \$4.51 per the option or SAR exceeds the fair market value of our shares and the option or SAR is not assumed or replaced by the surviving company (or its parent company), such options and SARs will be cancelled without any payment to the grantee. If any other award is not vested immediately prior to the consummation of the Corporate Transaction, such award will be cancelled without any payment to the grantee. Additionally, outstanding time-based awards that are not assumed by the surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company) shall vest and become non-forfeitable upon a Change in Control; outstanding time-based awards that are assumed by the surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company) shall vest and become non-forfeitable upon the grantee's retirement, death, disability, or termination without cause, in each case within two years after the Change in Control. Outstanding performance-based awards that are not assumed by the surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company) shall be prorated and vest at target; outstanding performance-based awards that are assumed by the surviving company (or its parent company) or replaced with economically equivalent awards granted by the surviving company (or its parent company) shall be converted into time-based awards and will become vested and non-forfeitable upon the grantee's retirement, death, disability, or termination without cause, in each case within two years after the Change in Control. The foregoing actions are subject to compliance with Section 409A of the Code.

Amendment and Termination of the 2023 Plan. The 2023 Plan may be amended, suspended or terminated by our Board without further shareholder approval, unless such shareholder approval of any such amendment is required by law or regulation or under the rules of any stock exchange or automated quotation system on which our shares of common stock are then listed or quoted. An amendment will be contingent on approval of our shareholders if the amendment would (i) increase the benefits accruing to participants under the 2023 Plan, including without limitation, any amendment to the 2023 Plan or any agreement to permit a repricing or decrease in the exercise price of any outstanding awards, (ii) increase the aggregate number of shares of common stock that may be issued under the 2023 Plan, or (iii) modify the requirements as to eligibility for participation in the 2023 Plan. In addition, subject to the terms of the 2023 Plan, no amendment or termination of the 2023 Plan may materially and adversely affect the right of a grantee under any outstanding award granted under the 2023 Plan without the participant's consent.

Unless earlier terminated by our Board, the 2023 Plan will terminate when no shares of common stock remain reserved and available for issuance and no other awards remain outstanding or, if earlier, on the tenth anniversary of the adoption of the 2023 Plan by our Board.

Shareholder Rights. No grantee shall have any rights as a shareholder of the Company until such award is settled by the issuance of common stock, other than awards for which certain voting and dividend rights or dividend equivalents may be granted.

Transferability. Generally, an award is non-transferable except by will or the laws of descent and distribution, and during the lifetime of the grantee to whom the award is granted, the award may only be exercised by, or payable to, the grantee. However, the Compensation Committee may provide that awards other than ISOs or a corresponding SAR that is related to an ISO may be transferred by a grantee to any permitted transferee (as defined in the 2023 Plan). Any such transfer will be permitted only if (i) the grantee does not receive any consideration for the transfer, (ii) the Compensation Committee expressly approves the transfer and (iii) the transfer is on such terms and conditions as are appropriate for the permitted transferee. The holder of the transferred award will be bound by the same terms and conditions that governed the award during the period that it was held by the grantee, except that such transferee may only transfer the award by will or the laws of descent and distribution.

No Repricing. Notwithstanding any other provision of the 2023 Plan, no option or SAR may be amended to reduce the exercise price nor cancelled in exchange for other options or SARs with a lower exercise price or for any cash payment (or shares having a fair market value) in an amount that exceeds the excess of the fair market value of the shares underlying such cancelled option or SAR over the aggregate exercise price of such option or SAR or for any other award, without shareholder approval.

Compliance with Applicable Law. No award shall be exercisable, vested or payable except in compliance with all applicable federal and state laws and regulations (including, without limitation, tax and securities laws), any listing

agreement with any stock exchange to which our Company is a party, and the rules of all domestic stock exchanges on which our Company's shares may be listed.

Real Estate Investment Trust Status. The 2023 Plan will be interpreted and construed in a manner consistent with the Company's status as a real estate investment trust ("REIT"). No award will be granted or awarded, and with respect to any award granted under the 2023 Plan, such award will not vest, be exercisable or be settled (i) to the extent that the grant, vesting, exercise or settlement could cause the participant or any other person to be in violation of the share ownership limit or any other limitation on ownership or transfer prescribed by the Company's Articles, or (ii) if, in the discretion of the Committee, the grant, vesting, exercise or settlement of the award could impair the Company's status as a REIT.

No Employment Rights. Awards do not confer upon any individual any right to continue in the employ or service of our Company or any affiliate or subsidiary.

Recoupment of Awards. The 2023 Plan provides that awards granted under the 2023 Plan are subject to any recoupment policy that we may have in place or any obligation that we may have regarding the clawback of "incentive-based compensation" under the Exchange Act or under any applicable rules and regulations promulgated by the SEC or other applicable law or the primary stock exchange on which ~~was~~ our shares are listed.

Miscellaneous. Each grantee in the 2023 Plan remains subject to ~~vest~~ the securities trading policies adopted by our Company from time to time with respect to the exercise of options or SARs or the sale of shares of Company stock acquired pursuant to awards granted under the 2023 Plan. A grantee shall forfeit any and all rights under an award upon notice of termination by the Company or any affiliate for "Cause" as such term is defined in ~~two equal installments on January 1, 2023~~ the 2023 Plan. Award agreements shall contain such other terms and ~~January 1, 2024~~. Unearned awards were forfeited upon Mr. Waites' separation~~conditions as the Compensation Committee may determine in its sole discretion (to the extent not inconsistent with the 2023 Plan).~~

New Plan Benefits. The benefits that will be awarded or paid under the 2023 Plan are currently not determinable. The awards granted under the 2023 Plan will depend on the administrator's actions and the fair market value of shares at various future dates and the administrator has not determined future awards or who might receive them. As a result, it is not possible to determine the benefits that executive officers and other employees and non-employee directors and consultants will receive if the 2023 Plan is approved by the shareholders.

2020 Equity Incentive Plan

On November 4, 2020, the Board adopted, subject to shareholder approval, the 2020 Plan. On December 16, 2020, at the Company's 2020 Annual Meeting of Shareholders, the Company's shareholders approved the 2020 Plan. As discussed above, the 2023 Plan replaced the 2020 Plan. Outstanding awards under the 2020 Plan will continue to be governed by the terms of the 2020 Plan until exercised, expired or otherwise terminated or canceled, but no further equity awards will be granted under the 2020 Plan.

The Board believes that stock-based incentive awards can play an important role in our success by encouraging and enabling our employees, directors and consultants upon whose judgment, initiative and efforts we largely depend for the successful conduct of our business to acquire a proprietary interest in us. The Board believes that providing such persons with a direct stake in us assures a closer identification of the interests of such individuals with ours and our shareholders, thereby stimulating their efforts on our behalf and strengthening their desire to remain with us.

On November 4, 2020, the Board adopted, subject to shareholder approval, the Regional Health Properties, Inc. 2020 Equity Incentive Plan (the “2020 Plan”). On December 16, 2020, at the Company’s 2020 Annual Meeting of Shareholders, the Company’s shareholders approved the 2020 Plan. The 2020 Plan is designed to enhance the flexibility to grant equity awards to our employees, directors and consultants and to ensure that we can continue to grant equity awards to eligible recipients at levels determined to be appropriate by the Compensation Committee.

Summary of the 2020 Plan

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The following ~~description~~ is a summary of certain features of the 2020 Plan ~~is intended to be a summary only. The summary does not purport to be a complete description of all of the provisions of the 2020 Plan and is qualified in its entirety by the full text of the 2020 Plan which is filed attached hereto as an exhibit to the Registration Statement of which this proxy statement/prospectus is a part.~~

Exhibit 10.1.

Administration. The 2020 Plan ~~will be~~ was administered by the Compensation Committee. The Compensation Committee has full power, subject to the provisions of the 2020 Plan, to: (i) select, from among the individuals eligible for awards, the individuals to whom awards will be granted; (ii) make any combination of awards to participants; (iii) determine the type of awards; and (iv) determine the specific terms and conditions of each award.

Eligibility; Plan Limits. All employees and non-employee directors are eligible to participate in the 2020 Plan as well as consultants who ~~are~~ were natural persons and ~~are~~ were designated as eligible by the Compensation Committee. ~~As of October 8, 2020, approximately 22 individuals would have been eligible to participate in the 2020 Plan had it been effective on such date, including two executive officers, 14 employees who are not executive officers, three non-employee directors and three consultants. There are~~ were certain limits on the number of awards that may be granted under the 2020 Plan. For example, awards with respect to no more than 24,000 shares of common stock may be granted to any individual in any one calendar year, and no more than 250,000 shares of common stock may be granted in the form of ~~incentive stock options~~.

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ISOs.

Director Compensation Limit. The 2020 Plan provides that the value of all awards under the 2020 Plan and all other cash compensation paid by us to any non-employee director in any calendar year ~~shall~~ could not exceed \$75,000.

Stock Options. The 2020 Plan ~~permits~~ permitted the granting of: (i) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code, and (ii) options that do not so qualify. Options granted under the 2020 Plan ~~will~~ would be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on ~~incentive stock options~~. ~~ISOs.~~ Incentive stock options ~~may~~ could only be granted to employees of the Company and its subsidiaries. Non-qualified options ~~may~~ could be granted to any persons eligible to receive incentive options and to all other eligible participants in the 2020 Plan. The option exercise price of each option ~~will be~~ was to be determined by the Compensation Committee. The exercise price ~~may~~ could not be less than 100% of the fair market value of the common stock on the date of grant. Fair market value for this purpose shall be the closing sales price of the common stock as quoted on the NYSE American, or if the closing sales price is not quoted on such date of determination, the closing sales price on the last preceding date for which such quotation exists. The exercise price of an option ~~may not~~ could be reduced after the date of the option grant without shareholder approval, other than to appropriately reflect changes in our capital structure.

The term of each option ~~will be~~ was fixed by the Compensation Committee and ~~may~~ could not exceed ten years from the date of grant. The Compensation Committee will determine at what time or times each option ~~may~~ could be exercised. In general, unless otherwise permitted by the Compensation Committee, no option granted under the 2020 Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee.

Upon exercise of options, the option exercise price must be paid in full: (i) in cash or by certified check; (ii) by delivery of shares of common stock having a value equal to the exercise price; (iii) by broker-assisted exercise; (iv) with respect to stock options that are not incentive stock options, by a "net exercise" arrangement, pursuant to which the number of shares issued upon exercise is reduced by a number of shares with a fair market value equal to the exercise price; or (iv) by any other means approved by the Compensation Committee consistent with applicable law.

To qualify as incentive options, options ~~must~~ had to meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year.

Restricted Common Stock. The Compensation Committee ~~may~~ could award shares of common stock to participants subject to such conditions and restrictions as the Compensation Committee ~~may~~ could determine. These conditions and restrictions may include the achievement of certain Company and individual performance goals and/or continued employment or other service with the Company through a specified restricted period.

Restricted Stock Units. The Compensation Committee ~~may~~ could award restricted stock units to participants. Restricted stock units are ultimately payable in the form of shares of common stock, subject to such conditions and restrictions as the Compensation Committee ~~may determine~~, could determined. These conditions and restrictions ~~may~~ could include the achievement of certain performance goals and/or continued employment or other service with the Company through a specified vesting period.

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Deferred Stock Units. The Compensation Committee ~~may~~ could award deferred stock units to participants. Deferred stock units are ultimately payable in the form of shares of common stock, generally at a later date elected by the participant.

Stock Appreciation Rights. The Compensation Committee ~~may~~ could award ~~stock appreciation rights~~ SARs subject to such conditions and restrictions as the Compensation Committee may determine. ~~Stock appreciation rights~~ SARs entitle the recipient to cash, shares of common stock or a combination thereof equal to the value of the appreciation in the stock price over the base price. The base price of a ~~stock appreciation right~~ SARs that ~~is~~ was granted in tandem with a stock option ~~will~~ could be equal to the exercise price of such stock option and the base price of a stock appreciation right that ~~is~~ was not granted in tandem with a stock option may not be less than 100% of the fair market value of the common stock on the date of grant.

Performance Units. The Compensation Committee ~~may~~ could grant performance units, which entitle a participant to cash, shares of common stock or a combination of the two upon the achievement of certain performance criteria.

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Other Stock-Based Awards. The Compensation Committee ~~may~~ could grant other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based upon or related to common stock or other equity interests of the Company (or a Company subsidiary or operating partnership, if applicable).

Certain Corporate Events. The Compensation Committee ~~has had~~ broad discretion to take action under the 2020 Plan, as well as to make adjustments to the number and kind of shares issuable under the 2020 Plan and the terms, conditions and exercise price (if any) of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting the common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions.

In addition, in the event of certain non-reciprocal transactions between the Company and our shareholders known as "equity restructurings," the Compensation Committee ~~will~~ would make equitable adjustments to the 2020 Plan and outstanding awards.

In the event of a "change-in-control" (as defined in the 2020 Plan), and except as ~~may be~~ otherwise provided in the applicable award agreement, to the extent that the surviving entity declines to assume or replace outstanding awards, then all such outstanding awards ~~will~~ become fully vested and exercisable in connection with the transaction, all forfeiture and other restrictions with respect to such awards ~~will~~ lapse, and all performance goals with respect to such awards ~~will~~ be deemed met to the extent provided in the participant's award agreement or any other written agreement entered into between us and the participant. Upon or in anticipation of a change-in-control in which outstanding awards ~~will~~ not be replaced or assumed by the surviving entity, the Compensation Committee may cause any outstanding awards to terminate at a specified time in the future, including, but not limited to, the date of such change-in-control, and ~~will and~~ give the participant the right to exercise such awards during a period of time determined by the Compensation Committee in its sole discretion.

Tax Withholding. Participants in the 2020 Plan are responsible for the payment of any federal, state or local taxes that we are required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. The Compensation Committee may require awards to be subject to mandatory share withholding up to the required withholding amount. The Compensation Committee may also require the tax withholding obligation to be satisfied by a sell to cover arrangement.

Amendments and Termination. The Board or the Compensation Committee may at any time amend, suspend or terminate the 2020 Plan; provided, however, no such action of the Board or the Committee may be taken without shareholder approval if such action would otherwise require shareholder approval under applicable law, including the rules of the NYSE American. Additionally, no amendment, suspension or termination of the 2020 Plan may impair any rights or obligations under any outstanding award without the participant's consent. Under the rules of the NYSE American, any amendments that materially increase the number of shares to be issued under the 2020 Plan, materially increase the benefits to the participants in the 2020 Plan, materially expand the class of participants eligible to participate in the 2020 Plan, or expand the types of options or awards provided under the 2020 Plan, will be subject to approval by our shareholders.

Effective Date of Plan. The 2020 Plan was approved by our Board on November 4, 2020 and became effective on December 16, 2020, the date on which it was approved by our shareholders.

Tax Aspects Under the Code

The following is a summary of the principal federal income tax consequences of certain transactions under the 2020 Plan. It does not describe all federal tax consequences under the 2020 Plan, nor does it describe state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then: (i) upon sale of such shares, any amount realized in excess of the exercise price (the amount paid for the shares) ~~will be~~ taxed to the optionee as a long-term capital gain, and any loss sustained ~~will be~~ a long-term capital loss; and (ii) we ~~will not be~~

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entitled to any deduction for federal income tax purposes. The exercise of an incentive option ~~will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.~~

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a "disqualifying disposition"), generally: (i) the optionee ~~will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the exercise price thereof; and (ii) we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.~~

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, then the option is treated as a non-qualified option. Generally, an incentive option ~~will not be eligible for the tax treatment described above if it is exercised more than three months following~~

termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. No income is realized by the optionee at the time a non-qualified option is granted. Generally: (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the exercise price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount; and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock. Upon exercise, the optionee will also be subject to social security taxes on the excess of the fair market value over the exercise price of the option.

Other Awards. We generally will be entitled to a tax deduction in connection with other awards under the 2020 Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an award that is accelerated due to the occurrence of a change in control may cause a portion of the payments with respect to such accelerated awards to be treated as "parachute payments" as defined in the Code. Any such parachute payments may be non-deductible by us, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

Retirement Programs

The Company does not provide any retirement plans or programs.

Director Compensation

Director Compensation and Reimbursement Arrangements

On January 31, 2023, the Compensation Committee approved, and on February 8, 2023 the Board approved, the Company's director compensation plan for the year ~~ending~~ ended December 31, 2023. Pursuant to this plan, 2023 director fees for all directors (excluding Mr. Morrison), were set at \$49,800 payable in cash in monthly payments of ~~\$4,125.~~ \$4,150. The Lead Independent Director earns an extra \$1,000 per month or \$12,000 per year.

On January 12, 2022, the Board and the Compensation Committee approved the Company's director compensation plan for the year ending December 31, 2022. Pursuant to this plan, 2022 director fees for all directors (excluding Mr. Morrison), were set at \$37,500 payable in cash in monthly payments of \$3,125.

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In addition, each director (excluding Mr. Morrison) also received, or will receive, a payment of \$1,000 in cash for each in-person Board meeting attended during the years ended ~~December 31, 2022 and ending~~ December 31, 2023. Directors are also reimbursed for travel and other out-of-pocket expenses in connection with their duties as directors.

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Director Compensation Table

The following table sets forth information regarding compensation paid to our non-employee directors for the year ended **December 31, 2022** **December 31, 2023**. Directors who are employed by us do not receive any compensation for their activities related to serving on the Board:

Name (1)	Fees earned or paid in cash				Fees earned or paid in cash			
	Stock awards	All other compensation	Total	\$	Stock awards	All other compensation	Total	\$
Michael J. Fox	37,500	—	—	37,500	61,500	—	—	61,500
Kenneth S. Grossman	—	—	—	—	49,500	—	—	49,500
Steve L Martin	—	—	—	—	49,500	—	—	49,500
Kenneth W. Taylor	37,500	—	—	37,500	49,500	—	—	49,500
David A. Tenwick	37,500	—	—	37,500	49,500	—	—	49,500

⁽¹⁾ Kenneth S. Grossman and Steven L. Martin were elected to the Board at the 2022 Annual Meeting held on February 14, 2023, but did not stand election at the 2023 Annual Meeting held on November 16, 2023.

The number of outstanding exercisable and unexercisable options and warrants, and the number of unvested shares of restricted stock held by each of our non-employee directors as of **December 31, 2022** **December 31, 2023**, are shown below:

Director (1)	As of December 31,		
	2022		Number of Shares Subject to Outstanding Options or Warrants
	Exercisable	Unexercisable	
Michael J. Fox ⁽²⁾	6,129	4,323	—
Kenneth W. Taylor	—	—	—
David A. Tenwick ⁽³⁾	2,315	—	—

⁽¹⁾ Kenneth S. Grossman and Steven L. Martin were elected to the Board at the 2022 Annual Meeting held on February 14, 2023.

⁽²⁾ Includes: (i) options to purchase 1,806 shares of common stock, with an expiration date of January 1, 2024, at an exercise price of \$ per share; and (ii) options to purchase 4,323 shares of common stock, with an expiration date of December 17, 2024, at an exercise price of \$46.8 per share.

⁽³⁾ Includes: options to purchase 2,315 shares of common stock, with an expiration date of January 1, 2024, at an exercise price of \$48.72 per share.

Purpose of the Compensation Committee of the Board of Directors

The Compensation Committee advises the Board with respect to the compensation of each senior executive and each member of the Board. The Compensation Committee is also charged with the oversight of compensation plans and practices for all employees of the Company. The Compensation Committee relies upon data made available for the purpose of providing information on organizations of similar or larger scale engaged in similar activities. The purpose of the Compensation Committee's activity is to assure that the Company's resources are used appropriately to recruit and maintain competent and talented executives and employees able to operate and grow the Company successfully.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Beneficial Ownership of the Common Stock and Series E Preferred Stock

The following table furnishes information, as of **March 15, 2023** **March 15, 2024**, as to shares of the common stock and the Company's Series E **Redeemable Preferred Shares** (the "Series E Preferred Stock") beneficially owned by: (i) each person or entity known to us to be the beneficial owner of more than 5% of the common stock, (ii) each of our directors and our named executive officers identified in Part III, Item 11., "Executive Compensation - Summary Compensation Table" of this Annual Report; and (iii) our directors and executive officers as a group. As of **March 15, 2023** **March 15, 2024**, there were **1,883,028** **1,839,028** shares of common stock outstanding.

Name of Beneficial Owner ⁽¹⁾	Number of Shares of Common Stock Beneficially Owned ⁽²⁾		Number of Shares of Common Stock Beneficially Owned ⁽²⁾	
	Common Stock	Percent of Common Stock ⁽³⁾	Common Stock	Percent of Common Stock ⁽³⁾
Directors and Named Executive Officers:				
Michael J. Fox	(4) 84,122	4.5%	(4) 82,316	4.47%
Kenneth S. Grossman	—	*		
Steven L. Martin	—	*		
Brent S. Morrison			114,642 ⁽⁵⁾	6.06%
Paul J. O'Sullivan			49,630 ⁽⁶⁾	2.70%
Kenneth W. Taylor			9,562 ⁽⁷⁾	*
David A. Tenwick	(5) 30,300	1.6%	(8) 27,985	1.52%
Brent S. Morrison	(6) 88,370	4.7%		
Kenneth W. Taylor	(7) 9,562	*		
Paul J. O'Sullivan	(8) 46,130	2.4%		
All Directors and Executive Officers as a Group:	212,354	11.3%	284,135	14.99%

* Less than one percent.

(1) The address for each of our directors and executive officers is c/o Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Parkway, Suite 100, Suwanee, 720, Atlanta, Georgia 30024, 30338.

(2) Except as otherwise specified, each individual has sole and direct beneficial voting and dispositive power with respect to shares of the common indicated.

(3) Percentage is calculated based on 1,883,028 1,839,028 shares of common stock outstanding as of March 15, 2023 March 15, 2024.

(4) The information set forth in this table regarding Michael J. Fox is based on a Schedule 13 D/A filed with the SEC on April 4, 2017 and other information known to the Company. Includes: (i) 15,492 15,493 shares of common stock held directly by Mr. Fox; (ii) 62,500 shares of common stock held by affiliates of Mr. Fox; (iii) options to purchase 1,806 shares of common stock held directly by Mr. Fox at an exercise price of \$48.72 per share; and (iv) options to purchase 4,323 of common stock held directly by Mr. Fox at an exercise price of \$46.80 per share. See Part III, Item 10, "Directors, Executive Officers and Corporate Governance - Arrangements with Directors Regarding Election/Appointment" in this Annual Report"

(5) Includes: (i) 27,985 shares of common stock held by Mr. Tenwick; and (ii) options to purchase 2,315 shares of common stock at an exercise price of \$48.72 per share.

(6) Includes: Represents (i) 60,047 shares of common stock held directly by Mr. Morrison; and (ii) 2,272 shares of common stock held in an individual retirement account; (iii) options to purchase 4,323 shares of common stock held by Mr. Morrison at an exercise price of \$46.80 per share and shares options to purchase 24,000 shares of common stock held by Mr. Morrison at \$3.51, an exercise price of \$3.32 per share; and (v) options to purchase 24,000 shares of common stock held by Mr. Morrison at an exercise price of \$2.03 per share.

(6) Represents (i) 20,130 shares of common stock held by Mr. O'Sullivan; (ii) 16,000 unvested shares of restricted stock over which the holder has voting but no investment power; and (iii) 13,500 shares of common stock held in an individual retirement account.

(7) Includes Represents 9,562 shares of common stock held by Mr. Taylor.

(8) Includes: (i) 22,130 Represents 27,985 shares of common stock held by Mr. O'Sullivan; and (ii) 24,000 unvested shares granted in January 2023. Tenwick.

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Ownership of the Series A Preferred Stock

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The following table furnishes information, as of March [15], 2023 March 15, 2024 and based on information reported by each beneficial owner, as to the shares of Series A Preferred Stock beneficially owned by: (i) each person or entity known to us to be the beneficial owner of more than 5% of the outstanding shares of Series A Preferred Stock; (ii) each of our directors and named executive officers; and (iii) our directors and executive officers as a group. As of March [15] March 15, 2024, 2023, there were 2,811,535 559,263 shares of Series A Preferred Stock outstanding.[1]

Name and Address of Beneficial Owner (1)	Number of Shares of Series A Preferred Stock Beneficially Owned (2)	Percent of Outstanding Series A Preferred Stock (3)

Directors and Named Executive Officers:

Michael J. Fox	—	*
Brent S. Morrison	—	*
Paul J. O'Sullivan	—	*
Kenneth W. Taylor	—	*
David A. Tenwick	—	*
All Directors and Executive Officers as a Group	—	*

Name and Address of Beneficial Owner (1)	Number of Shares of Series A Preferred Stock Beneficially Owned (2)	Percent of Outstanding Series A Preferred Stock (3)
Charles L. Frischer (4)	479,673	17.1%
Michael J. Fox	—	—
Kenneth S. Grossman	137,536	4.9%
David A. Tenwick	—	—
Steven L. Martin	113,329	4.0%
Brent S. Morrison	—	—
Paul O'Sullivan	—	—
Kenneth W. Taylor	—	—
All Directors and Executive Officers as a Group	730,538	26.0%

* Less than one percent.

(1) The address for each of our directors and executive officers is c/o Regional Health Properties, Inc., 454 Satellite Boulevard NW, 1050 Crown Point Parkway, Suite 100, Suwanee, 720, Atlanta, Georgia 30024, 30338.

(2) Except as otherwise specified, each individual has sole and direct beneficial voting and dispositive power with respect to the shares of Series A Preferred Stock indicated.

(3) Percentage is calculated based on 2,811,535 559,263 shares of Series A Preferred Stock outstanding as of March 15, 2023 March 15, 2024.

(4)

Information obtained from Ownership of the Schedule 13D/A filed by Charles L. Frischer and the Libby Frischer Family Partnership ("Series B Preferred Stock

LFFP") The following table furnishes information, as of March 15, 2024, an entity that Mr. Frischer is the general partner of, with the SEC on March 1, 2023. Of as to the shares of Series A B Preferred Stock reported in such Schedule 13D/A, Charles L. Frischer reports having beneficially owned by: (i) each person or entity known to us to be the beneficial owner of more than 5% of the Series B Preferred Stock, (ii) each of our directors and named executive officers; and (ii) our directors and executive officers as a group. As of March 15, 2024, there were 2,252,272 shares of Series B Preferred Stock outstanding.

Name and Address of Beneficial Owner (1)	Number of Shares of Series B Preferred Stock Beneficially Owned (2)	Percent of Outstanding Series B Preferred Stock (3)
5% Beneficial Owners (Excluding Current Directors and Named Executive Officers):		
Kenneth S. Grossman	148,354 (4)	6.59%
Steven L. Martin	113,329 (5)	5.03%
Directors and Named Executive Officers:		
Michael J. Fox	—	*

Brent S. Morrison	—	—	*
Paul J. O'Sullivan	—	—	*
Kenneth W. Taylor	—	—	*
David A. Tenwick	—	—	*
All Directors and Executive Officers as a Group	—	—	*

* Less than one percent.

⁽¹⁾ The address for each of our directors and executive officers is c/o Regional Health Properties, Inc., 1050 Crown Pointe Parkway, Suite 720, Atlanta, Georgia 30338.

⁽²⁾ Except as otherwise specified, each individual has sole and direct beneficial voting power and sole dispositive power with respect to 468,673 shares of Series AB Preferred Stock and LFFF reports having sole voting power and sole dispositive power with respect to 11,000 indicated.

⁽³⁾ Percentage is calculated based on 2,252,272 shares of Series AB Preferred Stock Stock outstanding as of March 15, 2024.

⁽⁴⁾ Information based on the Company's internal records. Does not include 5,236 shares of Series B Preferred Stock held by a partnership, as to which Grossman disclaims beneficial ownership.

⁽⁵⁾ Information based on the Company's internal records. Does not include 4,000 shares of Series B Preferred Stock held in a trust for the benefit of Mr. Martin's children, as to which Mr. Martin disclaims beneficial ownership.

Equity Compensation Plan Information

The following table sets forth additional information as of December 31, 2022, December 31, 2023 with respect to shares of the common stock that may be issued upon the exercise of options and other rights under our existing equity compensation plans and arrangements, divided between plans approved by our shareholders and plans or arrangements not submitted to the shareholders for approval. The information includes the number of shares covered by and the weighted average exercise price of outstanding options and warrants and the number of shares remaining available for future grants, excluding the shares to be issued upon exercise of outstanding options, warrants, and other rights.

Plan Category	Number of Securities Remaining Available for Future Issuance			
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants	Weighted-Average Exercise Price of Outstanding Options, Warrants	Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))	Securities Remaining Available for Future Issuance
	Issued Upon Exercise of Outstanding Options, Warrants	Weighted-Average Exercise Price of Outstanding Options, Warrants	Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))	Securities Remaining Available for Future Issuance
	Outstanding Options, Warrants	Outstanding Options, Warrants	Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))	Securities Remaining Available for Future Issuance
	Options, Warrants	Options, Warrants	Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))	Securities Remaining Available for Future Issuance
	Warrants	Warrants	in Column (1)	Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders ⁽²⁾	13,406	\$ 47.53		155,000
Equity compensation plans not approved by security holders ⁽³⁾	42,969	\$ 52.71		
Total	56,375	\$ 51.48		155,000

Plan Category	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (1)		
	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights		
	Issued Upon	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))
	Exercise of Outstanding Options, Warrants and Rights	Options, Warrants and Rights	Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))
	Outstanding Options, Warrants and Rights	Options, Warrants and Rights	Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (1))
	Rights	Warrants and Rights	in Column (1)
Equity compensation plans approved by security holders (2)	32,646	\$ 14.84	225,000
Equity compensation plans not approved by security holders (3)	31,945	\$ 52.50	
Total	64,591	\$ 33.47	225,000

(1) Represents shares available for future issuance under the 2020 2023 Plan, which was approved by the Company's shareholders on December 2020 November 16, 2023 at the 2020 2023 Annual Meeting of Shareholders of the Company.

(2) Represents options issued pursuant to the Company's 2020 Plan and 2011 Stock Incentive Plan, which was approved by our shareholders.

(3) Represents warrants issued outside of our shareholder approved plan as described below. The warrants listed below contain certain anti-dilution adjustments and, therefore, were adjusted for stock dividends in October 2010, October 2011, and October 2012, if and as applicable. The numbers and exercise prices below reflect all such applicable adjustments.

- On May 15, 2013, we issued to Ronald W. Fleming, as an inducement to become our then Chief Financial Officer, a ten-year warrant, which December 31, 2020, represents the right to purchase 1,945 shares of common stock at an exercise price of \$70.80, and may be exercised for cash or on a cashless exercise basis. Such warrant is fully vested.
- On November 26, 2013, we issued to an investor relations firm, as partial consideration for providing certain investor relations services to the Company, a ten-year warrant to purchase 834 shares of common stock at an exercise price per share of \$47.52. Such warrant is fully vested.
- On March 28, 2014, we issued to the placement agents in the Company's offering of subordinated convertible promissory notes issued in 2013 as partial compensation for serving as placement agents in such offering, five-year warrants to purchase an aggregate of 4,078 shares of common stock at an exercise price per share of \$54.00. Such warrants are fully vested.
- On October 10, 2014, we issued to William McBride III, as an inducement to become our Chief Executive Officer, a ten-year warrant to purchase 25,000 shares of common stock, of which 8,333 shares were forfeited on April 17, 2017 upon his separation from the Company, at an exercise price per share of \$53.88. The balance of such warrant is fully vested and may be exercised for cash or on a cashless basis.
- On April 1, 2015, we issued to Allan J. Rimland, as an incentive to become our then President and Chief Financial Officer, a ten-year warrant to purchase 22,917 shares of common stock, of which 7,639 shares were forfeited on October 17, 2017 upon his resignation from the Company, at an exercise price per share equal to \$51.00. The balance of such warrant is fully vested and may be exercised for cash or on a cashless basis.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related Party Transactions

Messrs. Grossman and Martin are affiliated with holders of the Company's Series A Preferred Stock. The Board, upon the recommendation of the Nominating Committee, nominated Messrs. Grossman and Martin, who were director nominees recommended by certain of the holders of the Series A Preferred Stock, to stand for election at the 2022 Annual Meeting of Shareholders. Messrs. Grossman and Martin were elected to the Board at the 2022 Annual Meeting of Shareholders held on February 14, 2023. The Company previously negotiated with certain of the holders of the Series A Preferred Stock, including affiliates of Messrs. Grossman and Martin, the terms of the exchange offer considered by shareholders during 2022 Exchange Offer Messrs. Grossman and are continuing such negotiations with respect to Martin did not stand for re-election at the proposed exchange offer for which the Company has filed a Registration Statement Company's 2023 Annual Meeting held on Form S-4, November 16, 2023.

For a description of arrangements with Mr. Fox (a director of the Company), see "Arrangements with Directors Regarding Election/Appointment" in Part III, Item 10. "Directors, Executive Officers and Corporate Governance" in this Annual Report.

Approval of Related Party Transactions

The foregoing transaction was approved by the independent members of the Board without the related party having input with respect to the discussion of such approval. In addition, the Board believes that the foregoing transaction was necessary for the Company's business and is on terms no less favorable to the Company than could be obtained from independent third parties. The Company's policy requiring that independent directors approve any related party transaction is not evidenced by writing but has been the Company's consistent practice.

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Director Independence

The NYSE American listing standards require that at least 50% of the members of a listed company's board of directors qualify as "independent," as defined under NYSE American rules and as affirmatively determined by the Board. After review of all the relevant transactions and relationships between each director (and his family members) and the Company, senior management and our independent registered public accounting firm, the Board affirmatively determined that at all times during the year ended December 31, 2022 December 31, 2023, and through the date of filing this Annual Report, each of Messrs. Fox, Grossman, Martin, Taylor and Tenwick was independent within the meaning of applicable NYSE American rules.

For purposes of determining the independence of Mr. Fox, the Board considered the Fox Agreement. See "Arrangements with Directors Regarding Election/Appointment" in Part III, Item 10. - Directors, Executive Officers and Corporate Governance in this Annual Report.

For purposes of determining the independence of Mr. Grossman and Mr. Martin, the Board considered the relationships described under "—Related Party Transactions" above.

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Item 14. Principal Accountant Fees and Services

Pursuant to appointment by the Audit Committee, Cherry Bekaert, LLP ("Cherry Bekaert") has audited the financial statements of the Company and its subsidiaries for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The following table sets forth the aggregate fees that Cherry Bekaert billed or will bill to the Company for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively. All of the fees were approved by the Audit Committee in accordance with its policies and procedures.

(Amounts in 000's)	Year Ended December 31,		Year Ended December 31,	
	2022	2021	2023	2022
Audit fees (total) ⁽¹⁾	\$ 232	\$ 207	\$ 244	\$ 232
Audit-related fees (total) ⁽²⁾	70	5	51	70
Tax fees	—	—	—	—
All other fees	—	—	—	—
Cherry Bekaert Total fees	\$ 302	\$ 212	\$ 295	\$ 302

⁽¹⁾ Audit fees include fees associated with professional services rendered for the audit of the Company's annual financial statements and review of financial statements included in the Company's quarterly reports on Form 10-Q during the twelve months ended December 31, 2022 December 31, 2023 and 2021, 2022.

⁽²⁾ Audit related fees include fees for additional services related to acquisitions, registration statements and other regulatory filings.

Pre-Approval Policy

The Audit Committee is required to approve all auditing services and permitted services (including the fees and terms thereof) to be performed by our independent registered public accounting firm, subject to the *de minimis* exceptions for services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the Audit Committee prior to completion of the audit.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) *Financial Statements.* The following financial statements of Regional Health Properties, Inc. and its Subsidiaries are included in Part II, Item 8., "Financial Statements and Supplementary Data" in this Annual Report.

- (i) Consolidated Balance Sheets—December 31, 2022 and 2021; 2023 and 2022;
- (ii) Consolidated Statements of Operations—Years ended December 31, 2022 December 31, 2023 and 2021; 2022;
- (iii) Consolidated Statements of Stockholders' Equity—Years ended December 31, 2022 December 31, 2023 and 2021; 2022;
- (iv) Consolidated Statements of Cash Flows—Years ended December 31, 2022 December 31, 2023 and 2021; 2022; and
- (v) Notes to Consolidated Financial Statements.

(a)(2) *Financial Statement Schedules.* Financial statement schedules are omitted because they are not required, are not material, are not applicable, or the required information is shown in the financial statements or notes thereto.

(a)(3) *Exhibits.* A list of the Exhibits required by Item 601 of Regulation S-K to be filed as a part of this Annual Report is shown on the "Exhibit Index" filed herewith and incorporated herein by this reference.

In reviewing the agreements included as exhibits to this Annual Report, investors are reminded that they are included to provide information regarding their terms and are not intended to provide any other factual or disclosure information about Regional or the other parties to the agreements. Some of the agreements 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 statements prove to be inaccurate;
- Have been qualified by the disclosures that were made to the other party in connection with the negotiation of the applicable agreement, 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 you or other investors, and
- Were made only as of the date of the applicable agreement or such other date or dates may be specified in the agreement and are subject to recent developments.

Accordingly, the representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about us may be found elsewhere in this Annual Report and our other public filings with the SEC, which are available without charge on our website at www.regionalhealthproperties.com.

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EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
3.1	<u>Amended and Restated Articles of Incorporation of Regional Health Properties, Inc., effective September 21, 2017 July 3, 2023</u>	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K12B filed on October 10, 2017

3.1(a)	Articles of Amendment to Amended and Restated Articles of Incorporation of Regional Health Properties, Inc., effective December 31, 2018	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on December 28, 2018 July 6, 2023
3.2	Amended and Restated Bylaws of Regional Health Properties, Inc., effective September 21, 2017	Incorporated by reference to Exhibit 3.3 of the Registrant's Current Report on Form 8-K filed on October 10, 2017
4.13.2(a)	Amendment No. 1 to Amended and Restated Bylaws of Regional Health Properties, Inc., effective June 27, 2023	Incorporated by reference to Exhibit 4.23.6 of the Registrant's Annual Report Post-Effective Amendment No. 1 to Registration Statement on Form 10-K for the year ended December 31, 2018 S-4 (Reg. No. 333-269750) filed on June 28, 2023
4.1	Description of Capital Stock of Regional Health Properties, Inc. Capital Stock	Incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed on July 6, 2023
4.2	Form of Common Stock Certificate of Regional Health Properties, Inc. Form of Common Stock Certificate of Regional Health Properties, Inc.	Incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed on October 10, 2017
4.3*	Warrant to Purchase 70,000 Shares of Common Stock, dated May 15, 2013, issued by AdCare Health Systems, Inc. to Ronald W. Fleming Warrant to Purchase 70,000 Shares of Common Stock, dated May 15, 2013, issued by AdCare Health Systems, Inc. to Ronald W. Fleming	Incorporated by reference to Exhibit 4.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012
10.1*	Regional Health Properties, Inc. 2020 Equity Incentive Plan Regional Health Properties, Inc. 2020 Equity Incentive Plan	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed December 17, 2020
10.1(a)*	Form of Restricted Common Stock Agreement – Non Employee Director (2020 Equity Plan) Form of Restricted Common Stock Agreement – Non Employee Director (2020 Equity Plan)	Incorporated by reference to Exhibit 4.7 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021
10.1(b)*	Form of Restricted Common Stock Agreement – Employee (2020 Equity Plan) Form of Restricted Common Stock Agreement – Employee (2020 Equity Plan)	Incorporated by reference to Exhibit 4.8 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021
10.1(c)*	Form of Incentive Stock Option Award Agreement (pursuant to the Regional Health Properties, Inc. 2020 Equity Incentive Plan) Form of Incentive Stock Option Award Agreement (pursuant to the Regional Health Properties, Inc. 2020 Equity Incentive Plan)	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on January 6, 2022

10.1(d)*

Filed herewith

Form of Non-Qualified Stock Option Award Agreement (pursuant to the Regional
Health Properties, Inc. 2020 Equity Incentive Plan)

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10.2*	Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan	Incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed November 20, 2023
10.2(a)*	Form of Non-Qualified Stock Option Agreement (pursuant to the Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan)	Incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed November 20, 2023
10.2(b)*	Form of Incentive Stock Option Agreement (pursuant to the Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan)	Incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed November 20, 2023
10.2(b)*	Form of Restricted Stock Agreement (pursuant to the Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan)	Incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed November 20, 2023
10.2(d)*	Form of Restricted Stock Unit Agreement (pursuant to the Regional Health Properties, Inc. 2023 Omnibus Incentive Compensation Plan)	Incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed November 20, 2023
10.3*	Employment Agreement, dated July 1, 2021, by and among Regional Health Properties, Inc. and Brent Morrison.	Incorporated by reference to Exhibit 10.229 of the Registrant's Amendment No. 1 to the Registration Statement on Form S-4 filed by Regional Health Properties, Inc. on July 2, 2021 (File No. 333-256667).
10.3*	Letter Agreement, dated October 1, 2013, among AdCare Health Systems, Inc., Park City Capital, LLC and Michael J. Fox	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on October 18, 2013
10.4*	Letter Agreement, dated October 1, 2013, among AdCare Health Systems, Inc., Park City Capital, LLC and Michael J. Fox	
10.4* 10.5*	Consulting Agreement, dated as of August 16, 2020, by and between E. Clinton Cain and Regional Health Property, Inc. Consulting Agreement, dated as of August 16, 2020, by and between E. Clinton Cain and Regional Health Property, Inc.	Incorporated by reference to Exhibit 10.7 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020
10.5		
10.6	Mt. Kenn Property Holdings, LLC Deed to Secure Debt, Assignment of Rents and Security Agreement dated April 29, 2011 Mt. Kenn Property Holdings, LLC Deed to Secure Debt, Assignment of Rents and Security Agreement dated April 29, 2011	Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed May 5, 2011
10.6 10.7	Form of Promissory Note, issued by Mount Trace Nursing ADK, LLC Form of Promissory Note, issued by Mount Trace Nursing ADK, LLC	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 16, 2011

10.7	10.8	Loan Agreement, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the SBA Loan #47671350-10 Loan Agreement, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the SBA Loan #47671350-10	Incorporated by reference to Exhibit 10.42 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011
10.8	10.9	Term Note, dated July 27, 2011, made by Erin Property Holdings, LLC in favor of Bank of Atlanta	Incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011

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10.8(a)	10.9(a)	Note and Loan Modification Agreement, dated as of September 3, 2020, by and between Erin Property Holdings, LLC and Regional Health Property, Inc. and Cadence Bank, NA	Incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020
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10.90	10.10	Note, dated July 27, 2011, made by Erin Property Holdings, LLC, in favor of Bank of Atlanta, with respect to the SBA Loan	Incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.10	10.11	Term Loan Agreement, dated July 27, 2011, among Erin Property Holdings, LLC, Erin Nursing, LLC, AdCare Health Systems, Inc. and Bank of Atlanta, with respect to the USDA Loan	Incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.11	10.12	Loan Agreement, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the SBA Loan	Incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.12	10.13	Deed to Secure Debt and Security Agreement, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the USDA Loan	Incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.13	10.14	Deed to Secure Debt and Security Agreement, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the SBA Loan	Incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.14	10.15	<u>Assignment of Leases and Rents, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.15	10.16	<u>Assignment of Leases and Rents, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the SBA Loan</u>	Incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.16	10.17	<u>Indemnity Agreement, Regarding Hazardous Materials, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.17	10.18	<u>Indemnity Agreement, Regarding Hazardous Materials, dated July 27, 2011, between Erin Property Holdings, LLC and Bank of Atlanta, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
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10.18	10.19	<u>Security Agreement, dated July 27, 2011, between Erin Property Holdings, LLC, Erin Nursing, LLC and Bank of Atlanta, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.11 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.19	10.20	<u>Security Agreement, dated July 27, 2011, between Erin Property Holdings, LLC, Erin Nursing, LLC and Bank of Atlanta, with respect to the SBA Loan</u>	Incorporated by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.20	10.21	<u>Guaranty, dated July 27, 2011, made by Erin Nursing, LLC, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.13 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.21	10.22	<u>Guaranty, dated July 27, 2011, made by AdCare Health Systems, Inc., with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.14 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.22	10.23	<u>Unconditional Guaranty Business and Industry Guarantee Loan Program, dated July 27, 2011, made by Erin Nursing, LLC, with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.15 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011

10.23	10.24	<u>Unconditional Guarantee Business and Industry Guarantee Loan Program, dated July 27, 2011, made by AdCare Health Systems, Inc., with respect to the USDA Loan</u>	Incorporated by reference to Exhibit 10.16 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.24	10.25	<u>Unconditional Guarantee, dated July 27, 2011, made by Erin Nursing, LLC, with respect to the SBA Loan</u>	Incorporated by reference to Exhibit 10.17 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.25	10.26	<u>Unconditional Guarantee, dated July 27, 2011, made by AdCare Health Systems, Inc., with respect to the SBA Loan</u>	Incorporated by reference to Exhibit 10.18 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.26	10.27	<u>Escrow Agreement, dated July 27, 2011, between Erin Property Holdings, LLC, Bank of Atlanta, and Bank of Atlanta as Escrow Agent, with respect to the USDA Loan and the SBA Loan</u>	Incorporated by reference to Exhibit 10.19 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
10.27	10.28		Incorporated by reference to Exhibit
		129	10.2 to the Registrant's Quarterly Report on Form 10-Q for the Quarter ended June 30, 2011
		136	
10.28	10.29	<u>Unconditional Guarantee, dated September 6, 2011, issued by CP Nursing, LLC in favor of Economic Development Corporation of Fulton County</u>	Incorporated by reference to Exhibit 10.48 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011
10.29	10.30	<u>Unconditional Guarantee, dated September 6, 2011, issued by Hearth and Home of Ohio, Inc. in favor of Economic Development Corporation of Fulton County</u>	Incorporated by reference to Exhibit 10.49 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011
10.30	10.31	<u>Cognovit Promissory Note, dated as of January 1, 2012, issued by Eaglewood Property Holdings, LLC and Eaglewood Village, LLC in favor of Eaglewood Villa, Ltd. in the amount of \$500,000</u>	Incorporated by reference to Exhibit 10.141 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011

10.31	10.32	Cognovit Promissory Note, dated as of January 1, 2012, issued by Eaglewood Property Holdings, LLC and Eaglewood Village, LLC in favor of Eaglewood Villa, Ltd. in the amount of \$4,500,000	Incorporated by reference to Exhibit 10.142 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011
10.32	10.33	Guaranty Agreement, dated as of December 30, 2011, executed by AdCare Health Systems, Inc. and AdCare Property Holdings, LLC in favor of Eaglewood Villa, Ltd	Incorporated by reference to Exhibit 10.143 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011
10.33	10.34	Lease Agreement, dated August 1, 2010, between William M. Foster and ADK Georgia, LLC	Incorporated by reference to Exhibit 10.155 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011
10.33(a)	10.34	First Amendment to Lease, dated August 31, 2010, between William M. Foster and ADK Georgia, LLC	Incorporated by reference to Exhibit 10.156 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011
10.33(b)	10.34	Second Amendment to Lease, dated as of August 14, 2015, between William M. Foster and ADK Georgia, LLC	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed on August 18, 2015
10.33(c)	10.34	Lease Termination Agreement Spring Valley, dated as of December 30, 2022, among Regional Health Properties, Inc., ADK Georgia, LLC and Spring Valley, LLC.	Filed herewith Incorporated by reference to Exhibit 10.33(c) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022

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10.34	10.35	Guaranty Agreement, dated as of June 1, 2010, entered into by AdCare Health Systems, Inc. to and for the benefit of Bank of Oklahoma, N.A.	Incorporated by reference to Exhibit 10.159 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011
10.35	10.36		Incorporated by reference to Exhibit 10.18 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012

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[Loan Agreement, dated as of April 12, 2012, between the City of Springfield, Ohio and Eaglewood Property Holdings, LLC](#)

10.36 10.37

[Guaranty Agreement, dated as of April 12, 2012, made and entered into by AdCare Health Systems, Inc., to and for the benefit of BOKF, NA dba Bank of Oklahoma](#)

Incorporated by reference to Exhibit 10.19 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012

10.37 10.38

[Land Use Restriction Agreement, dated as of April 12, 2012, by and between BOKF, NA dba Bank of Oklahoma and Eaglewood Property Holdings, LLC](#)

Incorporated by reference to Exhibit 10.20 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012

10.38 10.39

[Open-End Mortgage, Assignment of Leases and Security Agreement, dated April 12, 2012, from Eaglewood Property Holdings, LLC to BOKF, NA dba Bank of Oklahoma](#)

Incorporated by reference to Exhibit 10.21 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012

10.39 10.40

[Form of Securities Purchase Agreement, dated as of June 28, 2012, between AdCare Health Systems, Inc. and the Buyers signatory thereto](#)

Incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed July 5, 2012

10.40 10.41

[Bond Purchase Agreement, dated April 10, 2012, among Lawson Financial Corporation, The City of Springfield, Ohio and Eaglewood Property Holdings, LLC](#)

Incorporated by reference to Exhibit 10.40 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012

10.41 10.42

[Secured Loan Agreement, dated December 28, 2012, by and among Keybank National Association and the subsidiaries of AdCare Health Systems, Inc. named therein](#)

Incorporated by reference to Exhibit 10.263 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2012

10.42 10.43

Incorporated by reference to Exhibit

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[Healthcare Facility Note, dated December 1, 2014, by and among Mt. Kenn Property Holdings, LLC and KeyBank National Association](#)

99.2 of the Registrant's Current Report on Form 8-K filed on December 22, 2014

10.43 10.44

[Healthcare Deed to Secure Debt, Security Agreement and Assignment of Rents, dated December 1, 2014, by and among Mt. Kenn Property Holdings, LLC and KeyBank National Association](#)

Incorporated by reference to Exhibit 99.3 of the Registrant's Current Report on Form 8-K filed on December 22, 2014

10.44 10.45

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	<u>Healthcare Regulatory Agreement, dated December 1, 2014, by and among Mt. Kenn Property Holdings, LLC, its successors, heirs, and assigns (jointly and severally) and the U.S. Department of Housing and Urban Development.</u>	Incorporated by reference to Exhibit 99.4 of the Registrant's Current Report on Form 8-K filed on December 22, 2014
10.45 10.46	<u>Regulatory Agreement and Mortgage Note dated July 29, 2008 by and between Hearth & Care of Greenfield and Red Mortgage Capital, Inc.</u>	Incorporated by reference to Exhibit 10.31 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008
10.45(a) 10.46	<u>(a) Modification of Mortgage Note Agreement dated as of October 1, 2014, by and between Hearth & Care of Greenfield, LLC, and Red Mortgage Capital, Inc.</u>	Incorporated by reference to Exhibit 10.359 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014
10.46 10.47	<u>Security Instrument, Mortgage & Deed of Trust, dated September 24, 2014, by and between Glenvue H&R Property Holdings, LLC and Housing & Healthcare Finance, LLC</u>	Incorporated by reference to Exhibit 10.24 of the Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2014
10.47 10.48	<u>Healthcare Regulatory Agreement - Borrower, dated September 24, 2014, by and between Woodland Manor Property Holdings, LLC and The U.S. Department of Housing and Urban Development</u>	Incorporated by reference to Exhibit 10.25 of the Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2014
10.48 10.49	<u>Healthcare Regulatory Agreement - Borrower, dated September 24, 2014, by and between Glenvue H&R Property Holdings, LLC and U.S. Department of Housing and Urban Development</u>	Incorporated by reference to Exhibit 10.26 of the Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2014
10.49 10.50		Incorporated by reference to Exhibit 132
	<u>Healthcare Facility Note, dated September 24, 2014, by and between Woodland Manor Property Holdings, LLC and Housing & Healthcare Finance, LLC</u>	10.27 of the Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2014
10.50 10.51	<u>Healthcare Facility Note, dated September 24, 2014, by and between Glenvue H&R Property Holdings, LLC and Housing & Healthcare Finance, LLC</u>	Incorporated by reference to Exhibit 10.28 of the Registrant's Quarterly Report on Form 10-Q for the three months ended September 30, 2014
10.51 10.52	<u>Lease Agreement, dated February 27, 2015 by and between Sumter Valley Property Holdings, LLC and Blue Ridge of Sumter LLC</u>	Incorporated by reference to Exhibit 10.410 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014

10.51(a) 10.52		Incorporated by reference to Exhibit 10.411 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014
(a) First Lease Amendment to Lease Agreement, dated March 20, 2015, by and between Sumter Valley Property Holdings, LLC and Blue Ridge of Sumter, LLC		

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10.52 10.53		Incorporated by reference to Exhibit 10.415 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014
(a) Lease Agreement, dated September 22, 2014 by and between Coosa Nursing, ADK, LLC, and C.R. of Coosa Valley, LLC		

10.52(a) 10.53		Incorporated by reference to Exhibit 10.415 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014
(a) First Amendment to Lease Agreement, dated November 21, 2014 by and between Coosa Nursing, ADK, LLC, and C.R. of Coosa Valley, LLC		

10.52(b) 10.53		Incorporated by reference to Exhibit 10.124 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015
(b) Second Amendment to Lease Agreement, dated September 14, 2015, by and between Coosa Nursing, ADK, LLC and C.R. of Coosa Valley, LLC		

10.53 10.54		Incorporated by reference to Exhibit 10.84 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015
	Sublease Agreement, dated May 1, 2015 by and between QC Nursing, LLC and Southwest LTC-Quail Creek, LLC	

10.54 10.55		Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on July 7, 2015
(a) Sublease Agreement, dated July 1, 2015 by and between 2014 HUD Master Tenant, LLC and C.R. of Glenview, LLC		

10.54(a) 10.55		Incorporated by reference to Exhibit 10.126 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015
(a) First Amendment to Sublease Agreement, dated August 14, 2015, by and between 2014 HUD Master Tenant, LLC and C.R. of Glenview, LLC		

10.55 10.56		Incorporated by reference to Exhibit 99.6 of the Registrant's Current Report on Form 8-K filed on August 5, 2015
	Sublease Agreement, dated August 1, 2015, by and between 2014 HUD Master Tenant, LLC and EW SNF, LLC.	

10.56 10.57		Incorporated by reference to Exhibit 99.7 of the Registrant's Current Report on Form 8-K filed on

[Lease Inducement Fee Agreement, dated August 1, 2015, by and between the AdCare Health Systems, Inc. and PWW Healthcare, LLC, PV SNF, LLC, HC SNF, LLC, EW SNF, LLC, and EW ALF, LLC.](#) August 5, 2015

10.57 10.58

[Lease Guaranty made by AdCare Health Systems, Inc. for the benefit of William M. Foster, effective August 14, 2015](#)

Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on August 18, 2015

10.58 10.59

[Sublease Agreement, dated October 1, 2015, by and between KB HUD Master Tenant 2014, LLC, and C.R. of Autumn Breeze, LLC](#)

Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed on October 6, 2015

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10.59 10.60

[Master Sublease Agreement, dated November 3, 2015, by and among ADK Georgia, LLC, and Jeffersonville Healthcare & Rehab, LLC, Oceanside Healthcare & Rehab, LLC, and Savannah Beach Healthcare & Rehab, LLC.](#)

Incorporated by reference to Exhibit 10.141 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015

10.60 10.61

[Replacement Promissory Note, dated November 1, 2015, by and between New Beginnings Care, LLC, Jeffersonville Healthcare & Rehab, LLC, Oceanside Healthcare & Rehab, LLC, and Savannah Beach Healthcare & Rehab, LLC, and AdCare Health Systems, Inc.](#)

Incorporated by reference to Exhibit 10.142 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015

10.61 10.62

[Loan Agreement, dated May 1, 2017, between Meadowood Property Holdings, LLC and the Exchange Bank of Alabama in the original amount of \\$4.1 million](#)

Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017

10.61(a) 10.62

(a)

Incorporated by reference to Exhibit

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[Extension and Modification Agreement, dated as of October 01, 2021, by and between Meadowood Holdings Property, LLC and the Exchange Bank of Alabama.](#)

4.18 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2021

10.62 10.63

Filed herewith Incorporated by reference to Exhibit 10.62 to the Registrant's Annual Report on Form 10-

10.62(a) 10.63

(a) Joinder and First Amendment to Guarantee Issued May 1, 2017, dated September 29, 2017, by and among AdCare Health Systems Inc., Regional Health Properties Inc., and Exchange Bank of Alabama Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017

10.63 10.64

Affirmation and Assumption of Loan Documents, Limited Guarantees and Security Agreements Issued May 30, 2018, by and Between Regional Health Properties, Inc., and Red Mortgage. Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017

10.64 10.65

Sublease Agreement, dated as of November 30, 2018, by and between Regional Health Properties, Inc. and Miami COV SNF, Inc. Registrant's Annual Report on Form 10-K for the year ended December 31, 2018

10.65 10.66

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Sublease Agreement, dated as of November 30, 2018, by and between RMC HUD Master Tenant, LLC and Greenfield SNF, Inc. Registrant's Annual Report on Form 10-K for the year ended December 31, 2018

10.66 10.67

Sublease Agreement, dated as of November 30, 2018, by and between RMC HUD Master Tenant, LLC and Sidney SNF, Inc. Registrant's Annual Report on Form 10-K for the year ended December 31, 2018

10.67 10.68

Sublease Agreement, dated as of November 30, 2018, by and between Eaglewood Village, LLC and Springfield Clark ALF, Inc. Registrant's Annual Report on Form 10-K for the year ended December 31, 2018

10.68 10.69

Sublease Agreement, dated as of November 30, 2018, by and between 2014 HUD Master Tenant, LLC and Springfield SNF, Inc. Registrant's Annual Report on Form 10-K for the year ended December 31, 2018

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10.69	10.70	Guaranty, dated as of December 1, 2018, by and between Regional Health Properties, Inc. and Miami COV SNF, Inc., Greenfield SNF, Inc., Sidney SNF, Inc., Springfield Clark ALF Inc. and Springfield SNE, Inc.	Incorporated by reference to Exhibit 10.211 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018
10.7	10.71	Forbearance Agreement, dated as of January 11, 2019, by and between Covington Realty, LLC and Regional Health Properties, Inc.	Incorporated by reference to Exhibit 10.212 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018
10.71	10.72	Lease Agreement, dated as of February 28, 2019, by and between Mountain Trace Nursing ADK, LLC and Vero Health X, LLC.	Incorporated by reference to Exhibit 10.216 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018
10.72	10.73	Settlement Agreement and Release, dated as of March 13, 2019, by and between Regional Health Properties, Inc. and Chapter 7 Trustee	Incorporated by reference to Exhibit 10.219 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2018
10.73	10.74	Coosa Nursing ADK, LLC Loan Agreement dated September 30, 2010	Incorporated by reference from Exhibits 10.1 of the Registrant's Form 8-K filed October 6, 2010.
10.74	10.75	Coosa Nursing ADK, LLC Secured Promissory Note dated September 30, 2010	Incorporated by reference from Exhibits 10.2 of the Registrant's Form 8-K filed October 6, 2010.

10.74(a)	10.75	Note Modification Agreement, dated as of May 1, 2020, by and between Coosa Nursing ADK, LLC and Metro City Bank	Incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020
10.75	10.76	Loan dated as of January 24, 2011 by and between Mountain Trace Nursing ADK, LLC and Community Bank & Trust - West Georgia	Filed herewith Incorporated by reference to Exhibit 10.75 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022
10.75(a)	10.76	Extension Agreement, dated as of July 15, 2020, by and between Mountain Trace Nursing ADK, LLC and Community Bank & Trust – West Georgia	Incorporated by reference to Exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020

10.76	10.77	<u>Agreement Regarding Lease and Note, dated as of August 27, 2020, by and between OS Tybee, LLC, SB Tybee, LLC, JV Jeffersonville, LLC and Regional Health Property, Inc.</u>	Incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2020
10.77	10.78	<u>Lease, dated as of January 1, 2021, by and between ADK Georgia, LLC and PS Operator, LLC.</u>	Incorporated by reference to Exhibit 99.1 of the Registrant's Current Report on Form 8-K filed January 7, 2021
10.78	10.79	<u>Management Consulting Services Agreement, dated as of January 1, 2021, by and between Vero Health Management, LLC, and Tara Operator, LLC.</u>	Incorporated by reference to Exhibit 99.2 of the Registrant's Current Report on Form 8-K filed January 7, 2021
10.79	10.80	<u>Agreement Regarding Leases, dated as of On December 1, 2020, by and between Regional Health Properties, Inc., and 3223 Falligant Avenue Associates, L.P., 3460 Powder Springs Road Associates, L.P., Wellington Healthcare Services II, L.P. and Mansell Court Associates LLC</u>	Incorporated by reference to Exhibit 10.247 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2020
10.8	10.81	<u>Promissory Note, dated as of September 30, 2021, by and between Coosa Nursing, LLC and the Exchange Bank of Alabama.</u>	Incorporated by reference to Exhibit 4.17 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2021
10.81	10.82	<u>Second Renewal Amended and Restated Promissory Note, dated as of August 17, 2021, by and between Regional Health Properties, Inc. and KeyBank National Association.</u>	Incorporated by reference to Exhibit 4.18 of the Registrant's Quarterly Report on Form 10-Q for the nine months ended September 30, 2021
10.82	10.83	<u>Management Agreement, dated as of September 22, 2021, by and between Peach Health Group, LLC and Tara Operator, LLC.</u>	Incorporated by reference to Exhibit 99.1 of the Registrant's Form 8-K filed September 27, 2021
10.83	10.84	<u>Outside Director Compensation package</u>	Filed herewith Incorporated by reference to Exhibit 10.83 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022
21.1		<u>Subsidiaries of the Registrant</u>	Filed herewith

23.1 Filed herewith
[Consent of Cherry Bekaert LLP](#)

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31.1 Filed herewith
[Certification of CEO Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act](#)

31.2 Filed herewith
[Certification of CFO Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act](#)

32.1 Filed herewith
[Certification of CEO Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act](#)

32.2 Filed herewith
[Certification of CFO Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act](#)

97.1 [Regional Health Properties, Inc. Clawback Policy](#) Filed herewith

101.INS Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. Filed herewith

101.SCH Inline XBRL Taxonomy Extension Schema Filed herewith

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Filed herewith

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Filed herewith

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Filed herewith

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Filed herewith

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Identifies a management contract or compensatory plan or arrangement.

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Item 16. Form 10-K Summary

None.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Regional Health Properties, Inc.

by: /s/ BRENT S. MORRISON

Brent S. Morrison

Chairman, Chief Executive Officer and President

April 14, 2023 01, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
<u>/s/ BRENT S. MORRISON</u> Brent S. Morrison	Chairman, Chief Executive Officer, and President (Principal Executive Officer)	April 14, 2023 01, 2024
<u>/s/ PAUL J. O'SULLIVAN</u> Paul J. O'Sullivan	Senior Vice President (Principal Financial Officer)	April 14, 2023 01, 2024
<u>/s/ MICHAEL J. FOX</u> Michael J. Fox	Director	April 14, 2023 01, 2024
<u>Kenneth S. Grossman</u>	Director	April 14, 2023
<u>/s/ DAVID A. TENWICK</u> David A. Tenwick	Director	April 14, 2023 01, 2024
	Director	April 14, 2023

Steven L. Martin

/s/ KENNETH W. TAYLOR

Kenneth W. Taylor

Director

April 14, 2023 01, 2024

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GUARANTOR NAME AND ADDRESS	LENDER NAME AND ADDRESS	Number
ADCARE HEALTH SYSTEMS INC 454 SATELLITE BLVD STE 100 Suwanee, GA 30024	The Exchange Bank of Alabama PO Box 1100 Gadsden, AL 35902	574354 4.125.000.00 05/01/2017

GUARANTY

DATE. The date of this Guaranty is May 01, 2017

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to Induce Lender (with its participants, successors and assigns), at its option, at any time or from time to time to make loans or extend other accommodations to or for the account of MEADOWOOD PROPERTY HOLDINGS LLC (Borrower) or to engage in any other transactions with Borrower, the Guarantor hereby absolutely and unconditionally guarantees to the Lender the full and prompt payment when due, whether at maturity or earlier by reason of acceleration or otherwise, of the debts, liabilities and obligations described as follows:

INDEBTEDNESS.

Specific Debts. The Guarantor guarantees to Lender the payment and performance of the debt, liability or obligation of Borrower to Lender evidenced by or arising out of the following:

and any extensions, renewals or replacements thereof (indebtedness).

All Debts. Except as this Guaranty may otherwise provide, the Guarantor guarantees to Lender the payment and performance of each and every debt, liability and obligation of every type and description which Borrower may now or at any time hereafter owe to Lender (whether such debt, liability or obligation now exists or is hereafter created or incurred, and whether it is or may be direct or Indirect, due or to become due, absolute or contingent, primary or secondary, liquidated or unliquidated, or joint, several, or Joint and several: all such debts, liabilities and Obligations (indebtedness)). Without limitation, this Guaranty Includes the following described debt(s):

Exclusions.

Guarantor will be Roble for \$Unlimited of the principal amount of the Indebtedness outstanding at default and for all of the accrued interest, and the expenses of collection, enforcement or protection of Lender's rights and remedies under this Guaranty, including reasonable attorneys' fees.

Guarantor's liability will not exceed _____ % of the Indebtedness outstanding at default and all of the accrued interest, and the expenses of collection, enforcement or protection of Lender's rights and remedies under this Guaranty, including reasonable attorneys' fees.

Indebtedness Excludes:

SECURITY.

the Guaranty is unsecured.

secured by The terms of all agreements with Lender

CONFESION OF JUDGMENT. If Guarantor defaults, it authorizes any attorney to appear in a court of record and confetti judgment against it in favor of Lender. The confession of judgment may be without process and for any amount due on this Guaranty Including collection costs and reasonable attorneys' fees.

PA only FORMCHECKBOX WARRANT OF AUTHORITY TO CONFESS JUDGMENT. Upon default, In addition to all other remedies and rights available to Lender, by signing below Guarantor Irrevocably authorizes the prothonotary, clerk, or any attorney to appear in any court of record having jurisdiction over this matter and to confess judgment against Guarantor at any time without stay of execution. Guarantor waives notice, service of process and process. Guarantor agrees and understands that judgment may be confessed against Guarantor for any unpaid principal, accrued interest and accrued charges due on title Note, plus collection costs and reasonable attorneys' fees up to 15 percent of the Judgment. The exercise of the power to confess judgment will not exhaust this warrant of authority to confess judgment and may be done as often as Lender elects. Guarantor further understands that Guarantor's property may be seized without prior notice to satisfy the debt owed. Guarantor knowingly, intentionally, and voluntarily waives any and all constitutional rights Guarantor has to pre-deprivation notice and hearing under federal and state laws and fully understands the consequences of this waiver.

By signing immediately below, Guarantor agrees to the terms of the WARRANT OF AUTHORITY TO CONFESS JUDGMENT section.

SIGNATURES. By signing under seal, Guarantor agrees to the terms contained in this Guaranty (including those on page 2). Guarantor also acknowledges receipt of a copy of this Guaranty.

GUARANTOR:

ADARE HEALTH SYSTEMS, INC

Entity Name (Seal)

Name, Title ALLAN J. RIMLAND, MANAGER (Seal)

Name, Title (Seal)

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Entity Name (Seal)

Name, Title (Seal)

Name, Title (Seal)

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ADDITIONAL PROVISIONS

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The Guarantor further acknowledges and agrees with Lender that:

1. No act or thing may occur to establish the liability of the Guarantor hereunder, and no act or thing, except full payment and discharge of all indebtedness, shall in any way exonerate the Guarantor or modify, reduce, limit or release the liability of the Guarantor hereunder.

2. This is an absolute, unconditional and continuing Guaranty of payment of the Indebtedness and will continue to be enforceable against the Guarantor, whether or not all indebtedness is paid in full, until this Guaranty is revoked by written notice actually received by the Lender. Any revocation shall not be effective as to any indebtedness existing or committed to at the time of actual receipt of notice by the Lender, or as to any renewals, extensions and refinancing thereof.

The Guarantor represents and warrants to the Lender that the Guarantor has a direct and substantial economic interest in Borrower and expects to derive substantial benefits therefrom and from any loans and financial accommodations resulting from the creation of indebtedness guaranteed hereby, and that this Guaranty is given for a business purpose. The Guarantor agrees to rely exclusively on its right to revoke this Guaranty prospectively as to future transactions by written notice actually received by Lender if at any time the benefits then being received by the Guarantor in connection with this Guaranty are not sufficient to warrant its continuance as a Guarantor as to future indebtedness. Accordingly, the Lender may rely conclusively on a continuing warranty, hereby made, that the Guarantor continues to be benefited by this Guaranty and that the Lender has no duty to inquire into or confirm the receipt of any benefits, and that this Guaranty will be enforceable without regard to the receipt, nature or value of any such benefits.

3. If the Guarantor is dissolved or becomes bankrupt however defined, or revokes this Guaranty, then the Lender has the right to declare the full amount of all indebtedness immediately due and payable, and the Guarantor will forthwith pay the Lender. If the Guarantor voluntarily commences or there is commenced involuntarily against the Guarantor a case under the United States Bankruptcy Code, the full amount of all indebtedness, whether due and payable or unmatured, will become immediately due and payable without demand or notice thereof.

4. The Guarantor will be liable for all Indebtedness, without any limitation as to amount, plus accrued interest thereon and all other costs, fees, and expenses agreed to be paid under all agreements evidencing the indebtedness and securing the payment of the indebtedness, and all attorneys fees, collection costs and enforcement expenses referable thereto. Indebtedness may be created and continued in any amount, whether or not in excess of such principal amount, without affecting or impairing the liability of the Guarantor hereunder. The Lender may apply any sum received by or available to the Lender on account of the indebtedness from Borrower or any other person (except the Guarantor), from their properties, out of any cash or security or from any other source to payment of the excess. Such application of receipts will not reduce, alter or impair the liability of the Guarantor hereunder. If the liability of the Guarantor is limited pursuant to this paragraph 4, any payment made by the Guarantor under this Guaranty will be effective to reduce or discharge its liability only if accompanied by a written transmittal document, received by the Lender, advising that such payment is made under this Guaranty for that purpose.

5. The Guarantor will pay or reimburse the Lender for all costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Lender in connection with the protection, defense or enforcement of this Guaranty in any litigation or bankruptcy or insolvency proceedings.

6.Whether or not any relationship between the Guarantor and Borrower has been changed or ended and whether or not this Guaranty has been revoked, the Lender may, but shall not be obligated to, enter into transactions resulting in the creation or continuance of indebtedness, without any consent or approval by the Guarantor and without any notice to the Guarantor. The liability of the Guarantor will not be affected or impaired by any of the following acts or things (which the Lender is expressly authorized to do, omit or suffer from time to time, both before and after revocation of this Guaranty, without notice to or approval by the Guarantor): (i) any acceptance of collateral security, Guarantors, accommodation parties or sureties for any or all indebtedness; (ii) any or more extensions or renewals of indebtedness (whether or not for longer than the original period or any modification of the interest rates, maturities or other contractual terms applicable to any indebtedness); (iii) any waiver, adjustment, forbearance, compromise or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of indebtedness, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any indebtedness; (iv) any full or partial rates of, settlement with, or agreement not to sue, Borrower or any other Guarantor or other person liable in respect (v) any indebtedness; let any discharge of any evidence of indebtedness or the acceptance of any instrument in renewal thereof or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff, for indebtedness, or to see to the proper or sufficient volition and perfection thereof, or to establish the priority thereof, or to protect, insure, or enforce any collateral security; or any release, modification, substitution, discharge, impairment, deterioration, waste, or loss of any collateral security; (vii) any foreclosure or enforcement of any collateral security; (viii) any transfer of oily indebtedness or any evidence thereof; (ix) any order of application of any payments or credits upon indebtedness; or any evidence thereof; (x) any election by the Lender under §111(b)(2) of the United States Bankruptcy Code.

7.The Guarantor waives any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to indebtedness, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Guarantor will not assert, plead or enforce against the Lender any defense of waiver, release, estoppel, statute of limitations, res judicata, statute of frauds, fraud, forgery, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other person liable in respect of any indebtedness, or any setoff available against the Lender to Borrower or any such other person, whether or not on account of a related transaction. The Guarantor expressly agrees that the Guarantor will be liable, to the fullest extent permitted by applicable law, for any deficiency remaining after foreclosure of any mortgage or security interest securing indebtedness, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision. The Guarantor shall remain obligated, to the fullest extent permitted by law, to pay such amounts as though Borrower's obligations had not been discharged.

8.The Guarantor further agree(s) that Guarantor will be obligated to pay indebtedness even though any other person obligated to pay indebtedness. Including Borrower, has such obligation discharged in bankruptcy or otherwise discharged by law. 'Indebtedness' shall include post-bankruptcy petition interest and attorneys' fees and any other amounts which Borrower is discharged from paying or which do not accrue to Indebtedness due to Borrower's discharge, and Guarantor will be obligated to pay such amounts as fully as if Borrower's obligations had not been discharged.

9.If any payment applied by the Lender to indebtedness is thereafter set aside, recovered, rescinded or required to be returned for any reason (including, without limitation, the bankruptcy, insolvency or reorganization of Borrower or any other obligor), the indebtedness to which such payment was applied will for the purposes of this Guaranty be deemed to have continued in existence, notwithstanding such application, and this Guaranty will be enforceable as to such indebtedness as fully as if such application had never been made.

10.Until the obligations of the Borrower to Lender have been paid in full, the Guarantor waive(s) any claim, remedy or collateral right which the Guarantor may now have or hereafter acquire against Borrower, or any other person obligated to pay indebtedness rising out of the creation or performance of the Guarantor's obligation under this Guaranty, including, without limitation, any right of subrogation, contribution, reimbursement, indemnification, exoneration or any right to participate in any claim or remedy the Guarantor may have against the Borrower, collateral, or any other party obligated for Borrower's debt, whether or not such claim, remedy, or right arises in equity, or under contract, statute or common law.

11.The Guarantor waives presentment, demand for payment, notice of dishonor or nonpayment, and protest of any instrument evidencing indebtedness. The Lender will not be required lest to resort to payment of the indebtedness to Borrower or other persons or their properties, or first to enforce, realize upon or exhaust any collateral security for indebtedness, before enforcing this Guaranty.

12.The liability of the Guarantor under this Guaranty is in addition to and is cumulative with all other liabilities of the Guarantor to the Lender as Guarantor or otherwise, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

13.To induce Lender to enter into the Loan, Guarantor makes these representations and warranties for as long as Guaranty is in effect. Guarantor is duly organized, validly existing and in good standing under the laws in the jurisdiction in which Guarantor was organized and is duly qualified, validly articling and in good standing in all jurisdictions in which Guarantor operates or Guarantor owns or leases property. Guarantor has the power and authority to enter into this transaction and to carry on Guarantor's business or activity as now conducted. The execution, delivery and performance of this Guaranty and the obligation evidenced by this Guaranty are within Guarantor's duly authorized powers; have received all necessary governmental approval; will not violate any provision of law or order of court or governmental agency; and will not violate any agreement to which Guarantor is a party or to which Guarantor is or any of Guarantor's property is subject. Other than previously disclosed in writing to Lender, Guarantor has not changed Guarantor's name or principal place of business within the last ten years and has not used

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any other name or fictitious name. Without Lender's prior written consent, Guarantor does not and will not use any other name and will preserve Guarantor's existing name, trade names and franchisee. Guarantor owns or leases all property that Guarantor needs to conduct Guarantor's business and activities. All of Guarantor's property is free and clear of all liens, security interests, encumbrances and other adverse claims and interests, except those Lender previously agreed to in writing. Guarantor is not violating any laws, regulations, rules, orders, judgments or decrees applicable to Guarantor or Guarantor's property, except for those them. Guarantor is challenging in good faith through proper proceedings after providing adequate reserves to fully pay the claim and its challenge should Guarantor lose.

14.This Guaranty is effective upon delivery to the Lender, without further act, condition or acceptance by the Lender. It will be binding upon the Guarantor and the successors and assigns of the Guarantor and will inure to the benefit of the Lender and its participants, successors and assigns. If there be more than one Guarantor, all agreements and promises herein shall be construed to be, and are hereby declared to be, joint and several in each and every particular and shall be fully binding upon and enforceable against either, any or all the Guarantors. Any invalidity or unenforceability of any provision or application of this Guaranty will not affect other lawful provisions and application hereof, and to this and the provisions of this Guaranty are declared to be severable. Except as allowed by the terms herein, this Guaranty may not be waived, modified, amended, terminated, released or otherwise changed except by a writing signed by the Guarantor and the Lender. This Guaranty shall be governed by the laws of the State in which it is executed. The Guarantor waives notice of the Lender's acceptance hereof.

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TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT, is made, entered into and effective as of the day of , 2011, by and among MOUNTAIN TRACE NURSING ADK, LLC (hereinafter referred to as the "Borrower"), AdCare Health Systems, Inc. (hereinafter referred to as the "Guarantor") and Community Bank & Trust - West Georgia, having its principal offices at 201 Broad Street, La Grange, Georgia 30241 (the "Lender").

WITNESSETH:

WHEREAS, Borrower has applied to Lender for financing of the type or types more particularly described hereinbelow; and

WHEREAS, Lender is willing to extend financing to Borrower in accordance with the terms hereof upon the execution of this Agreement by Borrower, provided that Borrower and Guarantor are in compliance with all of the terms and provisions of this Agreement and have fulfilled all conditions precedent to Lender's obligations herein contained;

NOW, THEREFORE, in consideration of the sum of \$100.00, the foregoing premises and for other good and valuable consideration, the sufficiency and receipt of all of which are acknowledged by Borrower and Guarantor, Lender, Borrower and Guarantor agree as follows:

ARTICLE I

DEFINITIONS, TERMS AND REFERENCES

1.1. Certain Definitions. In addition to such other terms as elsewhere defined herein, as used in this Agreement and in any exhibits, the following terms shall have the following meanings, unless the context requires otherwise:

"Accounts Receivable Collateral" shall mean all rights of the Borrower to payment for goods sold or leased, or to be sold or to be leased, or for services rendered, howsoever evidenced or incurred, including, without limitation, all accounts, instruments, chattel paper and general intangibles, all returned or repossessed goods and all books, records, computer tapes, programs, and ledger books arising therefrom or relating thereto, whether now owned or hereafter acquired or arising.

"Agreement" shall mean this Term Loan Agreement, as amended or supplemented from time to time.

"Banking Day" means a day, other than Saturday or Sunday, when the Lender is open to the public for ordinary banking business.

"Bankruptcy Code" shall mean Title 11 of the United States Code, as amended from time to time.

"Borrower" shall mean MOUNTAIN TRACE NURSING ADK, LLC, duly organized and existing under the laws of the State of Ohio and authorized to do business in the State of North Carolina.

"Business Day" shall mean a day on which Lender is open for the conduct of banking business at its office located at 201 Broad Street, La Grange, Georgia 30241.

"Closing Date" shall mean the date of the execution of this Agreement and the date on which the Term Loan is made pursuant hereto.

"Collateral" shall mean the Accounts Receivable Collateral, Inventory Collateral, Equipment Collateral, Fixtures Collateral and Property Collateral all defined herein, and in which Lender has, or is to have, a security interest pursuant hereto, as security for payment of the Term

"Collateral Locations" shall mean those locations set forth and described on Exhibit "A" attached hereto.

"Default Condition" shall mean the occurrence of any event which, after satisfaction of any requirement for the giving of notice or the lapse of time, or both, would become an Event of Default.

"Equipment Collateral" shall mean all equipment and machinery of the Borrower, whether now owned or hereafter acquired, together with all furniture, furnishings, improvements, equipment, tools and personal property of every kind of the Borrower, together with all accessories, parts, components, attachments, repairs, replacements, modifications, renewals, additions, improvements, upgrades and accessions of, to or upon such items of equipment and/or machinery.

"Event of Default" shall mean any of the events or conditions described in Article XI, provided that any requirement for the giving of notice or the lapse of time, or both, has been satisfied.

"Executive Office" shall mean the offices of Borrower located at 5057 Troy Road, Springfield, OH 45502 ("Borrower's Address").

"Facility" shall mean all of the real property and improvements now existing or hereafter constructed on those tracts of land more particularly described in Exhibit "B" upon which Borrower operates the business and which are used as collateral for this loan wherever such may be located.

"Financial Statements" shall mean the individual mid consolidated balance sheet and statement of change in financial position of Borrower and the income statements of Borrower.

"Fiscal Year" shall mean the fiscal year of Borrower which shall be the twelve (12) month period ending December 31 in each year, or such other period as the Borrower may designate and Lender may approve in writing. Fiscal quarter shall mean the corresponding fiscal quarters within such Fiscal Year.

"Fixtures Collateral" shall mean all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Land as described in Exhibit "B" (as such term is hereinafter defined), and all fixtures, machinery, building materials, appliances, and equipment of the Borrower of every nature now or hereafter located, on or upon, or intended to be used in connection with, the Land as described in Exhibit "B" or the improvements thereon, including, but not by way of limitation, those for the purposes of operating the Facility; supplying or distributing heating, cooling, electricity, gas, water, air and light; and all related machinery and equipment; all plumbing; and all like personal property and fixtures of every kind and character now or at any time hereafter located in or upon the Land as described in Exhibit "B" or the improvements thereon, or which may now or hereafter be used or obtained in connection therewith, including all extensions, additions, improvements, betterments, alter-acquired property, renewals, replacements and substitutions, or proceeds from a permitted sale or any of the foregoing, mid all the right, title and interest of Borrower in any such fixtures, machinery, equipment, appliances and personal property subject to or covered by any prior security agreement, conditional sales contract, chattel Mortgage and Security Agreement or similar lien or claim, together with the benefit of any deposits or payments now or hereafter made by Borrower or on behalf of Borrower, or any improvements thereon or any part thereof or are now or hereafter acquired by Borrower; mid all equipment and

fixtures constituting proceeds acquired with cash proceeds of any of the property described herein,

and all other interest of every kind and character in all of the real, personal, and mixed properties described herein that Borrower may now own or at any time hereafter acquire, all of which are hereby declared and shall be deemed to be fixtures and accessions to the Land as described in Exhibit "B", as between the parties hereto and all persons claiming by, through or under them.

"Funding" shall mean the act of Lender disbursing money to Borrower or for the benefit of Borrower under and pursuant to the terms of this Agreement and Term Note.

"GAAP" means, as in effect from time to time, generally accepted accounting principles consistently applied.

"Guarantor" shall mean AdCare Health Systems, Inc. and its respective successors and assigns.

"Guaranty Fee" shall mean a fee payable to the USDA Rural Development at the Closing in the amount of \$80,000.00.

"Indebtedness" means any (i) obligations for borrowed money, (ii) obligations whether or not assumed, secured by Liens or payable out of the proceeds or production from property now or hereafter owned or acquired, and (iii) the runout of any other obligation (including obligations under financing leases) which would be shown as a liability on a balance sheet prepared in accordance with GAAP.

"Inventory Collateral" shall mean all inventory of Borrower, whether now owned or

hereafter acquired, located in the Facility or on the Land, including, without limitation, all goods of Borrower held for sale or lease or furnished or to be furnished under contracts of service, all goods held for display or demonstration, goods on lease or consignment, returned and repossessed goods,



all raw materials, work-in-progress, finished goods and supplies used or consumed in Borrower's business, together with all returns, repossessions, substitutions, replacements, parts, additions, accessions and all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading or orders, for the delivery of all, or any portion, of the foregoing.

"Land" shall mean all those certain tracts, pieces and parcels of land described on Exhibit "B" attached hereto.

"Lender" shall mean Community Bank & Trust - West Georgia, having its principal offices at 201 Broad Street, La Grange, Georgia 30241, and its successors and assigns.

"Liabilities" shall have the meaning given in accordance with generally accepted accounting principles consistently applied.

"Lien" shall mean any voluntary or involuntary mortgage and security agreement, security deed, deed of trust, lien, mortgage, pledge, assignment, security interest, title retention agreement, financing lease, levy, execution, encumbrance of any kind, including those contemplated by or permitted in this Agreement and the other Loan Documents.

"Loan Documents" shall mean, collectively, this Agreement, the Term Note, any financing statements, deeds to secure debt, or mortgages covering portions of the Collateral, security agreement, guaranty agreement, and any and all other documents, instruments, certificates and agreements executed and/or delivered by Borrower and/or Guarantor in connection therewith, or any one, more, or all of the foregoing, as the context shall require.

"Loan Obligations" shall mean all advances, debts, liabilities, obligations, covenants and duties owing, arising, due or payable from Lender to Borrower as it relates to this Term Loan of any kind or nature, present or future, whether or not evidenced by any note or term note, guaranty or

other instrument, whether arising under this Agreement or under any of the other Loan Documents, and whether direct or indirect (including those acquired by assignment), absolute or contingent, primary or secondary, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys fees and all other sums chargeable to Borrower under this Agreement or any of the other Loan Documents.

"Mortgage and Security Agreement" shall mean that certain Deed of Trust, Security Agreement and Fixture Filing of even date herewith from Borrower in favor of or for the benefit of Lender.

"Permitted Encumbrances" shall mean those security interests, liens and encumbrances, if any, set forth and described on Exhibit "C" attached hereto, pertaining to the type of Collateral involved, as shown thereon.

"Person" means any person, firm, corporation, partnership, trust or other entity.

"Property" shall mean the real estate located in Jackson County, North Carolina, more particularly described in Exhibit "B" attached hereto.

"Property Collateral" shall mean the Land and all of the interest of Borrower in all easements, rights-of-way, licenses, operating agreements, strips and gores of land, vaults, streets, ways, alleys, passages, sever rights, waters, water courses, water rights and powers, oil and gas and other minerals, flowers, shrubs, trees, timber and other emblements now or hereafter located on the Land or under or above the same or any part or parcel thereof, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditament and appurtenances, reversion and reversions,

remainder and remainders, whatsoever, in any way belonging, relating or appertaining to the Land

or any part thereof, or that hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Borrower.

"RD" shall mean the USDA Rural Development, an agency of the United States Department of Agriculture, and any successor department, agency or instrumentality authorized to administer the Business and Industrial Guaranteed Loan Program.

"RD Guarantee" shall mean the guarantee backed by the full faith and credit of the United States provided by RD of a specified percentage of the outstanding amount of the Loan pursuant to the RD Guaranty Contract.

"RD Guarantee Commitment" shall mean that certain Conditional Commitment for Guarantee case no. 38-050-273765427 issued by the RD on December 22, 2010.

"Security Instruments" shall mean the following security documents executed by Borrower to Lender, each being dated of even date herewith, as security for the Term Loan: the Mortgage and Security Agreement, the Uniform Commercial Code Financing Statements and Security Agreement.

"Soil Costs" shall mean all costs, expenses and fees incurred by Lender, Borrower, and Guarantor in preparing and documenting this Agreement and all documents and instruments related thereto, together with the Lender Origination Fee, the Guaranty Fee, the Underwriting Fee and all other loan related fees and costs, including but not limited to filing and recording fees, costs of appraisals, surveys, environmental studies or reports, insurance and attorneys fees.

"Term Loan" shall mean Five Million and No 00 Dollars (\$5,000,000.00) term loan made by Lender to Borrower which is evidenced by the Term Note described immediately hereafter and as pursuant to this Agreement.

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"Term Note" shall mean the term promissory note of Borrower in favor of the Lender dated of even date herewith, as amended or supplemented from time to time, in the principal amount of \$5,000,000.00 together with any renewals or extensions thereof; in whole or in part. The Term Note shall be substantially in the form of Exhibit "D" attached hereto. Repayment schedule as to the Term Note is attached hereto as Exhibit "M".

"DCC" shall mean the Uniform Commercial Code Secured Transactions of North Carolina, as in effect on the date hereof, or as hereafter amended.

1.2. Use of Defined Terms. All terms defined in this Agreement and the exhibits shall have the same defined meanings when used in any other Loan Documents, unless the context shall require otherwise. All of the aforementioned recitals and definitions are incorporated by this reference and made a part of this Agreement.

1.3. Accounting Terms. All accounting terms not specifically defined herein shall have the meanings generally attributed to such terms under generally accepted accounting principles consistently applied.

1.4. UCC Terms. The terms "instruments", "general intangibles" and "equipment", as and when used in the Loan Documents, shall have the same meanings given such terms under the

UCC.

1.5. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of articles and sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to articles, sections, subsections, paragraphs, clauses, subclauses or

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exhibits shall refer to the corresponding article, section, subsection, paragraph, clause, subclause of, or exhibit attached to, this Agreement, unless specific reference is made to the articles, sections or other subdivisions divisions of, or exhibit to, another document or instrument.

1.6. Exhibits. All exhibits attached hereto are by reference made a part hereof.

ARTICLE II

THE LOAN

2.1. The Loan. Borrower has agreed to borrow from Lender, and Lender has agreed to make the Loan to Borrower, subject to Borrower's compliance with and observance of the terms, conditions, covenants and provisions of this Agreement, the Term Note, and the other Loan Documents, and Borrower has made the covenants, representations, and warranties herein and therein as a material inducement to Lender to make the Loan.

2.2. Term and Interest Rate. The Term Loan shall be evidenced by the Note described in Exhibit "D" attached hereto. The Term Note shall be amortized over twenty-five (25) years. The rate of interest as set forth in the Term Note cannot be changed more often than quarterly, and must increase and decrease with the selected prime rate, all as more particularly set forth in Exhibit "D". The Lender shall amortize the principal over the term of the Term Loan as set forth in Exhibit "D", and make an adjustment of payment installments only by the amount of rise or fall resulting from the interest rate change. The interest rate on the loan evidenced by the Term Note will be the Prime Rate plus

1.75% per annum, adjustable quarterly with a 5.75% floor. The Prime Rate will be the prime rate, as quoted or published, from time to time in the Money Rates section of The Wall Street Journal or the nearest comparable rate if no such prime rate is quoted, as determined by the holder of the Note. Interest shall be calculated on the actual basis of a year of

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360 days. Moreover, the Borrower shall be responsible for the annual renewal fee on the USDA guaranteed portion of the Term Note of $\frac{1}{4}$ of 1%. The amount of the annual renewal fee will be determined by multiplying the rate of $\frac{1}{4}$ of 1% by the outstanding principal guaranteed by the USDA as of December 31st of each year. The annual renewal fee will be due to the Lender as of December 31st of each year.

2.3. Security for the Loan. The Loan will be secured by the Collateral as described in the Security Instruments, and guaranteed by the Guarantor pursuant to the Agreement.

2.4. Repayment of Loan. Each payment of the Loan Obligations shall be paid directly to the Lender in lawful money of the United States of America at the Lender's main office located at 201 Broad Street, La Grange, Georgia 30241, or such other place as the Lender shall designate in writing to the Borrower. Each such payment shall be paid in immediately available funds by 2:00 p.m., La Grange, GA time, on the date such payment is due, except if such date is not a Banking/Business Day such payment shall then be due on the first Banking/Business Day after such date, but interest shall continue to accrue until the date payment is received. Any payment received after 2:00 p.m., Eastern standard time, shall be deemed to have been received on the immediately following Banking/Business Day for all purposes, including, without limitation, the accrual of interest on principal.

ARTICLE III

CONDITIONS PRECEDENT

Unless waived in writing by Lender at or prior to the execution and delivery of this Agreement, the conditions set forth in Sections 3.1 through 3.19 shall constitute express conditions precedent to my obligation of Lender hereunder.

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3.1. Compliance. Borrower and Guarantor shall have performed and complied with all terms and conditions required by this Agreement to be performed or complied with by it prior to or at the date of any Funding by Lender and shall have executed and delivered to Lender the Term Note.

3.2. Board Resolutions and Incumbency Certificate. Lender shall have received certificates from the Board of Directors, or whomever is authorized to act on behalf of the Borrower and Guarantor, certifying to Lender that appropriate consents and resolutions have been entered into by its Board of Directors or Members incident hereto and that the officers and the members and managers of the company whose signatures appear hereinbelow, on the other Loan Documents, and on any and all other documents, instruments and agreements executed in connection therewith, and the officers executing the same, are duly authorized by B01Tower and by its Boards of Directors or Members of such companies to execute and deliver this Agreement, the other Loan Documents and such other documents, instruments and agreements, and to bind such companies accordingly thereby, all in form and substance substantially similar to those board resolutions set forth and described on Exhibit "E" attached hereto.

3.3. Certificate of Good Standing. Lender shall have received a current certificate of good standing with respect to the Borrower and Guarantor from the Secretary of State of the state of incorporation/organization.

3.4. Articles of Incorporation/Organization and By-Laws/Operating Agreement.

Lender shall have received copies of the articles of incorporation and by laws/ operating agreement of the Borrower and/or Guarantor as in effect on the date hereof, certified as to truth and accuracy by the officers/members/managers of the Borrower.

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3.5. Loan Documents. Lender shall have received all the other Loan Documents duly executed in form and substance acceptable to Lender.

3.6. Insurance Certificate. Lender shall have received a certificate in respect of all insurance required hereunder, in form and substance acceptable to Lender.

3.7. Financing Statements. Lender shall have received Uniform Commercial Code Financing Statements in respect of the Collateral, duly executed by the owner thereof and in form and substance acceptable to Lender.

3.8. Opinion of Counsel. Lender shall have received an opinion of counsel satisfactory to it from independent legal counsel in substantially the form of Exhibit "F" attached hereto.

3.9. Operation and Management of the Facility. The Facility shall be operated and managed by the Borrower. The operation and management of the Facility shall not be transferred to any other party; the transfer of such responsibility in violation of the foregoing in this sentence shall constitute an Event of Default, the same as if such event had been described and contained in Article XU of this Agreement.

3.10. Licenses and Permits. Borrower and/or Guarantor shall have received and shall provide evidence of same to Lender that Borrower has obtained all licenses, permits, certificates and other governmental permission to own and operate the Facility.

3.11. Appraisals. Lender shall have received an appraisal by an appraiser approved by Lender for the Facility and Collateral in an amount acceptable to the Lender.

3.12. Receipt of Evidence of Tax Payments. Lender shall have received evidence, in form and substance acceptable to Lender, that Borrower and Guarantor have paid all federal, state and local income taxes, that all amounts required to be withheld from employees' wage payments have

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been withheld and have been paid to the proper governmental agency, and that no judgment or tax lien is in existence with respect to Borrower and Guarantor.

3.13. Title Insurance. Lender shall have received a commitment from a title insurance company approved by Lender and authorized to do business in the State of North Carolina to issue a title insurance policy with respect to the Property Collateral, and the total amount shall be the appraised value of the Property Collateral, with no exceptions other than those approved by Lender and those shown on the commitment for title insurance, file number 1011-2345, issued by First American Title Insurance Company, effective 8:30 a.m. November 29, 2010, as same may be updated. Such title insurance commitment shall recite that Lender shall have a first priority lien on the Property Collateral.

3.14. Survey Requirements. Lender shall require an "as built" survey for the Property, prepared by a registered land surveyor or registered professional engineer, in accordance with North Carolina law, as appropriate.

3.15. Zoning, Building Codes and OSHA Requirements. If required, Lender shall have received evidence with respect to the Facility that the same is not in violation of any zoning, building, sanitary or Occupational Safety and Health Administration rules, requirements or laws.

3.16. Guaranty. Lender shall have received a Guaranty substantially in the form as shown on Exhibit "G" hereof from the Guarantor named therein.

3.17. Environmental Matters. With respect to the Property Collateral, Lender shall have received from the Borrower, the form FmHA 1940-20 Request for Environmental Information as

executed by the Borrower.

Boffower covenants and agrees that all Prope11:y Collateral or interests in real propety

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pledged as collateral security for t11e Loan are free of any substantial amounts of waste or debris, and are free from any material amounts of contamination, including:

(a) (1) "Any Hazardous Waste," as defined by the Resource Conservation and Recovery Act of 1976 or any "Hazardous Substance" as defined in North Carolina law, both as amended from time to time, and regulations promulgated thereunder;

(2) "Any Hazardous Substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1989, as amended from time to time, and regulations promulgated thereunder;

(3) Any substance, the presence of which on the real property is prohibited by arty law similar to those set forth in this section; and

(4) Any material which, under federal, state or local law, statute, ordinance or regulation, or court administrative order or decree, or private agreement, requires special handling in collection, storage, treatment or disposal.

(b) Borrower has not filed any notice under any federal or slate law indicating past or present treatment, storage or disposal of a hazardous waste, substance or constituent, or other substance into t11e enviro1m1ent. None of the operations of Borrower is the subject of federal or state litigation or proceedings, or of any investigation evaluating whetl1er any remedial action involving a material expenditure is needed to respond to any improper treatment, storage, recycling, disposal or release into the envirmmental of any hazardous or toxic subslar1ce, waste or constituent. None of the operations of Borrower is subject to any jndicial or administrative proceeding alleging

!he violation of ar1y federal, state or local environmental, health or safely statute, or regulation.

Borrower does not trar1sport any hazardous wastes, substances or constituents.

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(c)All notices, permits, licenses or similar authorizations, if any, required to be obtained or filed in connection with the operation or use of any and all Property Collateral pledged as collateral security for the Loan, including, without limitation, past or present t11eatment, storage, disposal or release of a hazm-dous substance or solid waste into 111e environment, have been, to the knowledge of the Borrower, duly obtained or filed.

(d) Borrower will take and continue to take prompt action to remedy all environmc!ll pollution and contamination, hazardous waste disposal and other environmental clean-up problems, if any, whether or not such clean-up problems have resulted from the order or request of a municipal, state, federal, administrtive or judicial au111ority, or otherwise. Bo1rower will not violate any applicable municipal ordinance, slate or federal statule, administrative rule or regulation, or order or judgment of any court with respect to env:ironm:ental pollution or contamination, hazardous waste disposal or any other environmental matter.

(e)Borrower will indemnify and hold Lender, its officers, directors, employees, representatives, agents and affiliates harmless against, and promptly pay on demand or reimburse each of !hem with respect to, any and all claims, demands, causes of action, loss, damage, liabilities, costs and expenses of any and every kind or nature whatsoever asserted against or incmred by any of them by reason of or arising out of or in any way related to (i) t11e breach of any representation or waltanty as set forth regarding Environmental Laws, or (ii) the failure ofBmrnwer to perform any obligation herein required to be performed pursuant to Environmental Laws. The provisions of this section shall smvive 111e final payment of the Loan and the termination of this Agreement, and shall continue thereafter in foll force and effect.

(f) Notwithstanding anyt.liing contained in this paragraph to the contrary, any

covenants of Borrower concerning any environmental matter addressed herein shall not be applicable to any condition which is first created or introduced after a foreclosure, conveyance or other transfer of title of the Property Collateral pledged as collateral security for the Loan.

3.18. Continuing Compliance. At the time of the Term Loan, there shall not exist any event, condition or act which constitutes an Event of Default hereunder or any condition, event or act which with notice, lapse of time or both would constitute such Event of Default. There would not exist any such event, condition, or act immediately after the disbursement, were it to be made.

3.19. Miscellaneous. Lender shall have received such other documents, certificates, instruments and agreements as shall be required hereunder or provided for herein or as Lender or Lender's counsel may reasonably require in connection therewith.

ARTICLE IV

FINANCING

4.1. Term 1 Loan. Lender agrees to make a term loan to Borrower in the principal amount of Five Million and No/100 Dollars (\$5,000,000.00), which shall be repayable with interest in accordance with the terms of the Term Note.

4.2. Use of Proceeds. Borrower agrees that the proceeds of the Term 1 Loan shall be disbursed as follows:

(a) Approximately \$5,000,000.00 shall be disbursed upon appropriate application therefore to purchase of existing nursing home facility.

ARTICLE V

SECURITY INTEREST-- COLLATERAL

5.1. Collateral. To secure the prompt payment and performance to Lender of the Term Loan Obligations, Borrower and/or Guarantor hereby grant to Lender a continuing security interest in and lien upon all of the following property and interests in property of Borrower and/or Guarantor, whether now owned or existing or hereafter created, acquired or arising and wheresoever located, namely the:

- (a) Property Collateral;
- (b) Equipment Collateral;
- (c) Fixtures Collateral;
- (d) Inventory Collateral;
- (e) Accounts Receivable Collateral;

(f) All products and/or proceeds of any and all of the foregoing, including, without limitation, insurance proceeds and Lender shall record UCC-1 financing statements covering such Collateral in the applicable recording offices.

5.2. Security Instruments. With respect to the Property Collateral and Fixtures Collateral located within the State of North Carolina, Borrower and/or Guarantor shall deliver to Lender at the closing a Mortgage and Security Agreement in the form as shown on Exhibit "H" attached hereto, duly executed, which shall be filed in the Recorder's office of JACKSON COUNTY, North Carolina, together with corresponding UCC-1 financing statements in respect of the Fixtures Collateral.

With respect to the Inventory Collateral, Accounts Receivable Collateral and Equipment

Collateral, Borrower shall deliver to Lender at the Closing a Security Agreement in the form as shown on Exhibit "I" attached hereto, duly executed, and Lender shall record UCC-1 financing statements

covering such Collateral in the applicable recording offices.

ARTICLE VI

REPRESENTATIONSWARRANTIES. AND COVENANTS

APPLICABLE TO PROPERTY COLLATERAL

With respect to the Property Collateral, Borrower and/or Guarantor hereby represent, warrant and covenant to Lender as set forth in Sections 6.1 through 6.4, inclusive.

6.1. Sale of Property Collateral. Borrower and/or Guarantor will not sell, lease, exchange, or otherwise dispose of any of the Property Collateral without the prior written consent of Lender.

6.2. Insurance. Borrower and/or Guarantor agree that it will obtain and maintain insurance on the Property Collateral with such company and in such amounts and against such risks as Lender may reasonably request, with loss payable to Lender as its interests may appear. Such insurance coverage shall not be canceled by Borrower or Guarantor, unless with the prior written consent of Lender. Such insurance policy or policies shall contain the "New York Standard Mortgagee Clause", stating in effect, that the interest of Lender shall not be invalidated by (i) any act or neglect of Borrower or Guarantor (including arson or a related act); (ii) by foreclosure or other proceedings relating to the Property Collateral; (iii) by any change in the title or ownership of the property; or (iv) the occupation of the premises for purposes more hazardous than permitted by the policy. In addition, if the Property Collateral is located within a special flood hazard area,

Borrower and/or Guarantor will obtain and maintain federal flood insurance (including mud slide

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and soil erosion protection) if eligible, in amounts of coverage equal to the lesser of (i) the outstanding balance of the Term Loan; (ii) the insurable value of the property; or (iii) the maximum limit of coverage available.

In addition, and as referenced in Section 3.13, Lender shall receive a title insurance policy on the Property Collateral naming Lender as insured as soon as the same shall issue after recordation of all Security Instruments related to the transactions contemplated herein. Borrower shall pay all premiums and fees related to such title insurance.

6.3. Good Title; No Existing Encumbrances. Borrower or Guarantor own the Property Collateral free and clear of any and all prior security interests, liens or encumbrances thereon other than any Permitted Encumbrances, and no financing statements or other evidence of the grant of a security interest respecting the Property Collateral exist on the public records as of the date hereof other than any evidencing the Permitted Encumbrances.

6.4. Right to Grant Security Interest; No Further Encumbrances. Borrower or Guarantor have the right to grant a security interest in the Property Collateral to Lender. Borrower and/or Guarantor will pay all taxes and other charges against the Property Collateral. Borrower and/or Guarantor will not use the Property Collateral illegally or allow the Property Collateral to be encumbered, except for the security interest in favor of Lender granted herein and except for any Permitted Encumbrances.

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ARTICLEVII

REPRESENTATIONSWARRANTIES. AND COVENANTS

APPLICABLE TO EQUIPMENT COLLATERAL AND FIXTURES COLLATERAL

With respect to the Equipment Collateral and Fixtures Collateral, Borrower and/or Guarantor hereby represent, warrant and covenant to Lender as set forth in Sections 7.1 through 7.5, inclusive.

7.1. Sale of Equipment Collateral and Fixtures Collateral. Except as permitted herein

and elsewhere in this Agreement, Borrower and/or Guarantor will not sell, lease, exchange, or otherwise dispose of any of the Equipment Collateral and Fixtures Collateral without the prior written consent of Lender; provided, however, that with notice to but without the necessity of consent of Lender, from time to time hereafter, in the ordinary course of business, Borrower and/or Guarantor may sell, exchange or otherwise dispose of portions of its Equipment Collateral and Fixtures Collateral which are obsolete, worn out or unsuitable for continued use, if the Equipment Collateral and Fixtures Collateral is replaced promptly with equipment constituting Equipment Collateral and Fixtures Collateral having a market value equal to or greater than the Equipment Collateral and Fixtures Collateral so disposed of and in which Lender shall obtain and have a first priority security interest pursuant to the Agreement.

7.2. Insurance. Borrower and/or Guarantor agree that they will obtain and maintain insurance on the Equipment Collateral and Fixtures Collateral with such companies and in such amounts and against such risks as Lender may reasonably request, with loss payable to Lender as its interests may appear. Such insurance coverage shall not be canceled by Borrower and/or Guarantor, unless with the prior written consent of Lender.

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7.3. Good Title; No Existing Encumbrances. Borrower and/or Guarantor own title to Equipment Collateral and Fixtures Collateral free and clear of any prior security interest, lien or encumbrance, and no financing statements or other evidences of the grant of a security interest respecting the Equipment Collateral and Fixtures Collateral exist on the public records as of the date hereof other than any evidencing the Permitted Encumbrances, and other than financing statements that will be paid off and canceled of record, with proceeds of this Loan.

7.4. Right to Grant Security Interest; No Further Encumbrances. Borrower and/or

Guarantor have the right to grant a security interest in the Equipment Collateral and Fixtures Collateral to Lender. Borrower and/or Guarantor will pay all taxes and other charges against the Equipment Collateral and Fixtures Collateral, and will not use the Equipment Collateral and Fixtures Collateral illegally or allow the same to be encumbered, except for the security interest in favor of Lender granted herein and except for any Permitted Encumbrances. Nothing herein, however, shall prevent Borrower and/or Guarantor from leasing any Equipment required in the operation of title facilities.

7.5. Location. As of the date hereof, the Equipment Collateral and Fixtures Collateral are located only at the Collateral Locations, and Borrower and/or Guarantor hereby covenants with Lender not to move any portion of the Equipment Collateral and Fixtures Collateral without at least thirty (30) days prior written notice to Lender; provided, however, that nothing contained herein shall be deemed to prohibit Borrower and/or Guarantor, without notice to or the consent of Lender, from transferring temporarily (for periods not to exceed thirty (30) days in any event) any Equipment Collateral and Fixtures Collateral from a Collateral Location to another location at any

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time or from time to time hereafter for the limited repairing, refurbishing or overhauling such equipment in the ordinary course of business.

ARTICLE VIII

REPRESENTATIONS, WARRANTIES AND COVENANTS APPLICABLE TO

INVENTORY COLLATERAL AND ACCOUNTS RECEIVABLE COLLATERAL

With respect to the Inventory Collateral and Accounts Receivable Collateral, Borrower and/or Guarantor hereby represents, warrants and covenants to Lender as set forth in Section 8.1 through

8.4, inclusive.

8.1. Sale of Inventory Collateral and Accounts Receivable Collateral. Except as permitted elsewhere in this Agreement or in the ordinary course of business, Borrower and/or Guarantor will not sell, lease, exchange, or otherwise dispose of any of the Inventory Collateral and Accounts Receivable Collateral without the prior written consent of Lender.

8.2. Good Title; No Existing Encumbrances. Bonower and/or Guarantor own the Inventory Collateral and Accounts Receivable Collateral free and clear of any prior security interest, lien or encumbrance, and no financing statements or other evidence of title grant of a security interest respecting the Inventory Collateral and Accounts Receivable Collateral exist on the public records as of the date hereof other than any evidencing title Permitted Encumbrances.

8.3. Right to Grant Security Interest; No Further Encumbrances. Bonower and/or Guarantor have the right to grant a security interest in the Inventory Collateral and Accounts Receivable Collateral to Lender. Bonower and/or Guarantor will pay all taxes and other charges against the Inventory Collateral and Accounts Receivable Collateral, and will not use the Inventory Collateral and Accounts Receivable Collateral illegally or allow the same to be encumbered, except

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for the security interest in favor of Lender granted herein and except for any Permitted Encumbrances.

8.4. Location. As of the date hereof, the Inventory Collateral and Accounts Receivable Collateral is located only at the Collateral Locations, or within the boundaries of Jackson County, North Carolina, and Borrower and/or Guarantor hereby covenant with Lender, except for in the ordinary course of business, not to move any portion of the Inventory Collateral and Accounts Receivable Collateral without at least thirty (30) days prior written notice to Lender.

ARTICLEIX

GENERAL REPRESENTATIONS AND WARRANTIES

In order to induce Lender to enter into this Agreement, Borrower and Guarantor hereby represent and warrant to Lender as set forth in Sections 9.1 through 9.17, inclusive.

9.1. Principal Business Activity. Borrower is engaged in the business of operating a nursing home facility.

9.2. Company Existence and Qualification. The Borrower is organized and validly existing under the laws of the State of Ohio and authorized to do business in the State of North Carolina. Borrower's principal place of business, chief executive office and office where it keeps principally all of its books and records are located at the Executive Office.

9.3. Power and Authority; Validity and Binding Effect. Borrower and/or Guarantor have the power to make, deliver and perform under the Loan Documents, and Borrower has the right to borrow hereunder, and all of the foregoing parties have taken all necessary and appropriate corporate action to authorize the execution, delivery and performance of the Loan Documents. This Agreement constitutes, and the remainder of Loan Documents, when executed and delivered for

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value received, will constitute, the valid obligations of Borrower and Guarantor, legally binding upon it and enforceable against Borrower and Guarantor in accordance with their respective terms. The undersigned officers, members or managers of Borrower and Guarantor are duly authorized and empowered to execute, attest and deliver this Agreement and the remainder of the Loan Documents for and on behalf of Borrower and Guarantor and to bind Borrower and Guarantor accordingly thereby.

9.4. Financial Statements. The balance sheets and income statements of Borrower and Guarantor were submitted to Lender in connection herewith, copies of which are attached hereto as Exhibit "J", are true and complete and accurately and fairly represent the financial condition of the Borrower and Guarantor, the results of operations and the transactions in the equity accounts as of the date and for the periods referred to therein, and have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved. There are no material Liabilities, direct or indirect, fixed or contingent, as of the date of such Financial Statements which are not reflected therein or in the note thereto. There has been no material adverse change in the financial condition, operations, or prospects of the Borrower and/or Guarantor since the date of the balance sheet contained in such Financial Statements. If, by the time of the Closing, the Borrower and/or Guarantor's Financial Statements are more than ninety (90) days old, the Lender may require current Financial Statements which shall be submitted to the RD.

9.5. Pending Matters. No action or investigation is pending or threatened before or by a federal, state, or municipal or other governmental department, commission, board, bureau, agency or instrumentality which might result in any material adverse change in the financial condition, operations, or prospects of the Borrower or either of the Guarantor, nor is the Borrower or 111e

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Guarantor in violation of any agreement, the violation of which might reasonably be expected to have a materially adverse effect on their business or assets, nor is the Borrower or the Guarantor in violation of any order, judgment, or decree of any court, or any statute or governmental regulation to which such Borrower and Guarantor are subject.

9.6. Disclosure. All information furnished or to be furnished by the Borrower and Guarantor to the Lender in connection with the Loan or any of the Loan Documents, is, or will be at the time the same is furnished, accurate and correct in all material respects and complete insofar as completeness may be necessary to provide the Lender a true and accurate knowledge of the subject matter. Borrower and/or Guarantor have no knowledge of any liability of any nature, whether accrued) absolute, contingent or otherwise which singularly or in the aggregate could have a materially adverse effect upon the economic condition of Borrower, the Guarantor or the Facility.

9.7. ERISA. Borrower is in compliance with all applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

9.8. Proceedings Pending. There are no proceedings pending or, to the best of the Borrower's or Guarantor's knowledge, threatened, to acquire any part of the Property Collateral by any power of condemnation or eminent domain, or to enjoin or similarly prevent or restrict the use of the Property or the operation of the Facility in any manner.

9.9. Compliance with Applicable Laws. The Facility and the property on which it is situated comply with all applicable laws, ordinances, rules and regulations, including, without limitation, the Americans with Disabilities Act and regulations thereunder, and all laws, ordinances, rules and regulations relating to zoning, building codes, setback requirements and environmental

matters.

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9.10. No Material Litigation. Except as set forth on Exhibit "K" attached hereto, there are no proceedings pending or, so far as Borrower and the Guarantor know, threatened, before any court or

administrative agency which might materially or adversely affect the financial condition or operations of Borrower and/or Guarantor,

9J L No Default Borrower and/or Guarantor are not in default in the payment of any of its material obligations, and there exists no event, condition or act which constitutes an Event of Default as defined herein, and no condition, event, or act which with notice or lapse of time would constitute such event of default

9,12, Taxes, Borrower or Guarantor have filed or caused to be filed all tax returns required to be filed by them, if any, and have paid all taxes shown to be due and payable on said returns or on any assessments made,

9,13, Adverse Contracts, Except as set forth on Exhibit "L" attached hereto, neither Borrower nor Guarantor is a party to any contract or agreement, or subject to any charge, corporate restriction, judgment, decree or order which materially and adversely affects their businesses, property, assets, operations or condition, financial or otherwise,

9,14, Insolvency, After giving effect to the execution and delivery of the Loan Documents and the making of all disbursements under the Term Note, neither Borrower nor Guarantor shall be "Insolvent" within the meaning of such term as defined in Section 101(26) of the Bankruptcy Code, or be unable to pay its debts generally as such debts become due,

9,15, Title, Borrower and/or Guarantor have good and marketable title to all the Collateral, subject to no material lien of any kind except as otherwise disclosed in writing to Lender, and except for the Permitted Encumbrances,

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9.16. No Violations. The execution, delivery and performance by Borrower and Guarantor of this Agreement and the other Loan Documents has been duly authorized by all necessary corporate actions and does not and will not require any additional consent or approval of the shareholders and directors of Borrower and/or Guarantor and will not violate any provision of any law, rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to Borrower and/or Guarantor or the charter or by-laws of Borrower and/or Guarantor, or result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which Borrower and/or Guarantor are a party or by which they or their properties may be bound or affected; and neither Borrower nor Guarantor are in default under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument.

9.17. Continuing Representations. These representations shall be considered to have been made again at and as of the date of each advance made under the Term Note and shall be true and correct as of that date.

ARTICLE

PARTIAL AFFIRMATIVE COVENANTS

Borrower and Guarantor covenant and agree with Lender that from and after the date hereof, and so long as the Term Loan remains outstanding, that they will comply with the covenants set forth in Sections 10.1 through 10.31, inclusive.

10.1. Payment of Loan/Performance of Loan Obligations. Duly and punctually pay or cause to be paid the principal and interest of the Term Note in accordance with its terms and duly

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and punctually pay and perform or cause to be paid or performed all Loan Obligations hereunder and under the other Loan Documents.

10.2. Maintenance of Existence. The Borrower and/or Guarantor shall maintain in the state of its incorporation/organization, and, in each jurisdiction in which the character of the property owned by them or in which the transaction of their business makes qualification necessary, its existence.

10.3. Use of Proceeds. Borrower will use the net proceeds of the Term Loan only for the purposes set forth in Section 4.2 in the conduct of the business in which it is presently engaged, or in which it presently proposes to engage.

10.4. Accrual and Payment of Taxes. The Borrower and/or Guarantor, during each Fiscal Year, shall accrue all current tax liabilities of all kinds, all required withholding of income taxes of employees, all required old age and unemployment contributions, and all required payments to employee benefit plans, and pay the same when they become due.

10.5. Payment of Taxes and Obligations. Borrower and/or Guarantor will pay and discharge promptly all taxes, assessments and other governmental charges and claims levied or imposed upon it or its property, or any part thereof, provided, however, that it shall have the right in good faith to contest any such taxes, assessments, charges or claims, and, pending the outcome of such contest, to delay or refuse payment thereof provided that adequate funded reserves are established by it to pay and discharge fully such taxes, assessments, charges and claims. Borrower and/or Guarantor shall, on an annual basis not later than sixty (60) days after timely filing each tax year, provide reasonable evidence to Lender that all income and withholding taxes, sales and use taxes and property taxes have been paid.

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10.6. Records Respecting Collateral. Adequate records of Borrower and the Guarantor with respect to the Collateral will be kept at the Executive Office (subject to being changed pursuant to Section 11.11) and will not be removed from such address without the prior written consent of Lender.

10.7. Financial and Other Information. The Borrower and Guarantor shall provide or cause to be provided to Lender, the following Financial Statements and information on a continuing basis and as Lender may require from time to time:

(a) **Financial Statements.** Within ninety (90) days after the end of the Accounting Year of Borrower, compiled financial statements of Borrower which are prepared by and certified by an officer of Borrower as true and correct and are reviewed by a public accounting firm or other independent certified public accounting firm acceptable to the Lender will be prepared in accordance with GAAP, and include a balance sheet, a profit and loss statement, and a cash flow statement showing the result of operations for the Fiscal Year, a reconciliation of surplus, and the reviewer's notes. In regard to the Guarantor(s), AdCare Health Systems, starting with the 2011 tax year, the Guarantor agrees to provide the Lender with an annual financial statement along with the just ended year's personal tax return from an independent certified public accountant that is satisfactory to the Lender. The compiled statement is to be provided within ninety (90) days after the end of each calendar year. A copy of the corporate tax return and evidence of payment of same should be provided to the Lender within thirty (30) days after same has been timely filed.

10.8. Maintenance of Insurance. In addition to and cumulative with any other requirements herein imposed on Borrower with respect to insurance, Borrower and/or Guarantor shall maintain insurance with responsible insurance companies on such of its properties and

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employees, in such amounts and against such risks as is customarily maintained by similar businesses operating in the same vicinity, but in any event to include loss, damage, flood, windstorm, fire, theft, extended coverage, workers compensation and products liability, business interruption insurance and loss of business income insurance in amounts satisfactory to Lender, which such insurance shall not be canceled by Borrower and/or Guarantor unless with the prior written consent of Lender. Borrower and/or Guarantor shall file with Lender, upon its request, a detailed list of such insurance then in effect stating the names of the insurance companies, the amounts and rates of insurance, the date of expiration thereof, the properties and risks covered

thereby and the insured will respect thereto, and, within thirty (30) days after notice in writing from Lender, obtain such additional insurance as Lender may reasonably request

10.9. Change of Principal Place of Business. Borrower and/or Guarantor hereby understand and agree that if, at any time hereafter, Borrower and/or Guarantor elect to move their principal place of business, or if Borrower or Guarantor elect to change their respective name, identity or structure, Borrower and/or Guarantor will obtain Lender's approval in writing at least

thirty (30) days prior thereto.

10.10. Waivers. With respect to the Collateral Location, Borrower and/or Guarantor will obtain such waivers of lien, estoppel certificates or subordination agreements as Lender may reasonably require to ensure the priority of its security interest in that portion of the Collateral situated at such locations.

10.11. Compliance With Laws. Borrower and Guarantor shall comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including, without limitation, all applicable environmental laws and cause the Borrower and the

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Guarantor to pay all taxes, assessments, changes, claims for labor, supplies, rent and other obligations which, if unpaid, might give rise to a Lien against the Collateral, except Liens to the extent permitted in Section 11.1 of this Agreement. The Borrower and Guarantor certify that the Facility is accessible to the public in compliance with the Americans with Disabilities Act. The noncompliance with the aforesaid shall be construed to constitute a material adverse effect upon the business or credit of Borrower and/or Guarantor.

10.12. Junior Financing. Borrower and/or Guarantor shall not without the prior written consent of Lender incur any additional indebtedness relating to the Facility or Collateral or create or permit to be created or to remain, any mortgage and security agreement, deed of trust, pledge, lien, lease, encumbrance or charge on, or conditional sale or other title retention agreement whether prior to or subordinate to the liens of the Mortgage and Security Agreement, and other Loan Documents, with respect to the Facility, or any payment thereof, or income therefrom other than the Mortgage and Security Agreement or other Loan Documents provided for herein.

10.13. Right to Inspect. Borrower and/or Guarantor shall permit, and cause to permit, persons designated by Lender to inspect any and all of the properties and books and records of the Borrower and/or Guarantor and to make extractions therefrom pertaining to the Facility, and to permit Lender to make copies of and to discuss the affairs of the Borrower and the Guarantor and the Facility with officers of such parties as designated by Lender, all at such times as Lender shall request.

10.14. Notice of Loss. Borrower and/or Guarantor shall immediately notify the Lender of any event causing a loss or depreciation in value of either Borrower's or Guarantor's assets in excess of \$100,000.00 and the amount of such loss or depreciation, except Borrower and Guarantor shall

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not be required to notify Lender of depreciation in building and equipment resulting from ordinary use
hereof.

10.15. Conduct of Business. Borrower and/or Guarantor shall cause the operation of the Facility to be conducted at all times in a prudent manner in compliance with applicable laws and regulations relating thereto and cause all licenses, permits, certificates, and any other agreements necessary for the use and operation of the Facility to remain in effect.

10.16. Condition of Properties. Borrower and/or Guarantor shall keep all buildings, improvements, machinery and equipment located on or used or useful in connection with the respective Facility in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needed and proper repairs, renewals, replacements, additions and improvements thereto to keep the same in good operating condition.

10.17. Inventory, Fixtures and Equipment. Borrower shall maintain, or cause to be maintained, sufficient inventory, fixtures and equipment of types and quantities at the Facility necessary to enable the Borrower adequately to perform operations at such Facility.

10.18. Certificate. Upon Lender's written request, furnish Lender with a certificate stating that BmTower has complied with and is in compliance with all terms, covenants and conditions of the Loan Documents and there exists no Default or Event of Default or, if such is not the case, that one or more specified events have occurred, and that the representations and warranties contained herein are true with the same effect as though made on the date of such certificate.

10.19. Subordinations. Borrower and/or Guarantor shall provide Lender with a subordination agreement, in a form satisfactory to Lender, from any party whom Borrower is or hereafter becomes indebted for money borrowed, subordinating its respective right of payment and claim of

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such indebtedness and any future advances thereon to the claims of Lender in respect of the Term Note so long as any amount remains unpaid on the Term Note. Such subordination agreement shall provide, among other things, that no principal or interest on any such indebtedness shall be repaid unless and until there is no outstanding balance due and payable on the Term Note.

10.20. Litigation: Default Conditions and Events of Default. Upon its receipt of notice or knowledge thereof, Borrower and all Guarantor will report to Lender: (i) any lawsuit or administrative proceeding in which Borrower or the Guarantor are a defendant wherein the amount of damages claimed exceeds \$50,000.00; or (ii) the existence and nature of any Default Condition or Event of Default hereunder.

10.21. Execution of Other Documents. Borrower and Guarantor will, upon demand by Lender, promptly execute all such additional agreements, contracts, indentures, documents and instruments in connection with this Agreement as Lender, in its sole discretion, may reasonably consider necessary.

10.22. Litigation and Attorneys Fees. Borrower and Guarantor will pay promptly to Lender without demand, reasonable attorneys fees and all costs and other expenses paid or incurred by Lender in collecting or compromising the Term Loan or in enforcing or exercising its rights or remedies created by, connected with or provided in this Agreement or any other agreement or instrument required by Lender in connection with the Term Loan, whether or not suit is filed.

10.23. Purchase of Fixed Assets. Borrower and/or Guarantor will not purchase additional fixed assets costing in the aggregate more than \$150,000.00 in any 12 month calendar year without the prior approval of the Lender. This prohibition does not apply upon the Borrower and/or

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Guarantor purchasing machinery and equipment being replaced due to depreciation or obsolescence.

10.24. Arms Length Transactions. All of the Borrower and Guarantor's transactions will be at arms length and competitive with any third parties, employees, directors, or their spouses and family

members that may buy, sell, or trade to it. The same will apply to any entity that they may be stockholder, director, or own any interest in, as well as a spouse or family member.

10.25. Further Assurances. Borrower and Guarantor shall duly execute and/or deliver (or cause to be duly executed and/or delivered) to Lender any instrument, invoice, document, document of title, warehouse receipt, bill of lading, order, financial statement, assignment, waiver, consent or other writing which may be reasonably necessary to Lender to carry out the terms of this Agreement and any of the other Loan Documents and to perfect its security interest in and facilitate the collection of the Collateral, the proceeds thereof, and any other property at any time constituting security to Lender. Borrower and Guarantor shall perform or cause to be performed such acts as Lender may request to establish and maintain for Lender a valid and perfected security interest in and security title to the Collateral, free and clear of any liens, encumbrances or security interests other than in favor of Lender.

10.26. Debt to be Borrower's Debt. All debt to be repaid from loan proceeds is debt of Borrower and not debt of any other entity.

10.27. Tangible Balance Sheet-Equity. The Borrower shall maintain a minimum Tangible Balance Sheet-Equity equal to ten (10%) percent of total assets prior to issuance of the RD Loan Note Guarantee. The Borrower shall have Tangible Net Worth of ten (10%) for the life of the Loan.

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10.28. Maximum Debt to Net Worth. The Borrower's debt to net worth shall not exceed 10 to 1 as defined by GAAP.

10.29. RD Guaranty Commitment. The Borrower agrees that it shall comply with each and every provision of that certain Conditional Commitment for Guarantee as issued by the RD.

10.30. Employee Reports. The Borrower and Guarantor shall submit a report annually to the Lender and RD as of December 31, indicating the total number of permanent, part-time and seasonal employees.

10.31. Debt Service Coverage Ratio and Current Ratio. Borrower's debt service coverage ratio, based upon year-end financial statements, and as defined by GAAP, shall not exceed 1.0 to 1.1 and Borrower shall maintain a current ratio of not less than 1.0 to 1.0, as defined by GAAP.

For purposes of this Agreement, the term "Debt Service Coverage Ratio" shall be calculated as follows:

$$\frac{\text{Net Income} + \text{Depreciation/ Amortization} + \text{Interest Expense Previous Year}}{\text{Current Maturities of Long Term Debt} + \text{Interest Expense}}$$

ARTICLE XI

NEGATIVE COVENANTS

Borrower and Guarantor covenant and agree with Lender that from and after the date hereof and so long as any amount remains unpaid on the RD Loan, it will not, without the prior written consent of Lender, do any of the things or acts set forth in Sections 11.1 through 11.17, inclusive.

11.1. No Encumbrances. Borrower and/or Guarantor will not create, incur, assume, or suffer to exist any Mortgage and Security Agreement, mortgage, deed of trust, pledge, assignment, lien, charge, encumbrance on, or security interest or security title of any kind on the Land and/or

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Collateral described in Section 5.1 of this Term Loan Agreement or on any of their personal property except for: (i) liens for taxes not yet due or being contested as permitted by this Agreement; (ii) liens at any time existing in favor of the Lender; (iii) any Permitted Encumbrances; (iv) inchoate Liens arising by operation of law for the purchase of labor, services, materials, equipment or supplies, provided payment shall not be delinquent and, if such Lien is a lien upon the Collateral, which Lien is fully

subordinate to the applicable deed, Mortgage and Security Agreement and/or Security Agreement covering such Collateral, is disclosed to Lender and is being contested by the Bon-owner and/or Guarantor in good faith and Bo1Towcr and Guarantor are diligently pursuing sirch contest to completion, and adequate reserves, as cletennined by Lender, are being maintained therefore; and (v) liens incurred in the ordinary course of business in connection with workmen's compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for money borrowed or for credit received in respect of property acquired) entered into the ordinary course of business as presently conducted or to secure obligations for surety or appeal bonds.

11.2 Distributions/Bonuses. The Bon-owner will not, without Lender's and RD's prior written consent, make any bonuses to any officers or shareholders of the Borrower, or authorize or mal-e any o1her distribution to officers. Notwithstanding the foregoing, the Borrower shall be permitted to pay bonuses or make distributions; provided that such bonuses and distributions will be limited to an amount tbat, when taken, will not adversely affect the repayment ability of the Borrower, shall be payable only if the Bo1Tower has made a profit in the year prior to the year in which the dividend is being declared, all debts are paid current and all loan covenants and ratios are

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being met and will continue to be met on the annual statement, in accordance with GMP, all:er the bonuses and distributions are paid, and prior written consent of Lender is obtained. This is not intended to apply to distributions/dividend payments to cover personal tax liability resulting from the profitability of the business.

11.3 Compensation of Officers and Owners. Salaries and compensation of officers, owners or shareholders shall be limited to an anount that, when taken, will not adversely affect the repayment ability of the Borrower. This amount may not be increased year to year unless (1) an after tax profit was made in the preceding fiscal year; (2) the Borrower is and will remain in compliance with covenants of the Tenn Loan Agreement, Lender's Agreement, and Conditional Commitment; (3) all of 1J1e B01TOwer's debts are paid to a current status; and (4) prior written concmrence of the Lender is obtained.

11.4.Memnr, Sale , Assignments, Etc. The Borrower will not liquidate or dissolve or otherwise tenninate its legal status or enter into any consolidation, merger, partnership, reorganization or other combination, or convey, or sell, assign, lease or othe1wise dispose of all or the greater part of its assets or businesses (now owned or hereafter acquired) (whether in one transaction or in a series of transactions), or permit the Borrower to sell, assign, lease or otherwise dispose of, all or the greater part of the assets or business of another, or made any substantial change in the basic type of business condncted by it as of the date hereof: withOLit the prior written consent of the Lender, which may be granted or refused by Lender in Lender's sole discretion. TI1e Borrower shall conduct and carry on the business of the Borrower in snbstantially the same field of activity as has been originally planned and as documented in the loan application to the Lender and

Rural Development. This shall include no acquisition of affiliated companies or expansion of the

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Borrower, v. thout the written consent of the Lender and Rural Development.

11.5 Disposition of Assets. The Borrower and/or Guarantor will not sell, lease, transfer or otherwise dispose of Collateral, mtless any such disposition shall be in the ordinary course of business for a full and fair consideration, which in no event shall include a transfer for full or partial satisfaction of a preexisting debt.

11.6 Change in Business. The Borrower and/or Guarantor will not make any material change in the nature of its business as it is being conducted as of the date hereof.

11.7. Changes in Accounting. The Borrower and/or Guarantor will not change its methods of accounting, unless such change is permitted by GAAP, and provided such change does not have the effect of curing or preventing what would otherwise be an Event of Default or default had such change not taken place.

11.8. ERISA Funding and Termination. Permit (a) the funding requirements of ERISA with respect to any employee plan to be less than the minimum required by ERISA at any time, or (b) any employee plan to be subject to involuntary termination proceedings at any time.

11.9. Transactions with Affiliates. Enter into any transaction with any Person affiliated with such Borrower or Guarantor other than in the ordinary course of its business and on fair and reasonable terms no less favorable to such Borrower and Guarantor than those they would obtain in a comparable arm's-length transaction with a Person not an affiliate.

11.10. Change of Use. Alter or change the use of the Facility or enter into any lease or management agreement for the Facility other than the leases and management agreements in place as of the date of this Agreement, unless Borrower first notifies Lender and provides Lender a copy of the proposed lease or management agreement, obtains Lender's written consent and obtains and

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provides Lender with a subordination agreement in form satisfactory to Lender from such lessee or manager subordinating to all rights of Lender.

11.11. Place of Business. Change its chief executive offices or open any new place of business without first giving Lender at least thirty (30) days prior written notice thereof and promptly providing Lender such information as Lender may request in connection therewith.

11.12. No Advances. Borrower shall not, during the life of the Term Loan, make any advances or loans to any officer, owner, stockholder, director and/or affiliate of the Borrower or to the Guarantor or affiliates, during this Term Loan, without Lender's prior written consent. If such advances are permitted by Lender, same must be subordinate to the Term Loan until repayment can only be made if Borrower is in compliance with all terms and conditions contained in this Agreement.

11.13. No Sale or Disposition of Business Collateral. Sell or otherwise dispose of collateral described in **Section 5.1** of this Agreement, other than as permitted herein and by RD regulations.

11.14. Change of Ownership. Change ownership without obtaining the Lender and IW's consent until complying with all applicable RD regulations.

11.15. Purchase of Fixed Assets. The Borrower and/or Guarantor shall not make purchases of fixed assets in excess of \$150,000.00 annually, without the prior written consent of the Lender. This prohibition does not apply upon the Borrower and/or Guarantor purchasing machinery and equipment being replaced due to depreciation or obsolescence.

11.16. Liabilities of Third Parties. Borrower and Guarantor will refrain from assuming any liabilities or obligations of any third parties, including but not limited to the shareholders, officers,

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members or directors of the Borrower and/or Guarantor. The Borrower and/or Guarantor will refrain from co-signing or endorsing liabilities or obligations or indebtedness of other persons or entities during the life of this Term Loan.

11.17. Sale of Stock. The Borrower will not sell, transfer or issue any additional shares of the company's stock or membership interests.

ARTICLE!!

EVENTS OF DEFAULT

The occurrence of any events or conditions described in Sections 12.1 through 12.7 shall constitute an Event of Default hereunder, provided that the requirements for the giving of notice; if any, and the lapse of time provided have been satisfied.

12.1. Tenn Note. Borrower shall fail to make any payments of principal or interest on the Term Note when due.

12.2. Misrepresentations. Any certificate, statement, representation, warranty or audit heretofore or hereafter furnished by or on behalf of the Borrower or the Guarantor, pursuant to or in connection with this Agreement or otherwise (including, without limitation, representations and warranties contained herein or in any Loan Documents) or as an inducement to Lender to extend any credit to or to enter into this or any other agreement with the Borrower, in connection with this Tenn Loan, proves to have been false in any material respect at the time when the facts therein set forth were stated or certified, or proves to have omitted any substantial contingent or unliquidated liability or claim against the Borrower or the Guarantor, or on the date of execution of this Agreement there shall have been any material adverse change in any of the facts previously disclosed by any such certificate, statement, representation, warranty or audit, which change shall

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not have been disclosed to Lender in writing at or prior to the time of such execution.

12.3. Covenants. Borrower or Guarantor shall fail to perform, keep or observe any other term, provision, condition covenant, undertaking, warranty or representation contained in this Agreement or in the other Loan Documents, which is required to be performed, kept or observed,

12.4. Other Debts. Borrower or Guarantor shall default on any other agreement, document or instrument to which Borrower or Guarantor are a party, which default shall cause a material adverse effect on the businesses of Borrower and Guarantor, the value of the Collateral, or Lender's interest therein.

12.5. Voluntary Bankruptcy. Borrower or Guarantor shall file a voluntary petition in bankruptcy or a voluntary petition or answer seeking liquidation, reorganization, arrangement, readjustment of their debts, or for any other relief under the Bankruptcy Code, or under any other act or law pertaining to insolvency or debtor relief; whether state, Federal, or foreign, now or hereafter existing; Borrower or Guarantor shall enter into any agreement indicating their consent to, approval of, or acquiescence in, any such petition or proceeding; Borrower or any Guarantor shall apply for or permit the appointment by consent or acquiescence of a receiver, custodian or trustee of Borrower or any Guarantor for all or a substantial part of their property; Borrower or any Guarantor shall make an assignment for the benefit of creditors; or Borrower or any Guarantor shall be unable or shall fail to pay their debts generally as such debts become due, or Borrower or any Guarantor shall admit, in writing, their inability or failure to pay debts generally as such debts become due.

12.6. Involuntary Bankruptcy. There shall have been filed against Borrower or any Guarantor an involuntary petition in bankruptcy or seeking liquidation, reorganization,

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arrangement, readjustment of debts or any other relief under the Bankruptcy Code, or under any

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other act or law pertaining to insolvency or debtor relief; whether State, Federal or foreign, now or hereafter existing, and such petition is not dismissed within sixty (60) days after the entry of filing thereof; Borrower or any Guarantor shall suffer or permit the involuntary appointment of a receiver, custodian or trustee of Borrower or any Guarantor for all or a substantial part of their property and such appointment is not dismissed within sixty (60) days after such appointment was first made; or Borrower or any Guarantor shall suffer or permit the issuance of a warrant of attachment, execution

or similar process against all or any substantial part of the property of Borrower or any Guarantor and the same is not dismissed within sixty (60) days of the application thereof.

12.7 Permit/License Agreement. Any default under any applicable state permit or license agreement to which Borrower is a party shall be considered a default hereunder.

ARTICLE XI



Upon the occurrence or existence of any Event of Default, or at any time thereafter, without prejudice to the rights of Lender to enforce its claims against Borrower and Guarantor for damages for failure by Borrower and Guarantor to fulfill any of their obligations hereunder, subject only to prior receipt by Lender of payment in full of the Term Loan in a form acceptable to Lender, Lender shall have all of the rights and remedies described in Sections 13.1 through 13.4, inclusive, and it may exercise any one, more, or all of such remedies, in its sole discretion, without thereby waiving any of the others.

13.1. Acceleration of the Term Loan. Lender, at its option, may declare the Term Loan to be immediately due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest, notice of nonpayment or any other notice required by law

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relative thereto, all of which are hereby expressly waived by Borrower and Guarantor.

13.2. Remedies of a Secured Party. As it relates to the personal property collateral defined herein, Lender shall thereupon have the rights and remedies of a secured party under the UCC in effect on the date thereof (regardless of whether the same has been enacted in the jurisdiction where the rights or remedies are asserted), including, without limitation, the right to take possession of any of the Collateral, subject to the UCC, or the proceeds thereof, to sell or otherwise dispose of the same, and to apply the proceeds therefrom to the Term Loan in such order and manner as Lender, in its sole discretion, may elect. Lender shall give Borrower written notice of the time and place of any public sale of the Collateral or the time after which any other intended disposition thereof is to be made. The requirement of sending reasonable notice shall be met if such notice is given to Borrower pursuant to Section 14.8 at least five (5) days before such disposition. Expenses of retarding, holding, insuring, preserving, protecting, preparing for sale or selling or the like with respect to the Collateral shall include, in any event, reasonable attorneys fees and other legally recoverable collection expenses, all of which shall constitute obligations of Borrower.

13.3. Repossession of the Collateral. As it relates to the personal property collateral defined herein, Lender may take the Collateral or any portion thereof into its possession, by such means (without breach of the peace) and through agents or otherwise as it may elect (and, in connection therewith, demand that Borrower assemble the Collateral at a place or places and in such manner as Lender shall prescribe), and sell, lease or otherwise dispose of the Collateral or any portion thereof in its then condition or following any commercially reasonable preparation or processing, which disposition may be by public or private proceedings, by one or more contracts, as

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a unit or in parcels, at any time and place and on any terms, so long as the same are commercially reasonable.

13.4. Other and Additional Remedies. In addition to the rights and remedies of a secured party under the laws of the State of North Carolina and the rights and remedies granted in this Agreement, Lender shall have all of the rights and remedies set forth in the Mortgage and Security

Agreement, the Security Agreement, and in all of the other Loan Documents, which rights and remedies may be exercised successively or concurrently.

ARTICLE XIV

MISCELLANEOUS

14.1. Waiver. No remedy conferred upon, or reserved to, the Lender in this Agreement or any of the other Loan Documents is intended to be exclusive of any other remedy or remedies, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity. Exercise or omission to exercise any right of the Lender shall not affect any subsequent right of Lender to exercise the same. No course of dealing between Borrower and the Guarantor and Lender or any delay on the Lender's part in exercising any rights shall operate as a waiver of any of the Lender's rights. No waiver of any Default under this Agreement or any of the other Loan Documents shall extend to or shall affect any subsequent or other then existing Default or shall impair any rights, remedies or powers of Lender. Except for any defense which would constitute a compulsory counterclaim, Borrower and the Guarantor hereby agree that any and all causes of action and claims which they may ever have against the Lender shall not be raised by Borrower and the Guarantor as a defense or counterclaim in any suit or proceeding brought by Lender against them for collection of the Loan Obligations or

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enforcement of this Agreement, but shall instead be brought, if at all, by a separate suit or proceeding.

14.2. Costs and Expenses. Borrower will bear all taxes, fees and reasonable expenses (including reasonable fees and expenses of counsel for Lender) in connection with the preparation of this Agreement and the other Loan Documents, and in connection with any modifications thereto and the recording of any of the Loan Documents. If, at any time, a Default occurs or Lender becomes a party to any suit or proceeding in order to protect its interests or priority in any collateral for any of the Loan Obligations or its rights under this Agreement or any of the Loan Documents, or if Lender is made a party to any suit or proceeding by virtue of the Term Loan, this Agreement or any collateral therefor or any Loan Obligations arising as a result of the foregoing, the Lender employs counsel to advise or provide other representation with respect to this Agreement, or to collect the balance of the Loan Obligations, or to take any action in or with respect to any suit or proceeding relating to this Agreement, any of the other Loan Documents, any collateral for any of the Loan Obligations, or to protect, collect, or liquidate any of the security for the Loan Obligations, or attempt to enforce any security interest or lien granted to the Lender by any of the Loan Documents, then in any such events, all of the reasonable attorney's fees arising from such services, including fees on appeal and in any bankruptcy proceedings, and any reasonable expenses, costs and charges relating thereto shall constitute additional obligations of Borrower to the Lender payable on demand of the Lender. Without limiting the foregoing, Borrower shall pay or reimburse the Lender for all recording and filing fees, revenue or documentary stamps or taxes, intangibles taxes, and other expenses and charges payable in connection with this Agreement, any of the Loan Documents, the

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Loan Obligations, or the filing of any financing statements or other instruments required to effectuate the purposes of this Agreement.

14.3. Performance of Lender. At its option, upon Borrower's failure to do so, the Lender may make any payment or do any act on the Borrower's behalf that the Borrower or others are required to do to remain in compliance with this Agreement or any of the other Loan Documents, and Borrower agrees to reimburse the Lender, on demand, for any payment made or expense reasonably incurred by Lender pursuant to the foregoing authorization, including, without limitation, reasonable attorneys' fees.

14.4. Headings. The headings of the Sections of this Agreement are for convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof.

14.5. Survival of Covenants. All covenants, agreements, representations and warranties made herein and in certificates or reports delivered pursuant hereto shall be deemed to have been material and relied on by Lender, notwithstanding any investigation made by or on behalf of Lender, and shall survive the execution and delivery to Lender of the Term Note and this Agreement.

14.6. No Assignment by Borrower or Guarantor. No assignment hereof shall be made by Borrower or Guarantor without the prior written consent of Lender.

14.7. Severability. If any provision of any of the Loan Documents or the application thereof to any party thereto shall be invalid or unenforceable to any extent, the remainder of such Loan Documents and the application of such provisions to any other party thereto shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

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14.8. Notices. Any and all notices, elections or demands permitted or required to be given under this Agreement shall be in writing, signed by or on behalf of the party giving such notice, election or demand, and shall be deemed to have been properly given and shall be effective upon being personally delivered, or upon being deposited in the United States mail, postage prepaid, certified with return receipt required, and shall be deemed to have been received on the earlier of the date shown on the receipt or three (3) business days after the postmarked date thereof, or upon being deposited with an overnight delivery service requiring proof of delivery, to the other party at the address of such other party set forth below or such other address within the continental United States as such other party may designate by notice specifically designated as a notice of change of address and given in accordance herewith; provided, however, that the time period in which a response to any such notice, election, demand or request must be given shall commence on the date of receipt thereof; and provided further that no notice of change of address shall be effective until the date of receipt thereof. Personal delivery to a parent or any officer, partnership, agent or employee of such party at said address shall constitute receipt. Rejection or other refusal to accept or inability to deliver because of changed address of which no notice has been given shall also constitute receipt. Any such notice, election, demand, request or response shall be addressed as follows:

If given to Lender, shall be addressed as follows:

Community Bank & Trust - West Georgia
201 Broad Street
La Grange, Georgia 30241

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with a copy to:

HAIU1JN & MII.,LLC
3085 E. Shadowjavm Avenue Atlanta,
Georgia 30305
Attn: Reid H. Harbin, Esq.

and, if given to Borrower, shall be addressed as follows:

MOUNTAIN TRACE NURSING ADK, LLC
5057 Troy Road
Springfield, OH 45502

with a copy to:

Holt Ney Zatcoff & Wasserman, LLP 100 Galleria
Parkway, Suite 600

Atlanta, GA 30339

Attn: Gregory P. Youra, Esq.

14.9. Benefits. All of the terms and provisions of this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. No Person other than Borrower or Lender shall be entitled to rely upon this Agreement or be entitled to the benefits of this Agreement.

14.10. Participation. Borrower acknowledges that Lender may, at its option, sell participation interests in the Term Loan to other participating banks. Borrower agrees with each present and future participant in the Term Loan that if an Event of Default should occur, each present and future participant shall have all of the rights and remedies of Lender with respect to any deposit due from any participant agreement with Lender, including the execution by the Borrower of this Agreement, regardless of the order of execution, shall evidence an agreement between the Borrower and said participant in accordance with the terms of this Section. The Lender will maintain a

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minimum of five (5%) percent of the total loan amount of the Term Loan. The remaining unguaranteed portion can only be sold through participation with other lenders and no part of the guaranteed or unguaranteed loan can be sold to the applicant or anyone having an interest in the applicant.

14.11. Supersedes Prior Agreements; Counterparts. This Agreement and the instruments referred to herein supersede and incorporate all representations, promises, and statements, oral or written, made by Lender in connection with the Term Loan. This Agreement may not be varied, altered, or amended except by a written instrument executed by an authorized officer of the Lender and the RD. This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument.

14.12. Time of the Essence. Time is of the essence in this Agreement and the other Loan Documents.

14.13. Interpretation. No provision of this Agreement shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

14.14. Lender Not a Joint Venturer. Neither this Agreement nor any agreements, instruments, documents or transactions contemplated hereby (including the Loan Documents) shall in any respect be interpreted, deemed or construed as making Lender a partner or joint venturer with Borrower or Guarantor or as creating any similar relationship or entity, and Borrower and Guarantor agree that they will not make any contrary assertion, contention, claim or counterclaim in

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any action, suit or other legal proceeding involving Lender.

14.15. Jurisdiction. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of Georgia, except and only to the extent of procedural matters related to the perfection and enforcement of Lender's rights and remedies against the Premises, which matters shall be governed by the laws of the State of North Carolina. However, in the event that the enforceability or validity of any provision of this Agreement is challenged or questioned, such provision shall be governed by which whichever applicable state or federal law would uphold or would enforce such challenged or questioned provision. The loan transaction which is evidenced by the Note and this Agreement have been applied for, considered, approved and made, and all necessary loan documents have been accepted by Lender in the State of Georgia.

14.16. Acceptance. This Agreement, together with the other Loan Documents, shall not become effective unless and until delivered to Lender at its office located at 201 Broad Street, La Grange, Georgia 30241 and accepted in writing by Lender thereafter at such office as evidenced by its execution hereof (notice of which delivery and acceptance are hereby waived by Borrower).

14.17. Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Term Note shall be stated to be due on a Saturday, Sunday or a public holiday, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest hereunder or under the Term Note.

14.18. Waiver of Rights. Borrower and Guarantor hereby waive all rights which they have or may have regarding, without limitation, the right to notice and to a judicial hearing prior to seizure of any Collateral by Lender. In addition, Borrower and Guarantor waive any right which

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they have or may have under applicable UCC law or like Section to have Lender file UCC termination statements with respect to the Collateral, or any part thereof, and Borrower and Guarantor further agree that Lender shall not be required to file such UCC termination statements unless and until the Term Note has been paid in full; provided, however, that after such event, Lender will file UCC termination statements promptly upon request by Borrower or Guarantor.

14.19. Cure of Defaults by Lender. If, hereafter, Borrower or any Guarantor defaults in the performance of any duty or obligation to Lender hereunder, Lender may, at its option, but without obligation, cure such default and any costs, fees and expenses incurred by Lender in connection therewith including, without limitation, for the purchase of insurance, the payment of taxes and the removal or settlement of liens and claims, shall be deemed to be advances against the Term Note, whether or not this creates an over-advance thereunder, and shall be payable in accordance with its terms.

14.20. Attorney-in-Fact. Borrower and Guarantor hereby designate, appoint and empower Lender irrevocably as their attorney-in-fact, at Borrower's and Guarantor's cost and expense, to do in the name of Borrower and Guarantor any and all actions which Lender may deem necessary or advisable to carry out the terms hereof upon the failure, refusal or inability of Borrower or Guarantor to do so and Borrower and Guarantor hereby agree to indemnify and hold Lender harmless from any costs, damages, expenses or liabilities arising against or incurred by Lender in connection therewith. Without limitation, Borrower and Guarantor specifically authorize all federal, state and municipal authorities to furnish reports of examinations, records and other

information relating to the conditioned affairs of Borrower and Guarantor to Lender upon Lender's request.

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14.21. Prepayment Premium. In the event of prepayment, in whole or in part, a prepayment penalty rate shall be assessed as follows:

- (a) If the prepayment occurs on or before the first anniversary date of this Agreement, the prepayment penalty will equal ten percent (10%) of the principal amount prepaid.
- (b) If the prepayment occurs after the first anniversary date, but on or before the second anniversary date, the prepayment penalty will equal nine percent (9%) of the principal amount prepaid.
- (c) If the prepayment occurs after the second anniversary date, but on or before the third anniversary date, the prepayment penalty will equal eight percent (8%) of the principal amount prepaid.
- (d) If the prepayment occurs after the third anniversary date, but on or before

the fourth anniversary date of this Note, the prepayment penalty will equal seven percent (7%) of the principal amount prepaid.

(e) If the prepayment occurs after the fourth anniversary date, but on or before the fifth anniversary date, the prepayment premium will equal six percent (6%) of the principal amount prepaid.

(f) If the prepayment occurs after the fifth anniversary date, but on or before the sixth anniversary date, the prepayment premium will equal five percent (5%) of the principal amount prepaid.

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(g) If the prepayment occurs after the sixth anniversary date, but on or before the seventh anniversary date, the prepayment premium will equal four percent (4%) of the principal amount prepaid.

(h) If the prepayment occurs after the seventh anniversary date, but on or before the eighth anniversary date, the prepayment premium will equal three percent (3%) of the principal amount prepaid.

(i) If the prepayment occurs after the eighth anniversary date, but on or before the ninth anniversary date, the prepayment premium will equal two percent (2%) of the principal amount prepaid.

(j) If the prepayment occurs after the ninth anniversary date, but on or before the tenth anniversary date, the prepayment premium will equal one percent (1%) of the principal amount prepaid.

A prepayment premium shall not apply if the prepayment occurs after the tenth anniversary date.

14.22. Modifications/Amendments. Any amendments, adjustments, or waivers of the covenants and terms of this Agreement shall require the approval and concurrence of the Rural Development and the Lender.

14.23. Notice and Opportunity to Cure. Notwithstanding any other provision to the contrary contained in this Agreement or in any of the other Loan Documents, upon the occurrence of a monetary default or a monetary Event of Default under any of the Loan Documents, Lender shall not be required to send written notice to Borrower and/or Guarantor. All loan payments are due on the first (1st) day of each month, however; payments will not be considered late until the eleventh (11th) day of each month. In the event the default does not

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involve the payment of money by Borrower to Lender, Borrower and Guarantor shall have thirty (30) days following receipt of such notice to fully cure such default. In the event the default is cured within such period, it shall be as if no default had occurred.

In all events when Lender takes any action to accelerate, or direct payment to the Lender from persons owing money to Borrower, or exercise any right to setoff, Lender shall within a reasonable time after such action provide written notice thereof to the Borrower.

The notices and opportunity to cure provided for in this section shall be deemed incorporated into each of the Loan Documents, and shall take priority over and supersede any conflicting provision in any of the other Loan Documents.

14.24. Conflicts. In the event there is any conflict between this Agreement and the USDA Conditional Commitment for Guarantee, the USDA Conditional Commitment for Guarantee shall control.

14.25. Multiple Signature Pages. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument.

[SIGNATURES ON NEXT PAGE.]

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IN WITNESS WHEREOF, Bon-ower, Guarantor and Lender each have set their hands and seals, as of the day and year first above written.

BORROWER:

MOUNTAIN COUNTRY MURKING ADK. LLC

/ 1/1

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By: /f:t/.

Chris f dd1, Manager

LENDER:

□

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(L.S.)

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Witness

□

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Community Bank & Trust- West Georgia

BY: _

NAME: _ TITLE: _

[BANK SEAL]

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GUARANTORS:

AdCare Health Systems, Inc.

/J:/

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By:

□

-65-

/.:>;

-66-

Chris ij;Ygdon, Vice Chairman [Corporate
Seal]

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TABLE OF EXHIBITS

EXHIBITDE: iCRIPTION OF EXHIBIT SECTION

A	Collateral Locations	1.1
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EXHIBIT "A"

1.2 (Collateral Locations)

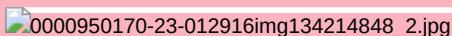
EXHIBIT "B"

I.1 (Facilities Land)

[SEE ATTACHED LEGAL DESCRIPTION]

EXHIBIT "A" LEGAL

DESCRIPTION



Said Property Located on Mountain Triangle Road (NCSR 1571) off Little Savannah Road (NCSR 1367), Webster Township, Jackson County, North Carolina a.k.a. being more particularly described as follows:

COMING from a Nail Set on the C. J. Harris Hospital Property (Parcel # 7630-93-6526) having UGS NAD 83 coordinates North 603,862.466 feet, East 739,902.522 feet THENCE South 66 degrees 59 minutes 20 seconds West (or a distance of 346.50 feet (346.43 feet grid) to a Nail Set having coordinates N = 603,727,044 feet, E = 739,583.666 feet THENCE North 32 degrees 25 minutes 25 seconds West for a distance of 103.12 feet (103.10 feet grid) to a 5/8" Rebar Set with Cap having coordinates N = 603,814.025 feet, E = 739,528.310 feet" Ute TRUE POINT OF BEGINNING;

THENCE with new seven line South 72 degrees 19 minutes 25 seconds East for a distance of 26.01 feet to a 5/8" Rebar Set with Cap; THENCE North 37 degrees, 47 minutes 35 seconds East for a distance of 74.98 feet to a 5/8" Rebar Set with Cap; THENCE North 73 degrees 35 minutes 50 seconds East for a distance of 75.02 feet to a 5/8" Rebar Set with Cap; THENCE North 17 degrees 22 minutes 00 seconds East for a distance of 243.51 feet to a 5/8" Rebar Set with Cap; THENCE North 71 degrees 29 minutes 00 seconds East for a distance of 246.08 feet to a 5/8" Rebar Set with Cap;

beginning at a 5/8" Rebar Set with Cap at 69.99 feet; THENCE South 17 degrees 28 minutes 20 seconds West for a distance of 411.97 feet to a 5/8" Rebar Set with Cap; THENCE North 37 degrees, 15 minutes 10 seconds West for a distance of 656.75 feet to a 5/8" Rebar Set with Cap; THENCE North 64 degrees, 29 minutes, 55 seconds West for a distance of

48.95 feet to a 5/8" Rebar Set with Cap; 1T{t.NCE South 21 degrees 24 _-minutes 50 seconds West for a distance of 79.91 feet to a 5/8" Rebar Set with Cap; THENCE South 10 degrees 23 minutes 15 seconds West for a distance of 47.16 feet to a 5/8" Rebar Set with Cap; THENCE South 01 degrees 03 minutes 10 seconds West for a distance of 42.12 feet to a 5/8" Rebar Set with Cap; '1(F,NCJt South 09 degrees 01 :min.utes 10 seconds West for a distance of 15.29 feet to a 5/8" Rebar Set with Cap; THENCE South 19 degrees 41 minutes 20 seconds West for a distance of 13.92 feet to a 5/8" Rebar Set with Cap; THENCE South 26 degrees 32 minutes 50 seconds West for a distance of 39.21 feet to a 6/8 Rebar Set with Cap on northern right or right of Leaning Tree Lane; THENCE with saf.d. northern right of-way South (Sd)e,rees 33 minutes, 35 seconds West for a distance of 10.76 feet to a Point; THENCE South 62 degrees 56 minutes 35 seconds West for a distance of 23.25 feet to a Point; THENCE South 61 degrees 21 minutes 60 seconds West for a distance of 50.44 feet to a 5/8" Rebar Set with Cap; THENCE South 65 degrees 31 minutes 35 seconds West for a distance of 16.46 feet to a Point; THENCE South 69 degrees 12 minutes 30 seconds West for a distance of 14.88 feet to a Point; THENCE South 73 degrees 51 minutes 55 seconds West for a distance of 15.53 feet to a Point; THENCE South 80 degrees 02 minutes 05 seconds West for a distance of 15.37 feet to a 5/8" Rebar Set with Cap; THENCE 601Jtth S7 degrees 59 minutes 45 seconds West for a distance of 23.32 feet to a Point; THENCE South 87 degrees 27 minutes 27 seconds West for a distance of 30.07 feet to a Point; THENCE South 87 degrees 29 minutes 45 seconds West for a distance of 40.87 feet to a Point; THENCE South 87 degrees 25 minutes 45 seconds West for a distance of 53.68 feet to a Point; THENCE South 87 degrees 28 minutes 45 seconds West for a distance of 44.47 feet to a Point; THENCE North 87 degrees 40 minutes 45 seconds West for a distance of 22.68 feet to a 5/8" Rebar Set with Cap; THENCE North 87 degrees 45 minutes 55 seconds West for a distance of 19.58 feet to a Point; THENCE North 78 degrees 08 minutes 00 seconds West for a distance of 9.53 feet to a Point; THENCE North 70 degrees 41 minutes 15 seconds West for a distance of 13.08 feet to a Point; THENCE North 70 degrees 25 minutes 50 seconds West for a distance of 20.74 feet to a 5/8" Rebar Set with Cap; THENCE North 60 degrees 56 minutes 00 minutes West for a distance of 16.60 feet to a Point; THENCE North 73 degrees 45 minutes 45 seconds West for a distance of 6.17 feet to a 6/8" Rebar Set with Cap; THENCE leaving said northern right of-way North 18 degrees 156 minutes 11 seconds East for a distance of 5.48 feet to a Concrete Monument Found, common corner of Healy OB 1493, PG168, and C.J. latitudes: DB 739, PG606; THENCE with the line of C.J. Jtarra Noi-th 18 degrees 39 minutes 55 seconds East for a distance of 483.42 feet to the POINT OF BEGINNING and being part of that certain tract of land as shown on a plat of survey prepared for C. J. Hauls 101a: by Joel Johnson Land Surveying, Inc., dated February 12, 2009, and last revised March 7, 2009, Drawing Number 08090P and also being more fully described as follows: A plat entitled "Plat of Survey for: C. J. Hauls 101a: by Joel Johnson Land Surveying, Inc. dated February 12, 2009, and last revised May 7, 2009, Drawing Number 08090P, recorded in Plat Book 18 at Page 6 of the Burke County Public Register, filed this day of March 2009, particularly described as that certain tract 7.36 acres in area, described on plat of survey for Mountain Trace, Inc., ADK, LLC, dated November 30, 2010, prepared by Joel Johnson Land Surveying, Inc., and bearing the certification of R. Joel Johnson, N.C.I.S. No. L-3882.

PROPERTY MORE COMMONLY KNOWN AS: 417 Mountain Trace Rd., Sylva, Jackson County, NC 28779

EXHIBIT "C"

(Title Exceptions)

1. Taxes for the year 2010 and subsequent years not yet due and payable.
2. Easements, restrictions and covenants of record.

J:XHIBIT"D"(Term Note)Exumrr "E"3.2 (Board Resolutions)EXHIBIT "F"3.8 (Opinion of Counsel)EXHIBIT "G"3.16 (Guarantees)EXHIBIT "H"5.2 (Mortgage and Security Agreement)EXUIBIT "I"5.2 (Security Agreement)EXI-IIBIT "J"9.4 (Financial Statements)EXHIBIT "K"9.11 (Material Litigation)NONE.EXHIDJT "L"9.14 (Adverse Contracts)NONE.EXHIBIT "M."1.1 (Repayment Schedule)**AGREEMENT TO TERM LOAN AGREEMENT AND LOAN DOCUMENTS**

In consideration of ten dollars (\$10,00) and other valuable consideration, the receipt and sufficiency which is hereby acknowledged Community Bank & Trust - West Georgia ("Lender") and Mountain Trace Nursing ADK, LLC ("Borrower") enter into this Amendment to Term Loan Agreement and Loan Documents:

WHEREAS, on January 24, 2011, the Lender and Borrower executed that certain Term Loan Agreement evidencing a loan from Lender to Borrower in the amount of Five Minion and No/100 Dollars (the "Term Loan"); and

WHEREAS, the Term Loan Agreement, Security Agreement, UCC Financing Statements and other documents (collectively, "Loan Documents") inadvertently included accounts receivables and inventory as party of the Lender's collateral;

WHEREAS, the USDA did not require accounts receivables and inventory as collateral pursuant to that certain Conditional Commiunent for Guarantee Case No.

WHEREAS, Borrower did not intend to pledge and Lender did not intend to receive accounts receivables and inventory as collateral for the Term Loan.

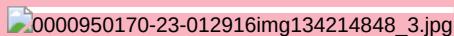
NOW THEREFORE, Borrower and Lender agree as follows:

1. Notwithstanding anything contained in the Tenn Loan Agreement and Loan Documents to the contrary, "Collateral" as defined in the Tenn Loan Agreement and Loan Documents expressly excludes Accounts Receivable Collateral and Inventory Collateral, as such terms are defined in the Term Loan Agreement, and further excludes all of Borrower's (a) accounts, (b) payment intangibles, (c) instruments, chattel paper (including electronic chattel paper), documents, letter-of-credit rights, supporting obligations, and commercial tort claims, in

- . each case to the extent arising out of, relating to or given in exchange for or settlement of or to evidence the obligation to pay any account or payment intangible; (d) all general intangibles (including, but not limited to, contract rights and trademarks, copyrights, patents and other intellectual property) that arise out of or relate to any account or payment intangible or from
- . which any account or payment intangible arises; (e) all remedies, guarantees and collateral evidencing, securing or otherwise relating to or associated with any account or payment intangible, including, but not limited to, all rights of enforcement and collection; (f) all commercial lockboxes, governmental lockboxes, collection accounts and other deposit accounts into which collections or other proceeds of collateral or advances are deposited, and all checks or
- . instruments from time to time representing or evidencing the same; (g) all cash, currency and other monies at any time in the possession or under the control of Borrower or a bailee of Borrower; (h) all books and records evidencing or relating to or associated with any of the foregoing; (i) all information and data compiled or derived with respect to any of the foregoing (other than any such information and data subject to legal restrictions of patient confidentiality); and (j) all collections, accessions, receipts and proceeds derived from any of the foregoing" (such items (a) through (j) above being the "Accounts").

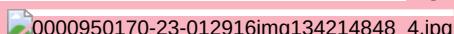
2. The Tenn Loan expressly is not secured by Accounts Receivable Collateral or Inventory Collateral, as such terms are defined in the Term Loan Agreement, or by the Accounts,

i.Mmlage_249258_1 (2).DOC/3583-15



IN WITNESS WHEREOF, the undersigned, on this 24th day of January, 2011, has caused this Amendment to Tenn Loan Agreement and Loan Documents to be executed under seal.

BORROWER:



LENDER:

COMMUNITY BANK & TRUST - WEST GEORGIA

By: \ A

Name:

Title:

OUTSIDE DIRECTOR COMPENSATION PACKAGE

Effective January 1, 2023, Regional Health Properties, Inc. (the "Company") will pay each outside director who is independent in accordance with the NYSE American and SEC rules governing director independence (an "Eligible Director") an annual cash retainer of \$49,500 (the "Annual Cash Retainer") for service to the Company. In addition, the Lead Independent Director will receive an additional annual fee of \$12,000 (the "Lead Independent Director Fee"). The Annual Cash Retainer and the Lead Independent Director Fee will be paid in monthly installments.

The Company also will reimburse each Eligible Director for all reasonable travel and other out-of-pocket expenses that are incurred in connection with attending, in person, any board meetings, shareholder meetings or other meetings requiring in-person Eligible Director participation.

148040959v2

Exhibit 10.1(d)

NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

This Non-Qualified Stock Option Award Agreement (this "Agreement") is made and entered into as of _____ by and between Regional Health Properties, Inc., a Georgia corporation (the "Company"), and _____ (the "Participant").

Date of grant of Option: _____ (the "Grant Date")

Exercise price per share of Common Stock: (the "Exercise Price")

Number of shares of Common Stock subject to the Option: _____ (the "Option Shares")

Expiration date: (the "Expiration Date")

1. Grant of Option.

1.1 Grant; Type of Option. The Company hereby grants to the Participant an option (the "Option") to purchase the total number of shares of Common Stock equal to the number of Option Shares set forth above, at the Exercise Price set forth above. The Option is being granted pursuant to the terms of the Regional Health Properties, Inc. 2020 Equity Incentive Plan (the "Plan"). The Option is intended to be a Non-Qualified Stock Option (within the meaning of the Plan), although the Company makes no representation or guarantee that the Option will qualify as a Non-Qualified Stock Option.

1.2 Consideration; Subject to Plan. The grant of the Option is made in consideration of the services to be rendered by the Participant to the Company and is subject to the terms and conditions of the Plan. Capitalized terms used but not defined herein have the meaning ascribed to them in the Plan.

2. Exercise Period; Vesting.

2.1 Vesting Schedule. The Option will become vested and exercisable with respect to _____ shares of Common Stock [on/upon] _____. The unvested portion of the Option will not be exercisable on or after the Participant's Termination of Employment.

2.2 Expiration. The Option will expire, and become unexercisable, on the Expiration Date set forth above, or earlier as provided in this Agreement or the Plan.

3. Termination of Employment.

3.1 Termination for Reasons Other Than Cause, Death, Permanent Disability. Upon the Participant's Termination of Employment for any reason other than Cause (as defined below), death or Permanent Disability, the Participant may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (a) the date three months following such Termination of Employment; or (b) the Expiration Date.

3.2 Termination for Cause. Upon the Participant's Termination of Employment for Cause, the Option (whether vested or unvested) shall immediately terminate and cease to be exercisable. For purposes of this Agreement: (i) if the Participant has an Employment Agreement with provisions addressing termination for cause, then "Cause" shall be defined as it is in such Employment

Agreement; and (ii) if the Participant does not have an Employment Agreement with provisions addressing termination for cause, then "Cause" shall be as determined by the Committee.

3.3 Termination due to Permanent Disability. Upon the Participant's Termination of Employment as a result of the Participant's Permanent Disability meeting the requirements of Section 22(e)(3) of the Code as applicable pursuant to Section 422(c)(6) of the Code, the Participant may exercise the vested portion of the Option, but only within such period of time ending on the earlier of: (a) the date 12 months following such Termination of Employment; or (b) the Expiration Date.

3.4 Termination due to Death. Upon the Participant's Termination of Employment as a result of the Participant's death, any vested portion of the Option may be exercised by his or her personal representative or by any person empowered to do so under the deceased Participant's will or under Applicable Law regarding descent and distribution, but only within the time period ending on the earlier of: (a) the date 12 months following such Termination of Employment; or (b) the Expiration Date.

4. Manner of Exercise; Payment of the Exercise Price; Issuance of Shares.

4.1 Manner of Exercise; Payment of the Exercise Price. The Option, if exercisable, or the exercisable portion thereof, may be exercised solely by delivery to the Company of all of the following prior to the time when the Option or such portion becomes unexercisable under this Agreement or the Plan:

(a) A written notice signed by the Participant or other person then entitled to exercise the Option or portion thereof, stating that the Option or portion is being exercised, *provided* such notice complies with all applicable rules established by the Committee from time to time.

(b) Such representations and documents as the Committee, in its absolute discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal or state securities laws or regulations. The Committee may, in its absolute discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, causing legends to be placed on certificates for shares of Common Stock and issuing stop-transfer notices to agents and registrars.

(c) In the event that the Option shall be exercised pursuant to Section 12.1 of the Plan by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option or portion thereof.

(d) Full payment (in cash or by a certified check) for the shares of Common Stock with respect to which the Option or portion thereof is exercised, including the amount of any withholding tax due, unless with the prior written consent of the Committee;

(i) payment, in whole or in part, is made through the delivery of shares of Common Stock owned by the Participant, duly endorsed for transfer to the Company with a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, *provided*, that shares of Common Stock used to exercise the Option have been held by the Participant for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option;

(ii) delivery of a written or electronic notice that the Participant has placed a market sell order with a broker with respect to shares of Common Stock then-issuable upon exercise of the Option (or portion thereof which is being exercised), and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; *provided, however*, that payment of such proceeds is then made to the Company upon settlement of such sale; or

(iii) payment is made through any combination of the consideration provided for in this Section 4.1 or such other method approved by the Committee consistent with Applicable Law.

4.2 Issuance of Shares. Provided that the requirements set forth in Section 4.1 have been satisfied in form and substance satisfactory to the Company, the Company shall issue the shares of Common Stock issuable upon exercise of the Option registered in the name of the Participant, the Participant's authorized assignee, or the Participant's legal representative, which shall be evidenced by stock certificates or book entry representing the shares with the appropriate legends affixed thereto, appropriate entry on the books of the Company or of a duly authorized transfer agent, or other appropriate means as determined by the Company.

5. Tax Liability and Withholding.

5.1 The Participant shall be required to pay to the Company, and the Company shall have the right to deduct from any compensation payable to the Participant, the amount of any required withholding taxes in respect of the exercise of the Option and to take all such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes. In the discretion of the Committee, the Participant may satisfy any federal, state or local tax withholding obligation by any of the following means, or by a combination of such means:

(a) tendering a cash payment;

(b) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise of the Option having a Fair Market Value equal to the amount required to be withheld; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax required to be withheld by Applicable Law; or

(c) delivering to the Company previously owned and unencumbered shares of Common Stock with a Fair Market Value required to be withheld.

5.2 Notwithstanding any action the Company takes with respect to any or all income tax, social insurance, payroll tax or other tax-related withholding ("Tax-Related Items"), the ultimate

liability for all Tax-Related Items is and remains the Participant's responsibility and the Company: (a) makes no representation or undertakings regarding the treatment of any Tax-Related Items in connection with the grant, vesting or exercise of the Option or the subsequent sale of any shares acquired on exercise; and (b) does not commit to structure the Option to reduce or eliminate the Participant's liability for Tax-Related Items.

6. **No Right to Continued Employment.** Nothing in the Plan or this Agreement: (a) shall confer upon the Participant any right to continue his or her employment relationship with the Company or any Affiliate, or to be retained in any position, whether as an Employee, Consultant, Director or otherwise; or (b) shall interfere with, or restrict in any way, the rights of the Company or any Affiliate to discharge or terminate the relationship with the Participant at any time for any reason whatsoever, subject to the terms of any Employment Agreement entered into by the Participant and the Company or any Affiliate.

7. **No Rights as Shareholder.** The Participant shall not have any rights or privileges as a shareholder of the Company in respect of any shares of Common Stock purchasable upon the exercise of any part of an Option unless and until certificates representing such shares have been issued by the Company to the holder of such shares, or the shares have otherwise been recorded on the books of the Company or of a duly authorized transfer agent as owned by such holder.

8. **Transferability.** The Option is not transferable by the Participant other than to a designated beneficiary upon the Participant's death or by will or the Applicable Laws of descent and distribution, and is exercisable during the Participant's lifetime only by him or her. No assignment or transfer of the Option, or the rights represented thereby, whether voluntary or involuntary, by operation of Applicable Law or otherwise (except to a designated beneficiary, upon death, by will or the Applicable Laws of descent or distribution) will vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Option will terminate and become of no further effect.

9. **Change-in-Control.** In the event of a Change-in-Control, and notwithstanding Section 12.3(d) of the Plan, the Committee may, in its discretion and upon at least ten (10) days' advance notice to the Participant, cancel the Option and pay to the Participant the value of the Option based upon the price per share of Common Stock received or to be received by other shareholders of the Company in the event. Notwithstanding the foregoing, if at the time of a Change-in-Control the Exercise Price of the Option equals or exceeds the price paid for a share of Common Stock in connection with the Change-in-Control, the Committee may cancel the Option without the payment of consideration therefor.

10. **Adjustments.** The shares of Common Stock subject to the Option may be adjusted or terminated in any manner as contemplated by Section 12.3 of the Plan.

11. **Compliance with Law.** The exercise of the Option and the issuance and transfer of shares of Common Stock subject to the Award granted under this Agreement shall be subject to compliance by the Company and the Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any securities exchange on which the Common Stock may be listed.

No shares of Common Stock shall be issued pursuant to the Option, or transferred, unless and until any then applicable requirements of state or federal laws and regulatory agencies have been fully complied with to the satisfaction of the Company and its counsel. The Participant understands that the Company is under no obligation to register the shares of Common Stock with the Securities and Exchange Commission, any state securities commission or any stock exchange to effect such compliance.

12. Notices. Any notice required to be delivered to the Company under this Agreement shall be in writing and addressed to the Secretary of the Company at the Company's principal corporate office. Any notice required to be delivered to the Participant under this Agreement shall be in writing and addressed to the Participant at the Participant's address as shown in the records of the Company. Either party may designate another address in writing (or by such other method approved by the Company) from time to time.

13. Governing Law. This Agreement will be administered, interpreted and enforced in accordance with the laws of the State of Georgia without regard to conflict of law principles thereof.

14. Interpretation. The Committee shall have the power to interpret the Plan and this Agreement. The Participant acknowledges that all decisions and determinations of the Committee shall be final and binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Agreement, the Award granted under this Agreement or the Plan.

15. Subject to Plan. This Agreement and the Award granted under this Agreement are subject to the terms and provisions of the Plan. The terms and provisions of the Plan, as it may be amended from time to time, are hereby incorporated into this Agreement by reference. In the event of a conflict between any term or provision contained in this Agreement and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Successors and Assigns. The Company may assign any of its rights under this Agreement. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in this Agreement and the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person to whom this Agreement may be transferred by will or under Applicable Law regarding descent or distribution.

17. Severability. The invalidity or unenforceability of any provision of the Plan or this Agreement shall not affect the validity or enforceability of any other provision of the Plan or this Agreement, and each provision of the Plan and this Agreement shall be severable and enforceable to the extent permitted by law.

18. Discretionary Nature of Plan. The Plan is discretionary and may be amended or otherwise modified, suspended or terminated at any time from time to time by the Board or the Committee in accordance with its terms. The grant of an Award under this Agreement does not create any contractual right or other right to receive any Common Stock or other Awards in the future. Future Awards, if any, will be at the sole discretion of the Committee. Any amendment, modification, suspension or termination of the Plan shall not constitute a change or impairment of the terms and conditions of the Participant's employment with the Company.

19. No Impact on Other Benefits. Except as may otherwise be set forth in any Employment Agreement with the Participant, the value of the Option is not part of his or her normal or expected compensation for purposes of calculating any severance, retirement, welfare, insurance or similar employee benefit.

20. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Counterpart signature pages to this Agreement transmitted by facsimile transmission, by electronic mail in portable

document format (.pdf), or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing an original signature.

21. **Acceptance.** The Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. The Participant has read and understands the terms and provisions thereof, and accepts the Award granted under this Agreement subject to all of the terms and conditions of the Plan and this Agreement. The Participant acknowledges that there may be adverse tax consequences upon exercise of the Option or disposition of the underlying shares and that the Participant should consult a tax advisor prior to such exercise or disposition.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

REGIONAL HEALTH PROPERTIES, INC.

By:

Name:

Title:

PARTICIPANT:

Signature:

Name:

[Signature Page to Non-Qualifying Stock Option Award Agreement]

Exhibit 10.33(c)

**LEASE TERMINATION
AGREEMENT**

This Lease Termination Agreement (this "Agreement"), dated as of the 21st day of December, 2022 (the "Effective Date"), is entered into between SPRING VALLEY, LLC, a Georgia limited liability company ("Landlord") and ADK GEORGIA, LLC, a Georgia limited liability company ("Tenant").

RECITALS

A Landlord and Tenant entered into that certain Lease Agreement dated August 1, 2010, as amended by that certain First Amendment to Lease dated August 31, 2010, that certain Second Amendment to Lease dated August 14, 2015, and that certain Third Amendment to Lease dated September 30, 2022 (collectively, the "Lease"), covering the following eight (8) nursing facilities (the "Facilities") which more specifically and particularly described the Lease (the "Premises"):

The Powder Springs Facility, located at 3460 Powder Springs Road, Powder Springs, Cobb County, Georgia, consisting of 208 licensed beds;

The Thomasville Facility, located at 120 Skyline Drive, Thomasville, Thomas County, Georgia, consisting of 52 licensed beds;

The Jeffersonville Facility, located at 82 Spring Valley Road, Jeffersonville, Twiggs County, Georgia, consisting of 131 licensed beds;

The Lumber City Facility, located at 93 GA-19, Lumber City, Telfair County, Georgia, consisting of 86 licensed beds;

The LaGrange Facility, located at 2111 West Point Road, LaGrange, Troup County, Georgia, consisting of 138 licensed beds;

The Tara Facility located at 3223 Falligant Avenue, Thunderbolt, Georgia, Chatham County, consisting of 134 licensed beds;

The Oceanside Facility, located at 7 Rosewood Avenue, Tybee Island, Chatham County, Georgia, consisting of 85 licensed beds; and

The Savannah Beach Facility, located at 77 Van Hom Street, Tybee Island, Chatham County, Georgia, consisting of 50 licensed beds

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B. In connection with the Lease, Regional Health Properties, Inc., a Georgia corporation, as successor to AdCare Health Systems, Inc. (**"Guarantor"**) delivered to Landlord that certain Guaranty of Lease dated August 14, 2015 (the **"Guaranty"**).

C. Tenant has entered into those certain Operations Transfer Agreements (the **"OTAs"**) by and between Tenant and TV Thomasville LLC, LC Lumber City LLC, LG Lagrange LLC and TB Thunderbolt LLC (the **"New Operators"**) that are respectively dated December 15, 2022 and have a defined Effective Date of December 7, 2022.

Page 1 of 7

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D. At the time of this Agreement Tenant is in default of its obligations under the Lease. Landlord has requested that the Lease be terminated; Tenant has agreed to Landlord's request to terminate the Lease; and the parties agree the Lease shall terminate effective as of December 7, 2022 which is the effective date of those certain OTAs between Tenant and New Operators (the **"Effective Termination Date"**) on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Termination. Landlord and Tenant hereby agree that, as of the Effective Termination Date, the Lease and the term thereof is terminated and expired, and Tenant's leasehold estate in and right of possession of the Premises is terminated and wholly extinguished, as if said Effective Termination Date was originally set forth in the Lease as the expiration date thereunder. As of the Effective Termination Date, neither Landlord nor Tenant shall have any further rights or obligations under the Lease, except as provided in this Agreement.

2. Surrender of the Premises. Tenant shall work promptly and without delay surrender the Premises to Landlord, or its authorized representative, in clean condition with all equipment, fixtures, furniture, and personal property of Landlord to remain in place. To the extent that the Premises are not in compliance with the Lease as of the Effective

Termination Date, Landlord shall advise Tenant of same and Tenant shall ensure that all matters are repaired and corrected. Any items of personal property remaining on or in the Premises after the Tenant has vacated the same shall be considered abandoned by Tenant and Landlord shall have the right to dispose of same at Tenant's sole cost and expense. In the event that Tenant fails for any reason to vacate and surrender possession of the Premises to Landlord in accordance with this Agreement, Landlord may exercise all remedies available to Landlord at law and/or under the Lease in connection with such holding over.

3. Cooperation in Transfer of Operations. Tenant, and its affiliates, including without limitation Tara Operator, LLC, Thomasville Operations, LLC, Lumber City Operations, LLC, LaGrange Operations, LLC and Regional Health Properties, Inc. ("Affiliates"), shall promptly cooperate with Landlord and any third-parties, specifically including the New Operators, to take such actions and execute such documents as are reasonably necessary to continue the operation of and transfer the ownership of the Facilities with an effective date of the Effective Termination Date. This includes without limitation the prompt execution of any required operation transfer agreement, Medicare Forms CMS-855A, change of ownership filings, and all other necessary and proper agreements required to effectuate the transfer of the Facilities. Tenant shall promptly provide the name of each affiliated operator, manager, or sublessee in any of the Facilities. Tenant, and its Affiliates, shall not continue negotiations regarding or enter into any settlement or compromise agreements which may impact Medicaid and other payment streams of future operators absent the express written direction from Landlord and shall inform Landlord of the status of any current negotiations with payers. Tenant and Affiliates further agrees to continue to pay its employees during the transfer period, subject to the terms of any agreements between Tenant and the new lessee(s) or operators(s). The Landlord and Tenant acknowledge that certain expenses will be required to be prorated after the Termination Date and will be paid or reimbursed by the benefitting party as prescribed by the OTAs. Tenant acknowledges that its promise and assurance of prompt cooperation in this Section 3 are a material inducement to Landlord to enter into this Termination Agreement. Notwithstanding anything to the contrary set forth in this Agreement, under no circumstances shall any Tenant be required

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to take any action that is inconsistent with or violative of Applicable Laws. For purposes of this Agreement, the term "**Applicable Laws**" shall mean: all applicable laws, statutes, regulations, rules, ordinances, codes, licenses, permits and orders, from time to time in existence, of all courts of competent jurisdiction and government agencies, and all applicable judicial and administrative and regulatory decrees, judgments and orders, including common law rulings and determinations of any kind, all as may be amended or modified from time to time, including without limitation, those relating to (i) human health and safety, (ii) The Patient Protection and Affordable Care Act; (iii) the provision of health care services, including, without limitation, (a) Medicare, Medicaid, CHIP, the TRICARE laws (10 U.S.C. §§ 1071 et seq.); (b) all Federal Health Care Program conditions of participation and payment and other requirements, (c) the False Claims Act (31 U.S.C. §§ 3729 et seq.), (d) the Civil Monetary Penalties Law (42 U.S.C. § 1320a-7a), (e) federal and state anti- kickback statutes (including 42 U.S.C. § 1320a-7b),

(t) federal and state physician self-referral laws (including 42 U.S.C. § 1395nn), (g) criminal false claims and false statement statutes (e.g., 18 U.S.C. §§ 287 and 1001), (h) the Program Fraud Civil Remedies Act of 1986 (31 U.S.C. §§ 3801 et seq.), (i) the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (P.L. 108-173, 117 Stat. 2066), (j) the Food, Drug and Cosmetic Act of 1938 (21 U.S.C. §§ 301 et seq.), (k) the Deficit Reduction Act of 2005 (P.L. 109-171, 120 Stat. 4), (l) the Controlled Substances Act (21 U.S.C. §§ 801 et seq.); (m) the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and all regulations promulgated therewith ("HIPAA"); (n) laws regarding advertising, marketing and promotional activities; and (iv) any other law, rule, directive, requirement or regulation with the force and effect of law governing the provision of senior living, skilled nursing, health, hospice or any other health care services provided by the Community.

• **4. Release.**

(a) **By Landlord.**

(i) Effective as of the Effective Termination Date, Landlord hereby forgives all past due and current Rent, late penalties, and Additional Rent for Taxes due under the Lease as of the Effective Termination Date, as well as all accrued and unpaid interest and unpaid principal for that certain Promissory Note dated September 30, 2022.

(ii) Tenant and Guarantor are not released and shall remain liable to Landlord for any Nursing Home Provider Fees owed to the state of Georgia and arising on or before Effective Termination Date ("Unpaid Provider Fees"). If Unpaid Provider Fees are assessed against or recouped against the Landlord or any subsequent lessee or operator of the Facilities after the Effective Termination Date ("Assessment Event"), Tenant shall promptly reimburse Landlord for all such amounts. In order to facilitate and fund this reimbursement, Tenant agrees to execute, on even date of this Termination Agreement, a Promissory Note with a Line of Credit feature in favor of the Landlord in the principal sum of \$2,700,000.00 bearing an interest rate of 6.25%, payable monthly over 24 months, secured by Tenant's accounts receivables associated with the Premises and earned prior to the Effective Termination Date, and guaranteed by the Guarantor ("Note"). For clarification and the avoidance of confusion, Tenant shall only be deemed to draw against the Note if and when there is an Assessment Event, and such draw amount shall be equal to the Unpaid Provider Fees assessed in the Assessment Event, at which time the Note will be repaid according to its terms. Landlord agrees to provide prompt written notice to Tenant and Guarantor of any Assessment Event.

(b) **General.** Effective as of the Effective Termination Date, and except as stated herein, Landlord, Tenant, and Guarantor, for themselves and their respective heirs, executors, administrators, predecessors-in-interest, successors, and assigns, do hereby waive, release, and forever discharge each other, and their respective

successors and assigns, from all obligations, actions, causes of action, sums of money, covenants, agreements, promises, damages, judgments, claims, and demands whatsoever in law or in equity which each against the other ever had, now has, or which they or their respective predecessors, successors, or assigns hereafter may have, upon or by reason of any matter, cause, or thing whatsoever arising out of or in connection with the Lease, the Guaranty, the Premises, or the Facilities; provided that: (i) no party shall be released from any of its obligations under this Agreement (and this Agreement shall survive the termination of the Lease); (ii) neither Landlord, Tenant nor Guarantor shall be released from any indemnification obligations under the Lease as to matters occurring prior to the Termination Date (which obligations and indemnities shall survive the termination of the Lease); (iii) Tenant's obligations, as guaranteed by Guarantor, under Lease Section 2 (Maintenance of Leased Premises), Section 5 (Utilities and Maintenance), Section 7 (Lessee's Trade Fixtures and Personal Property), Section 12 (Liens), and Section 13 (Public Authorities) which accrued prior to the Effective Termination date shall survive the termination of the Lease; and (iv) obligations of Tenant and its Affiliates that arise under Section 3 of this Agreement including those contained in any operations transfer agreements required by that Section. For purposes hereof, all obligations of Tenant that survive termination of the Lease under this Section 4(b) shall be collectively referred to herein as, the "Surviving Obligations".

5. Representations and Warranties.

(a) Landlord and Tenant each hereby represent and warrant, as of the date hereof and the Effective Termination Date, that: (i) the person executing this Agreement on its behalf is duly authorized to execute and deliver this Agreement on its behalf; and (ii) the execution, delivery, and performance of this Agreement has been duly authorized by all necessary action and does not violate its formation or management documents, or any contract, agreement, commitment, order, judgment, or decree to which it is a party or to which it or the Premises are bound.

(b) Tenant hereby represents and warrants, as of the date hereof and the Effective Termination Date and to the extent not previously disclosed, that it has not assigned, sublet, or otherwise transferred or encumbered its interest in the Lease or the Premises, in whole or in part, nor shall the Premises be in any way encumbered on the Effective Termination Date.

(c) Tenant hereby represents and warrants, as of the Effective Termination Date, that:

(i) all parties who have performed labor or supplied materials upon or to the Premises, if any, have been fully paid; (ii) there exists no party who has any right or claim of lien against the Premises for having furnished material or performed labor thereon; and (iii) there are no construction liens outstanding against the Premises arising out of any act or omission of Tenant.

6. Indemnification. Landlord and Tenant each agree to indemnify, hold harmless, and defend the other from and against any and all claims, liabilities, losses, costs, damages, and expenses (including reasonable attorneys' fees, charges, and expenses in the enforcement of this indemnity) asserted against or suffered by the other party

arising out of, related to, or caused by the breach or inaccuracy of any covenant, obligation, warranty, or representation under this Agreement by such party. The terms of this Section 6 shall survive the termination of the Lease.

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8. Further Assurances. Landlord and Tenant each agree to promptly execute, acknowledge, and deliver to the other such further instruments and take such further actions as may be reasonably required in order to carry out and effectuate the intent and purpose of this Agreement.

9. Governing Law. This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of Georgia.

10. Severability. If any term or provision of this Agreement is held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect, invalidate, or render unenforceable any other term or provision of this Agreement. Upon such determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement be consummated as originally contemplated to the greatest extent possible.

11. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same document. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf," or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

12. Successor and Assigns. This Agreement shall be binding upon and shall inure to the benefit of Landlord and Tenant and their respective successors and assigns.

13. Entire Agreement; No Oral Modification. This Agreement constitutes the entire understanding between the parties with respect to the Lease, the leasehold estate created thereby, and the termination thereof. No provision hereof may be waived, modified, amended, discharged, or terminated except by written instrument signed by the party against whom the enforcement of such waiver, modification, amendment, discharge, or termination is sought.

14. Confidentiality. Tenant shall keep the terms of this Agreement confidential and shall not disclose the terms of same to any other party without the prior written consent of Landlord, provided that Tenant may disclose the terms hereof to Tenant's accountants, attorneys, managing employees, and others in privity with any such party to the extent reasonably necessary for Tenant's business purposes or if required by court order.

15. No Recording. Tenant shall not record this Agreement nor any memorandum or short form of this Agreement, without the prior written consent of Landlord.

[SIGNATURES ON FOLLOWING PAGE]

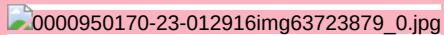
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IN WITNESS WHEREOF, Landlord and Tenant have caused this Agreement to be executed as of the Effective Date.

LANDLORD:

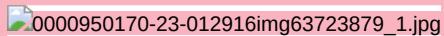
SPRING VALLEY, LLC

a Georgia limited liability company



MARK FOSTER, Member

(Seal)



MITCH FOSTER, Member

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TENANT:

ADK GEORGIA, LLC

Title: a Ge · ability corporation

GUARANTOR:

REGIONAL HEALTH PROPERTIES, INC.

t'(v1Jn--:

Title: /..tz).

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Exhibit 52(a)

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (the "Amendment") is made and entered into effective as of the 21st day of November, 2014, by and between **COOSA NURSING ADK, LLC**, a Georgia limited liability company ("Landlord") and **C.R. OF COOSA VALLEY, LLC**, a Georgia limited liability company ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant are parties to that certain lease dated September 22, 2104 (the "Lease"), whereby Tenant leased certain improved property located at 513 Pine View Avenue, Glencoe, Alabama 35905; and

WHEREAS, Landlord and Tenant desire to amend the Lease as hereinafter set forth.

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, paid by each party to the other, the receipt and sufficiency of which are hereby acknowledged, and the mutual covenants and benefits flowing between the parties, Landlord and Tenant, intending to be legally bound, do hereby covenant and agree as follows:

1. Capitalized Terms. Unless otherwise defined herein, all capitalized words and phrases used herein shall have the same meanings ascribed to them in the Lease.

2. Amendment. Section 3 of the Lease is hereby deleted in its entirety and the following is inserted in lieu thereof:

3. Security Deposit. Tenant shall deposit with Landlord and maintain during the Term the cash sum of Seventy-Five Thousand and 00/100 Dollars (\$75,000.00) as a security deposit (the "Security Deposit") which Landlord shall hold as security for the full and faithful performance by Tenant of every term, provision, obligation and covenant under this Lease and subject to the terms and conditions of this Lease. The Security Deposit shall be paid to Landlord in six (6) equal installments as follows: (i) \$12,500.00 on November 21, 2014 and (ii) \$12,500.00 on the first day of each month thereafter commencing on December 1, 2014 until paid in full. The Security Deposit may be deposited by Landlord into an interest-bearing account, which interest shall accrue for the sole benefit of Landlord and not Tenant. The Security Deposit shall not be considered an advance payment of Rent (or of any other sum payable by Tenant under this Lease) or a measure of Landlord's damages in case of a default by Tenant. The Security Deposit shall not be considered a trust fund, and Tenant expressly acknowledges and agrees that Landlord is not acting as a trustee or in any fiduciary capacity in controlling or using the Security Deposit. Landlord shall have no obligation to maintain the Security Deposit separate and apart from Landlord's general and/or other funds. If Tenant defaults in respect of any of the terms, provisions, covenants and conditions of this Lease (or if there is a default under any agreement or instrument with

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which this Lease is cross-defaulted), Landlord may, but shall not be required to, in addition to and not in lieu of any other rights and remedies available to Landlord, apply all or any part of the Security Deposit to the payment of any sum in default, or any other sum that Landlord may expend or be required to expend by reason of Tenant's default, including but not limited to, any damages or deficiency in reletting the Premises. Whenever, and as often as, Landlord has applied any portion of the Security Deposit to cure Tenant's default hereunder or under any agreement with which this Lease is cross defaulted, Tenant shall, within ten (10) days after Notice from Landlord, deposit additional money with Landlord sufficient to restore the Security Deposit to the full amount then required to be deposited with Landlord, and Tenant's failure to do so shall constitute an Event of Default without any further Notice. If Landlord transfers or assigns its interest under this Lease, Landlord shall assign the Security Deposit to the new landlord and thereafter Landlord shall have no further liability for the return of the Security Deposit, and Tenant agrees to look solely to the new landlord for the return of the Security Deposit. Tenant agrees that it will not assign or encumber or attempt to assign or encumber the Security Deposit and that Landlord, its successors and assigns may return the Security Deposit to the last tenant in possession of the Premises at the last address for which Notice has given by such tenant and that Landlord thereafter shall be relieved of any liability therefor, regardless of one or more assignments of this Lease or any such actual or attempted assignment or encumbrances of the Security Deposit

3. Agreement in Effect. Except as herein specifically provided, all other terms and provisions of the Lease shall remain in full force and effect, and are hereby ratified and reaffirmed by the parties.

[SIGNATURES COMMENCE ON THE FOLLOWING PAGE]

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IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the date first
above \Nritten.

LANDLORD:

COOSA NURSING ADK, LLC,
a Georgia limited liability company

Name:

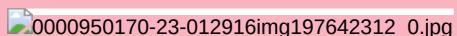


By:

Title:

TENANT:

C.R. OF COOSA VALLEY, LLC,
A Georgia limited liability company

**EXHIBIT 21.1**

Entity	Jurisdiction of Organization
2014 HUD Master Tenant, LLC	Georgia
AdCare Acquisition, Inc.	Ohio
AdCare Management, Inc.	Ohio
ADK Administrative Property, LLC	Georgia
ADK Bonterra/Parkview, LLC	Georgia
ADK Georgia, LLC	Georgia
ADK Powder Springs Operator, LLC	Georgia
APH&R Nursing, LLC	Georgia
APH&R Property Holdings, LLC	Georgia
AdCare Administrative Services, LLC	Georgia
AdCare Consulting, LLC	Georgia
AdCare Employee Leasing, LLC	Georgia
AdCare Financial Management, LLC	Georgia
AdCare Oklahoma Management, LLC	Georgia
AdCare Operations, LLC	Georgia
AdCare Property Holdings, LLC	Georgia
Attalla Nursing ADK, LLC	Georgia
Benton Nursing, LLC	Arkansas
CP Property Holdings, LLC	Georgia
CSCC Nursing, LLC	Georgia
Coosa Nursing ADK, LLC	Georgia

Eaglewood Property Holdings, LLC	Georgia
Erin Nursing, LLC	Georgia
Erin Property Holdings, LLC	Georgia
Georgetown HC&R Nursing, LLC	Georgia
Georgetown HC&R Property Holdings, LLC	Georgia
Glenvue H&R Property Holdings, LLC	Georgia
Glenvue Operations, LLC	Georgia
Hearth & Care of Greenfield, LLC	Ohio
Hearth & Home of Ohio, Inc.	Georgia
Homestead Nursing, LLC	Georgia
KB HUD Master Tenant 2014, LLC	Georgia
Little Rock HC&R Nursing, LLC	Georgia
Little Rock HC&R Property Holdings, LLC	Georgia
Mountain Trace Nursing ADK, LLC	Ohio
Mountain View Nursing, LLC	Georgia
Mt. Kenn Property Holdings, LLC	Georgia
NW 61st Nursing, LLC	Georgia
Northridge HC&R Nursing, LLC	Georgia
Northridge HC&R Property Holdings, LLC	Georgia
Northwest Property Holdings, LLC	Georgia
Park Heritage Nursing, LLC	Georgia
QC Nursing, LLC	Georgia
QC Property Holdings, LLC	Georgia
Regional Health Properties, Inc.	Georgia

Entity	Jurisdiction of Organization
Regional Health Properties, Inc.	Georgia
RMC HUD Master Tenant, LLC	Georgia
Sumter N&R, LLC	Georgia
Sumter Valley Property Holdings, LLC	Georgia
The Pavilion Care Center, LLC	Ohio
Valley River Nursing, LLC	Georgia
Tara Operator, LLC	Georgia

Valley River Property Holdings, LLC	Georgia
Woodland Hills HC Nursing, LLC	Georgia
Woodland Hills HC Property Holdings, LLC	Georgia
Woodland Manor Nursing, LLC	Georgia
Woodland Manor Property Holdings, LLC	Georgia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

To the Board of Directors

Regional Health Properties, Inc.

Atlanta, Georgia

We hereby consent to the incorporation by reference in the Registration Statements of *Regional Health Properties, Inc.* (the "Company"), on Form S-4 (No. 333-269750) and Form S-8 (No. 333-184462 333-177531, No. 184462, No. 333-254964 and No. 333-177531) 333-277352), of our report dated April 14, 2023 April 1, 2024, relating to the consolidated financial statements as of December 31, 2022 December 31, 2023 and 2021 2022 and for each of the years in the two-year period ended December 31, 2022 December 31, 2023, which appears in the Company's annual report on Form 10-K.

/s/ Cherry Bekaert LLP

Atlanta, Georgia

April 14, 2023 1, 2024

Exhibit 31.1

CERTIFICATIONS

I, Brent Morrison, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15 d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 14, 2023

By /s/ Brent Morrison

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATIONS

I, Paul J. O'Sullivan, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15 d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 14, 2023

By /s/ Paul J. O'Sullivan

Chief Principal Officer and Senior Vice President

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Regional Health Properties, Inc. (the "Company") on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, 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.

By

April 14, 2023 **April 1, 2024**

: /s/ BRENT MORRISON

Brent Morrison

Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Regional Health Properties, Inc. (the "Company") on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul J. O'Sullivan, Chief Principal Officer and Senior Vice 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.

April **14, 2023** **1, 2024**

By /s/ PAUL J. O'SULLIVAN

:

EXHIBIT 97.1

REGIONAL HEALTH PROPERTIES, INC.

CLAWBACK POLICY

The Board of Directors (the "Board") of Regional Health Properties, Inc. (the "Company") has adopted this Clawback Policy (this "Policy") on December 1, 2023, effective as of October 2, 2023 (the "Effective Date").

1. Purpose. The purpose of this Policy is to provide for the recoupment of certain incentive compensation pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in the manner required by Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated thereunder, and the Listing Standard (as defined below) (collectively, the "Dodd-Frank Rules").

2. Administration. This Policy shall be administered by the Compensation Committee. Any determinations made by the Compensation Committee shall be final and binding on all affected individuals.

3. Definitions. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "**Accounting Restatement**" shall mean an accounting restatement of the Company's financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a "Big R" restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (i.e., a "little r" restatement).

(b) "**Affiliate**" shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(c) "**Clawback Eligible Incentive Compensation**" shall mean Incentive-Based Compensation Received by a Covered Executive (i) on or after the Effective Date, (ii) after beginning service as a Covered Executive, (iii) if such individual served as a

Covered Executive at any time during the performance period for such Incentive-Based Compensation (irrespective of whether such individual continued to serve as a Covered Executive upon or following the Restatement Trigger Date), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period. For the avoidance of doubt, Incentive-Based Compensation Received by a Covered Executive on or after the Effective Date could, by the terms of this Policy, include amounts approved, awarded, or granted prior to such date.

(d) "**Clawback Period**" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Trigger Date

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and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of at least nine months shall count as a completed fiscal year).

(e) "**Company Group**" shall mean the Company and its Affiliates.

(f) "**Compensation Committee**" shall mean the Compensation Committee of the Board.

(g) "**Covered Executive**" shall mean any "executive officer" of the Company as defined under the Dodd-Frank Rules, and, for the avoidance of doubt, includes each individual identified as an executive officer of the Company in accordance with Item 401(b) of Regulation S-K under the Exchange Act.

(h) "**Erroneously Awarded Compensation**" shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. With respect to any compensation plan or program that takes into account Incentive-Based Compensation, the amount contributed to a notional account that exceeds the amount that otherwise would have been contributed had it been determined based on the restated amount, computed without regard to any taxes paid, shall be considered Erroneously Awarded Compensation, along with earnings accrued on that notional amount.

(i) "**Exchange**" shall mean NYSE American LLC.

(j) "**Financial Reporting Measures**" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a measure need not be presented in the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission (the "SEC") in order to be considered a Financial Reporting Measure.

(k) "**Incentive-Based Compensation**" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(l) "**Listing Standard**" shall mean Section 811 of the NYSE American Company Guide.

(m) "**Received**" shall mean the deemed receipt of Incentive-Based Compensation. Incentive-Based Compensation shall be deemed received for this purpose in the Company's fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

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(n) "**Restatement Trigger Date**" shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer(s) of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

4. Recoupment of Erroneously Awarded Compensation. Upon the occurrence of a Restatement Trigger Date, the Company shall recoup Erroneously Awarded Compensation reasonably promptly, in the manner described below. For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation under this Policy is not dependent on if or when restated financial statements are filed following the Restatement Trigger Date.

(a) **Process.** The Compensation Committee shall use the following process for recoupment:

(i) First, the Compensation Committee will determine the amount of any Erroneously Awarded Compensation for each Covered Executive in connection with such Accounting Restatement. For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Compensation Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Exchange).

(ii) Second, the Compensation Committee will provide each affected Covered Executive with a written notice stating the amount of the Erroneously Awarded Compensation, a demand for recoupment, and the means of recoupment that the Company will accept.

(b) **Means of Recoupment.** The Compensation Committee shall have discretion to determine the appropriate means of recoupment of Erroneously Awarded Compensation, which may include without limitation: (i) recoupment of cash or shares of Company stock, (ii) forfeiture of unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions), (iii) cancellation of outstanding vested cash or equity awards (including those for which service-based and/or performance-based vesting conditions have been satisfied), (iv) to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), offset of other amounts owed to the Covered Executive or forfeiture of deferred compensation, (v) reduction of future compensation, and (vi) any other remedial or recovery action permitted by law. Notwithstanding the foregoing, the Company Group makes no guarantee as to the treatment of such amounts under Section 409A, and shall have no liability with respect thereto. For the avoidance of doubt, appropriate means of recoupment may include amounts approved, awarded, or granted prior to the Effective Date. Except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive's obligations hereunder.

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(c) **Failure to Repay.** To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(a) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recoup such Erroneously Awarded Compensation from the applicable Covered

Executive. The applicable Covered Executive shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recouping such Erroneously Awarded Compensation.

(d) **Exceptions.** Notwithstanding anything herein to the contrary, the Company shall not be required to recoup Erroneously Awarded Compensation if one of the following conditions is met and the Compensation Committee determines that recoupment would be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Executive would exceed the amount to be recouped, after the Company has made a reasonable attempt to recoup the applicable Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the Exchange;

(ii) Recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the Exchange, that recoupment would result in such a violation and a copy of the opinion is provided to the Exchange; or

(iii) Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

5. Reporting and Disclosure. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Dodd-Frank Rules.

6. Indemnification Prohibition. No member of the Company Group shall be permitted to indemnify any current or former Covered Executive against (i) the loss of any Erroneously Awarded Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. The Company may not pay or reimburse any Covered Executive for the cost of third-party insurance purchased by a Covered Executive to fund potential recoupment obligations under this Policy.

7. Acknowledgment. To the extent required by the Compensation Committee, each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, the Policy, whether or not such Covered Executive has executed and returned such acknowledgment form to the Company.

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8. Interpretation. The Compensation Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Compensation Committee intends that this Policy be interpreted consistent with the Dodd-Frank Rules.

9. Amendment; Termination. The Compensation Committee may amend or terminate this Policy from time to time in its discretion, including as and when it determines that it is legally required to do so by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

10. Other Recoupment Rights. The Compensation Committee intends that this Policy be applied to the fullest extent of the law. The Compensation Committee may require that any employment agreement, equity award, cash incentive award, or any other agreement entered into be conditioned upon the Covered Executive's agreement to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company Group, whether arising under applicable law, regulation or rule, pursuant to the terms of any other policy of the Company Group, pursuant to any employment agreement, equity award, cash incentive award, or other agreement applicable to a Covered Executive, or otherwise (the "Separate Clawback Rights"). Notwithstanding the foregoing, there shall be no duplication of recovery of the same Erroneously Awarded Compensation under this Policy and the Separate Clawback Rights, unless required by applicable law.

11. Successors. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

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