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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

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

For the transition period from to

Commission File Number 001-33135

Regional Health Properties, Inc.
(Exact name of registrant as specified in its charter)

Georgia	**81-5166048**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification Number)**

1050 Crown Pointe Parkway, Suite 720 Atlanta GA 30338
(Address of principal executive offices)

(678) 869-5116
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

Large accelerated filer	☐	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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).Yes ☐ No ☒

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

As of November 19, 2024, the registrant had 1,879,249 shares of common stock, no par value, outstanding.

Regional Health Properties, Inc.
Form 10-Q

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

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

	September 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Property and equipment, net	$ 39,429	$ 40,398
Asset held for sale, net	4,851	4,939
Cash	497	953
Restricted cash	3,005	3,231
Accounts receivable, net of allowances of $2,186 and $2,040	2,034	1,403
Prepaid expenses and other	663	613
Notes receivable	594	1,044
Intangible assets - bed licenses	2,471	2,471
Intangible assets - lease rights, net	74	87
Right-of-use operating lease assets	2,263	2,556
Goodwill	1,585	1,585
Straight-line rent receivable	2,594	2,901
Total assets	$ 60,060	$ 62,181
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Senior debt, net	$ 39,509	$ 40,401
Debt related to asset held for sale, net	3,354	3,454
Bonds, net	5,849	5,991
Other debt, net	945	889
Accounts payable	3,707	2,493
Accrued expenses	4,703	4,060
Operating lease obligation	2,592	2,917
Other liabilities	1,781	1,791
Total liabilities	62,440	61,996
Stockholders' (deficit) equity:		
Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,890 shares issued and 1,879 shares outstanding at September 30, 2024; and 1,850 shares issued and 1,839 shares outstanding at December 31, 2023	63,144	63,059
Preferred stock, no par value; 5,000 shares authorized (including amounts authorized for Series A and Series B); shares issued and outstanding designated as follows:		
Preferred stock, Series A, no par value; 560 shares authorized, issued and outstanding at September 30, 2024 and December 31, 2023, with a redemption amount $426 at September 30, 2024 and December 31, 2023	426	426
Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at September 30, 2024 and December 31, 2023, with a redemption amount $18,602 at September 30, 2024 and December 31, 2023	18,602	18,602
Accumulated deficit	(84,552)	(81,902)
Total stockholders' (deficit) equity	(2,380)	185
Total liabilities and stockholders' equity (deficit)	$ 60,060	$ 62,181

See accompanying notes to unaudited consolidated financial statements.

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in 000's, except per share data)
(Unaudited)

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenues:				
Patient care revenues	$ 2,585	$ 2,136	$ 7,418	$ 6,577
Rental revenues	1,640	1,739	5,257	5,170
Management fees	—	263	—	788
Other revenues	—	—	—	107
Total revenues	4,225	4,138	12,675	12,642
Expenses:				
Patient care expense	2,179	2,153	6,462	6,444
Facility rent expense	149	149	446	446
Cost of management fees	—	156	—	442
Depreciation and amortization	474	526	1,499	1,738
General and administrative expense	1,224	1,329	4,085	4,284
Credit loss expense	499	229	563	269
Total expenses	4,525	4,542	13,055	13,623
Loss from operations	(300)	(404)	(380)	(981)
Other (income) expense:				
Interest expense, net	677	708	2,021	2,066
Other expense (income), net	5	(139)	249	603
Total other expense, net	682	569	2,270	2,669
Net loss	$ (982)	$ (973)	$ (2,650)	$ (3,650)
Preferred stock dividends - gain on extinguishment	—	—	—	43,395
Net profit (loss) attributable to Regional Health Properties, Inc. common stockholders	$ (982)	$ (973)	$ (2,650)	$ 39,745
Net profit (loss) per share of common stock attributable to Regional Health Properties, Inc.				
Basic:	$ (0.52)	$ (0.52)	$ (1.42)	$ 21.18
Diluted:	$ (0.52)	$ (0.52)	$ (1.42)	$ 21.18
Weighted average shares of common stock outstanding:				
Basic:	1,904,028	1,883,028	1,863,314	1,876,138
Diluted:	1,904,028	1,883,028	1,863,314	1,876,138

See accompanying notes to unaudited consolidated financial statements.

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

	Shares of Common Stock Outstanding	Shares of Preferred Stock A	Shares of Preferred Stock B	Shares of Treasury Stock	Total	Common stock and additional paid-in capital	Preferred Stock A, no par value	Preferred Stock B, no par value	Accumulated Deficit	Total
Balances, January 1, 2024	1,839	560	2,252	(11)	4,640	$ 63,059	$ 426	$ 18,602	$ (81,902)	$ 185
Stock-based compensation	—	—	—	—	—	43	—	—	—	43
Net loss	—	—	—	—	—	—	—	—	(962)	(962)
Balances, March 31, 2024	1,839	560	2,252	(11)	4,640	$ 63,102	$ 426	$ 18,602	$ (82,864)	$ (734)
Stock-based compensation	—	—	—	—	—	23	—	—	—	23
Restricted stock issuance	65	—	—	—	65	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(706)	(706)
Balances, June 30, 2024	1,904	560	2,252	(11)	4,705	$ 63,125	$ 426	$ 18,602	$ (83,570)	$ (1,417)
Stock-based compensation, net of forfeitures	—	—	—	—	—	19	—	—	—	19
Forfeitures of stock-based awards	(25)	—	—	—	(25)	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(982)	(982)
Balances, September 30, 2024	1,879	560	2,252	(11)	4,680	$ 63,144	$ 426	$ 18,602	$ (84,552)	$ (2,380)

	Shares of Common Stock Outstanding	Shares of Preferred Stock A	Shares of Preferred Stock B	Shares of Treasury Stock	Total	Common stock and additional paid-in capital	Preferred stock A, no par value	Preferred stock B, no par value	Accumulated Deficit	Total
Balance, January 31, 2023	1,784	2,812	—	(9)	4,587	$ 62,702	$ 62,423	$ —	$ (121,409)	$ 3,716
Restricted stock issuance	99	—	—	—	99	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	81	—	—	—	81
Net loss	—	—	—	—	—	—	—	—	(1,992)	(1,992)
Balances, March 31, 2023	1,883	2,812	—	(9)	4,686	$ 62,783	$ 62,423	$ —	$ (123,401)	$ 1,805
Extinguishment of Series A Preferred Stock		(2,252)	—	—	(2,252)	—	(61,997)	—	—	(61,997)
Exchange of Series A to Series B	—	—	2,252	—	2,252	—	—	18,602	43,395	61,997
Stock-based compensation, net of forfeitures	—	—	—	—	—	155	—	—	—	155
Forfeitures of stock-based awards		—	—	(2)	(2)	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	—	(685)	(685)
Balances, June 30, 2023	1,883	560	2,252	(11)	4,684	$ 62,938	$ 426	$ 18,602	$ (80,691)	$ 1,275
Stock-based compensation	—	—	—	—	—	85	—	—	—	85
Net loss	—	—	—	—	—	—	—	—	(973)	(973)
Balances, September 30, 2023	1,883	560	2,252	(11)	4,684	$ 63,023	$ 426	$ 18,602	$ (81,664)	$ 387

See accompanying notes to unaudited consolidated financial statements.

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in 000's)
(Unaudited)

	Nine Months Ended September 30, 2024	2023
Cash flows from operating activities:		
Net loss	$ (2,650)	$ (3,650)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,499	1,738
Stock-based compensation expense	85	321
Rent expense less than cash paid	(32)	(18)
Rent revenue in excess of cash received	(330)	(298)
Amortization of deferred financing costs, debt discounts and premiums	56	56
Write off of straight-line receivable	164	—
Credit loss expense	563	269
Changes in operating assets and liabilities:		
Accounts receivable	(327)	4,053
Prepaid expenses and other assets	115	1,157
Lease deposits and other deposits	—	(4)
Accounts payable and accrued expenses	1,855	(739)
Other liabilities	(8)	575
Net cash provided by operating activities	990	3,460
Cash flows from investing activities:		
Purchase of property and equipment	(430)	(916)
Net cash used in investing activities	(430)	(916)
Cash flows from financing activities:		
Payment of senior debt	(1,025)	(988)
Payment of other debt	(200)	(813)
Payment of debt extinguishment and issuance costs	(17)	(17)
Net cash used in financing activities	(1,242)	(1,818)
Net change in cash and restricted cash	(682)	726
Cash and restricted cash, beginning	4,184	3,909
Cash and restricted cash, ending	$ 3,502	$ 4,635

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in 000's)
(Unaudited)

	Nine Months Ended September 30, 2024		2023	
Supplemental disclosure of cash flow information:				
Cash interest paid	$	1,978	$	2,004
Supplemental disclosure of non-cash activities:				
Vendor-financed insurance	$	711	$	962
Exchange of preferred stock Series A to Series B	$	—	$	18,602
Gain on extinguishment of preferred stock	$	—	$	43,395
Account receivable converted to note receivable	$	—	$	312
Building improvements financed with note payable	$	78	$	—

See accompanying notes to unaudited consolidated financial statements.

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Regional Health Properties, Inc.'s (the "Company" or "Regional Health") predecessor was incorporated in Ohio on August 14, 1991, under the name Passport Retirement, Inc. In 1995, Passport Retirement, Inc. acquired substantially all of the assets and liabilities of AdCare Health Systems, Inc. and changed its name to AdCare Health Systems, Inc. ("AdCare"). AdCare completed its initial public offering in November 2006, relocated its executive offices and accounting operations to Georgia in 2012, and changed its state of incorporation from Ohio to Georgia in December 2013. Regional Health Properties, Inc. is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior housing. Our business primarily consists of leasing such facilities to third-party tenants, which operate the facilities. The Company has two primary reporting segments: (i) Real Estate Services, which consists of the leasing and subleasing of long-term care and senior living facilities to third-party tenants, including the Company's management of three facilities on behalf of third-party owners; and (ii) Healthcare Services, which consists of the operation of the Meadowood and Glenvue facilities. Effective August 3, 2023, the Company’s 12.5% Series B Cumulative Redeemable Preferred Shares (the “Series B Preferred Stock”) is quoted on the OTC Markets Group, Inc.’s 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"). The accompanying consolidated financial statements are unaudited and should be read in conjunction with the 2023 audited consolidated financial statements and notes thereto, which are included in our 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on April 1, 2024 ("Annual Report").

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

Use of Estimates

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

Reclassifications

Certain reclassifications have been made to the amounts in prior periods in order to conform to the current period's presentation. A reclassification has been made to certain expenses reported on the consolidated statements of operations in the prior period in order to conform to the current period's presentation. The reclassifications had no material effect on earnings per share.

Principles of Consolidations

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

Variable Interest Entities

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

Revenue Recognition and Allowances

Patient Care Revenue. ASC Topic 606, *Revenue from Contracts with Customers* requires a company to recognize revenue when the company transfers control of promised goods and services to a customer. Revenue is recognized in an amount that reflects the consideration to which a company expects to receive in exchange for such goods and services. Revenue from our Healthcare Services business segment is derived from services rendered to patients in the Meadowood and Glenvue facilities. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by the U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services ("CMS"); (ii) state governments under their respective Medicaid and similar programs; (iii) commercial insurers; and (iv) individual patients and clients. The vast majority of the revenue the Company recognizes 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 are determined based on the nature of the services provided. Revenue is recognized as performance obligations are satisfied. Estimated uncollectible amounts due from patients are generally considered implicit price concessions that are a direct reduction to net operating revenues.

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

Management Fee Revenues and Other Revenues. The Company recognizes management fee revenues as services are provided in accordance with ASU 2014-09, *Revenue from Contracts with Customers*, as codified in ASC 606, which requires revenue to be recognized in an amount that reflects the consideration to which a company expects to receive in exchange for such goods and services. The Company had one contract to manage three facilities (the “Management Contract”) which ended on December 31, 2023. Further, the Company recognizes interest income from loans and investments, using the effective interest method when collectability is probable. The Company applies the effective interest method on a loan-by-loan basis.

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 7 – *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.

As of September 30, 2024 and December 31, 2023, the Company reserved for approximately $2.2 million and $2.0 million, respectively, of uncollected receivables. Accounts receivable, net of allowance, totaled $2.0 million at September 30, 2024 and $1.4 million at December 31, 2023.

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

(Amounts in 000's)	September 30, 2024	December 31, 2023
Gross receivables		
Real Estate Services	$ 1,288	$ 693
Healthcare Services	2,932	2,750
Subtotal	4,220	3,443
Allowance		
Real Estate Services	$ (71)	$ —
Healthcare Services	(2,115)	(2,040)
Subtotal	(2,186)	(2,040)
Accounts receivable, net of allowance	$ 2,034	$ 1,403

Assets Held for Sale and Discontinued Operations

The Company may decide to sell properties that are held for use. The Company records these properties as assets held for sale when management has committed to a plan to sell the assets, actively seeks a buyer for the assets, and the consummation of the sale is considered probable and is expected within one year. Assets classified as held for sale are reported at the lower of their carrying value or their fair value, less estimated costs to sell. When the carrying value exceeds the fair value, less estimated costs to sell, an impairment expense is recognized. The Company estimates fair value, less estimated closing costs, based on similar real estate sales transactions. These valuation assumptions are based on the three-level valuation hierarchy for fair value measurement and represent Level 2 and 3 inputs. Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. See Note 5 for additional details on assets held for sale as of September 30, 2024 and December 31, 2023. Any debt related to assets held for sale or sold during the period are classified as debt related to assets held for sale for the current and prior periods presented in the accompanying consolidated financial statements.

Assets held for sale are presented as discontinued operations in all periods presented if the disposition represents a strategic shift that has, or will have, a major effect on the Company's financial position or results of operations. This includes the net gain (or loss) upon disposal of property held for sale, the property's operating results, depreciation and interest expense.

In June 2024, the Company, with the support of its Board of Directors, committed to a plan of action to sell the Mt. Trace Property Holdings (Mt. Trace Property"), with a sale probable and subject to customary approvals. As a result, the Company's management determined that the criteria under GAAP for the Mt. Trace Property to be classified as held for sale were met.

Prepaid Expenses and Other

As of September 30, 2024 and December 31, 2023, the Company had approximately $0.7 million and $0.6 million , respectively, in prepaid expenses and other; the $0.1 million change is related to an increase for insurance for the Meadowood and Glenvue facility operations, while the other amounts are predominantly for directors' and officers' insurance, NYSE American annual fees, and mortgage insurance premiums.

Accounts Payable

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

(Amounts in 000's)	September 30, 2024	December 31, 2023
Accounts payable		
Real Estate Services	$ 1,985	$ 750
Healthcare Services	1,722	1,743
Total Accounts payable	$ 3,707	$ 2,493

Other Expense, net

The Company had retained a law firm to evaluate and assist with opportunities to improve the Company's capital structure. See Note 2 – *Series A Preferred Exchange Offer.*

Leases and Leasehold Improvements

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

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

We report 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 its respective leases with us. Additionally, we expense certain leasing costs, other than leasing commissions, as they are incurred. The present value of minimum lease payments was calculated on each lease, using a discount rate that approximated our incremental borrowing rate and the current lease term. See Note 6– *Leases* for more information on the Company's operating leases.

Insurance

We maintain general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles we believe are appropriate, based on the nature and risks of our business, historical experience, availability, and industry standards, including for the operations at the Glenvue and Meadowood facilities. Our current policies provide for deductibles for each claim and contain various exclusions from coverage. The Company has self-insured against professional and general liability claims related to its healthcare operations that were discontinued during 2014 and 2015 in connection with its transition from an owner and operator of healthcare properties to a healthcare property holding and leasing company (the "Transition"). For further information, see Note 11 – *Commitments and Contingencies*, and Note 12 – *Commitments and Contingencies,* to the consolidated financial statements for the year ended December 31, 2023 for more information. The Company evaluates quarterly the adequacy of its self-insurance reserve based on a number of factors, including: (i) the number of actions pending and the relief sought; (ii) analyses provided by defense counsel, medical experts or other information which comes to light during discovery; (iii) the legal fees and other expenses anticipated to be incurred in defending the actions; (iv) the status and likely success of any mediation or settlement discussions, including estimated settlement amounts and legal fees and other expenses anticipated to be incurred in such settlement, as applicable; and (v) the venues in which the actions have been filed or will be adjudicated. The Company believes that most of the professional and general liability actions are defensible and intends to defend them through final judgment unless settlement is more advantageous to the Company. Accordingly, the self-insurance reserve reflects the Company's estimate of settlement amounts for the pending actions, if applicable, and legal costs of settling or litigating the pending actions, as applicable. Because the self-insurance reserve is based on estimates, the amount of the self-insurance reserve may not be sufficient to cover the settlement amounts actually incurred in settling the pending actions, or the legal costs actually incurred in settling or litigating the pending actions. See Note 7 – *Accrued Expenses*. In addition, the Company maintains certain other insurance programs, including commercial general liability, property, casualty, directors' and officers' liability, crime, and employment practices liability.

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the respective period. Diluted earnings per share is similar to basic net loss per share except that the net loss is adjusted by the impact of the weighted-average number of shares of common stock outstanding including potentially dilutive securities (such as options, warrants and non-vested common stock) when such securities are not anti-dilutive. Potentially dilutive securities from options, warrants and unvested restricted shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all options and warrants with exercise prices exceeding the average market value are used to repurchase common stock at market value. The incremental shares remaining after the proceeds are exhausted represent the potentially dilutive effect of the securities.

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

	September 30,	
(Share amounts in 000's)	**2024**	**2023**
Stock options	57	37
Warrants - employee	32	32
Warrants - non employee	—	1
Total anti-dilutive securities	89	70

The weighted average contractual terms in years for these securities as of September 30, 2024, with no intrinsic value, are 6.9 years for the stock options and 0.3 years for the warrants.

New Accounting Pronouncements Issued But Not Yet Effective

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

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.

NOTE 2. LIQUIDITY

Overview

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

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, and debt refinancing, during the twelve months following the date of this filing. At September 30, 2024, the Company had $0.5 million in unrestricted cash.

During the nine months ended September 30, 2024, the Company's cash provided by operating activities was $1.0 million primarily due to the timing of accounts payable and accrued expense payments.. The Company is seeking collection of the past due rent. In addition, management is working to expedite the time it takes to collect and receive aged patient receivables. Cash flow from operations in the future will be based on the operational performance of the facilities under the company's management, Glenvue and Meadowood.

Series A Preferred Stock Exchange Offer

In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, $50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of September 30, 2024, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 9 – *Common and Preferred Stock.*

Debt

As of September 30, 2024, the Company had $49.7 million in indebtedness, net of $1.0 million deferred financing costs and unamortized discounts. The Company anticipates net principal repayments of approximately $2.2 million during the next twelve-month period, approximately $1.6 million of routine debt service amortization, $0.4 million of insurance financing amortization, and $0.2 million payment of bond debt.

Debt Covenant Compliance

As of September 30, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments with the exception of a notice of default under two USDA loans secured by the Southland and Mt. Trace Property and an SBA loan secured by Southland. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. On November 8, 2024, Company obtained a line of credit and intends to pay all unpaid principal and interest payments to get back into compliance with the loan documents. The Company is working with the lender of the Mt. Trace Property to get back into compliance with the loan documents and received a waiver in November 2024.

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

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

At September 30, 2024, the Company had cash on hand of $0.5 million. At September 30, 2024, the Company had an accumulated deficit of $84.6 million. For the nine months ended September 30, 2024, the Company had a net loss of $2.7 million and had $1.0 million of net cash provided by operations for the period, respectively. The Company received a notice of default under one USDA loan secured by Southland and an SBA loan secured by Southland totaling $4.1 million. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. On November 8, 2024, Company obtained a line of credit and intends to pay all unpaid principal and interest payments to get back into compliance with the loan documents.

These conditions raise doubt regarding our ability to continue as a going concern as the Company will need additional debt or equity financing or a combination of both to continue its operations and meet its financial obligations for twelve months from the date these consolidated financial statements were issued if we do not obtain a forbearance agreement with the lender. We think it is likely we will reach an agreement.

We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding. We expect to incur continuing losses for the foreseeable future.

Any additional debt or equity financing that the Company obtains may substantially dilute the ownership held by our existing stockholders. The economic dilution to our shareholders will be significant if our stock price does not materially increase, or if the effective price of any sale is below the price paid by a particular investor. The Company may be unable to access further equity or debt financing when needed or obtain additional financing under acceptable terms, if at all.

We may decide to raise additional capital through a variety of sources in the short-term and in the long-term, including but not limited to:

- the public equity markets;
- private equity financings;
- collaborative arrangements;
- asset sales; and/or
- public or private debt.

If the Company is unable to raise additional capital, there is a risk that the Company could be required to discontinue or significantly reduce the scope of its operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3. CASH AND RESTRICTED CASH

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

(Amounts in 000's)	**September 30, 2024**	**December 31, 2023**
Cash	$ 497	$ 953
Restricted cash:		
Cash collateral	$ 81	$ 159
HUD and other replacement reserves	1,998	2,125
Escrow deposits	607	630
Restricted investments for debt obligations	318	317
Total restricted cash	3,005	3,231
Total cash and restricted cash	$ 3,502	$ 4,184

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

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

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)	Estimated Useful Lives (Years)	September 30, 2024	December 31, 2023
Buildings and improvements	5-40	$ 59,935	$ 59,508
Equipment and computer related	2-10	1,170	1,187
Land (1)	—	2,774	2,774
Property and equipment		63,879	63,469
Less: accumulated depreciation and amortization		(24,450)	(23,071)
Property and equipment, net		$ 39,429	$ 40,398

(1) Includes $0.1 million of land improvements with an average estimated useful remaining life of approximately 4.5 years.

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

(Amounts in 000's)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Depreciation	$ 373	$ 416	$ 1,182	$ 1,409
Amortization	101	110	317	329
Total depreciation and amortization expense	$ 474	$ 526	$ 1,499	$ 1,738

NOTE 5. ASSETS HELD FOR SALE

The following table sets forth the Company's asset held for sale:

(Amounts in 000's)	Estimated Useful Lives (Years)	September 30, 2024	December 31, 2023
Buildings and improvements	5-40	$ 7,225	$ 7,225
Less: accumulated depreciation		(2,374)	(2,286)
Asset held for sale, net		$ 4,851	$ 4,939

NOTE 6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill consist of the following:

(Amounts in 000's)	Bed licenses (included in property and equipment) (1)	Bed Licenses - Separable (2)	Lease Rights	Total	Goodwill (2)
Balances, December 31, 2023					
Gross	$ 14,276	$ 2,471	$ 176	$ 16,923	$ 1,585
Accumulated amortization	(4,997)	—	(89)	(5,086)	—
Net carrying amount	$ 9,279	$ 2,471	$ 87	$ 11,837	$ 1,585
Balances, September 30, 2024					
Gross	14,276	2,471	176	16,923	1,585
Accumulated amortization	(5,302)	—	(102)	(5,404)	—
Net carrying amount	$ 8,974	$ 2,471	$ 74	$ 11,519	$ 1,585

(1) Non-separable bed licenses are included in property and equipment as is the related accumulated amortization expense (see Note 4 – *Property and Equipment*).
(2) The Company does not amortize indefinite-lived intangibles, which consist of separable bed licenses and goodwill.

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

(Amounts in 000's)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Bed licenses	$ 97	$ 104	$ 304	$ 311
Lease rights	4	6	13	18
Total amortization expense	$ 101	$ 110	$ 317	$ 329

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

(Amounts in 000's)	Bed Licenses	Lease Rights
2024 (3 months remaining)	$ 104	$ 4
2025	414	18
2026	414	18
2027	414	18
2028	414	17
Thereafter	7,214	—
Total expected amortization expense	$ 8,974	$ 74

NOTE 7. LEASES

Facility and Office Lessee

As of September 30, 2024 and December 31, 2023, the Company leases one Skilled Nursing Facility ("SNF") in Covington, 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 4.6 years as of September 30, 2024. The Company subleases the Covington facility to a third party.

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

As of September 30, 2024, the Company is in compliance with all operating lease financial covenants.

Future Minimum Lease Payments

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

(Amounts in 000's)	Future rental payments	Accretion of lease liability (1)	Operating lease obligation
2024 (3 months remaining)	$ 170	$ (50)	$ 120
2025	672	(175)	497
2026	658	(134)	524
2027	671	(91)	581
2028	685	(42)	643
Thereafter	230	(2)	227
Total	$ 3,086	$ (494)	$ 2,592

(1) Weighted average discount rate 3.85%.

Facilities Lessor

As of September 30, 2024, the Company was the lessor of 9 of its 11 owned facilities, and the sublessor of one facility. These leases are triple net basis leases, meaning that the lessee (i.e., the third-party tenant of the property) is obligated for all costs of operating the property, including insurance, taxes and facility maintenance, as well as the lease or sublease payments to the Company. The weighted average remaining lease term for our 10 owned and subleased out facilities is approximately 4.6 years.

Future Minimum Lease Receivables

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

		(Amounts in 000's)
2024 (3 months remaining)	$	1,525
2025		6,141
2026		6,233
2027		6,327
2028		6,161
Thereafter		8,127
Total	$	34,514

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

NOTE 8. ACCRUED EXPENSES

Accrued expenses consist of the following:

(Amounts in 000's)		September 30, 2024		December 31, 2023
Accrued employee benefits and payroll-related	$	431	$	255
Real estate and other taxes (1)		3,437		3,077
Self-insured reserve		8		61
Accrued interest		217		225
Unearned rental revenue		—		98
Insurance escrow		155		—
Other accrued expenses		455		344
Total accrued expenses	$	4,703	$	4,060

(1) September 30, 2024 includes approximately $3.0 million of franchise tax accruals for the Healthcare Services segment. December 31, 2023 includes approximately $2.6 million of franchise tax accruals for the Healthcare Services segment.

NOTE 9. NOTES PAYABLE AND OTHER DEBT

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

Notes payable and other debt consists of the following:

(Amounts in 000's)	**September 30, 2024**	**December 31, 2023**
Senior debt—guaranteed by HUD	$ 28,360	$ 28,979
Senior debt—guaranteed by USDA (1)	7,037	7,259
Senior debt—guaranteed by SBA(2)	541	557
Senior debt—bonds	5,970	6,117
Senior debt—other mortgage indebtedness	7,817	8,001
Other debt	945	889
Subtotal	50,670	51,802
Deferred financing costs	(903)	(954)
Unamortized discount on bonds	(109)	(113)
Notes payable and other debt	$ 49,658	$ 50,735

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

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

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

(Amounts in 000's)

Facility	**Lender**	**Maturity**	**Interest Rate (1)**		**September 30, 2024**	**December 31, 2023**
Senior debt - guaranteed by HUD (2)						
The Pavilion Care Center	Newpoint Capital	12/01/2039	Fixed	3.97%	$ 774	$ 801
Hearth and Care of Greenfield	Newpoint Capital	8/01/2050	Fixed	3.97%	1,878	1,909
Woodland Manor	Newpoint Capital	11/01/2052	Fixed	3.97%	4,822	4,891
Glenvue	Newpoint Capital	10/01/2044	Fixed	3.75%	6,907	7,077
Autumn Breeze	KeyBank	01/01/2045	Fixed	3.65%	6,007	6,154
Georgetown	Newpoint Capital	10/01/2046	Fixed	2.98%	3,049	3,120
Sumter Valley	KeyBank	01/01/2047	Fixed	3.70%	4,923	5,027
Total					$ 28,360	$ 28,979
Senior debt - guaranteed by USDA (3)						
Mountain Trace (4)	Community B&T	12/24/2036	Prime + 1.75%	9.75%	$ 3,433	$ 3,539
Southland	Cadence Bank, NA	07/27/2036	Prime + 1.50%	9.50%	3,604	3,720
Total					$ 7,037	$ 7,259
Senior debt - guaranteed by SBA						
Southland(5)	Cadence Bank, NA	07/27/2036	Prime + 2.25%	10.25%	$ 541	$ 557
Total					$ 541	$ 557

(1)Represents interest rates as of September 30, 2024 as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs which are approximately 0.13% per annum.

(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.

(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.

(4)Represents debt liability related to asset held for sale (see Note 5 – *Assets Held for Sale*).

(5)For one SNF, commonly known as Southland, the Company has a term loan with a financial institution, which is insured 75% by the SBA.

(Amounts in 000's)

Facility	Lender	Maturity	Interest Rate (1)		September 30, 2024	December 31, 2023
Senior debt - bonds						
Eaglewood Bonds Series A	City of Springfield, Ohio	05/01/2042	Fixed	7.65 %	$ 5,970	$ 6,117

(1)Represents cash interest rates as of September 30, 2024. The rates exclude amortization of deferred financing of approximately 0.1% per annum.

(Amounts in 000's)

Facility	Lender	Maturity	Interest Rate (1)		September 30, 2024	December 31, 2023
Senior debt - other mortgage indebtedness						
Meadowood (2)	Exchange Bank of Alabama	10/01/2026	Fixed	4.50 %	$ 3,195	$ 3,237
Coosa (3)	Exchange Bank of Alabama	10/10/2026	Fixed	3.95 %	4,622	4,764
Total					$ 7,817	$ 8,001

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

(2)The Meadowood Credit Facility is secured by the Meadowood Facility and the assets of Coosa, which is guaranteed by Regional Health Properties, Inc.

(3)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.

(Amounts in 000's)

Lender	Maturity	Interest Rate		September 30, 2024	December 31, 2023
Other debt					
First Insurance Funding (1)	Various 2024	Fixed	3.19 %	$ 393	$ 369
Key Bank (2)	08/25/2025	Fixed	0.00 %	495	495
Marlin Capital Solutions	06/1/2027	Fixed	5.00 %	14	25
Cavalier Management	3/1/2025	Fixed	6.00 %	43	—
Total				$ 945	$ 889

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

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

Debt Covenant Compliance

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

As of September 30, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments with the exception of a notice of default under two USDA loans secured by the Southland and Mt. Trace Property and an SBA loan secured by Southland. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. On November 8, 2024, Company obtained a line of credit and intends to pay all unpaid principal and interest payments to get back into compliance with the loan documents. The Company is working with the lender of the Mt. Trace Property to get back into compliance with the loan documents and received a waiver in November 2024.

Scheduled Maturities

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

For the Twelve Months Ended December 31,	**(Amounts in 000's)**
2024 (3 months remaining)	$ 622
2025	2,464
2026	8,829
2027	1,560
2028	1,657
Thereafter	35,538
Subtotal	$ 50,670
Less: unamortized discounts	(109)
Less: deferred financing costs, net	(903)
Total notes and other debt	$ 49,658

NOTE 10. COMMON AND PREFERRED STOCK

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

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

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

number of shares of the Company to 60,000,000 shares, consisting of 55,000,000 shares of common stock and 5,000,000 shares of preferred stock (such proposal, the "Common Charter Amendment Proposal").

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

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

Common Stock

As of September 30, 2024, the Company had 55,000,000 shares of Common Stock authorized and 1,890,129 shares issued and 1,879,249 shares outstanding. There were no dividends declared or paid on the common stock during the three and nine months ended September 30, 2024 and 2023.

Preferred Stock

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

Series A Preferred Stock

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

The Company has accounted for the Series A Charter Amendments to the rights, preferences, and privileges of the Series A Preferred Stock as an extinguishment of the Series A Preferred Stock and issuance of new Series B Preferred Stock due to the significance of the modifications to the substantive contractual terms and the associated fundamental changes to the nature of the Series A Preferred Stock. Accordingly, the Company recorded an aggregate gain of $43.4 million within stockholders' equity equal to the difference between the fair value of the new shares of Series B Preferred Stock issued and the carrying amount of the shares of Series A Preferred Stock extinguished. The gain on extinguishment is reflected in the calculation of net income (loss) available to common stockholders in accordance with FASB ASC Topic 260, Earnings per Share. The fair value of the Series A Preferred Stock was $0.76 per share based on a probability-weighted average of the expected return method.

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

As of September 30, 2024, the Company had 559,263 shares of Series A Preferred Stock issued and outstanding, and the accumulated and unpaid dividends on the Series A Preferred Stock in the amount of $50.4 million were forfeited as part of the extinguishment. No dividends were declared or paid on the Series A Preferred Stock for the three and nine months ended September 30, 2024 and 2023.

Series B Preferred Stock

The terms and provisions of the Series B Preferred Stock include, among other things: (i) no stated maturity and not being subject to any sinking fund or mandatory redemption, except following a change of control and the cumulative redemption provisions, (ii) ranks senior to our common stock, our Series A Preferred Stock and any other shares of our stock that we may issue in the future, the terms of which specifically provide that such stock ranks junior to the Series B Preferred Stock, in each case with respect to payment of dividends and amounts upon the occurrence of a liquidation event, (iii) dividend rate is 12.5% per annum of the liquidation preference of the Series B Preferred Stock in effect on the first calendar day of the applicable dividend period, (iv) initial dividend period will commence July 1, 2027, (v) liquidation preference is initially be $10.00 per share and will increase over time, pursuant to the terms set forth in the Charter, to $25.00 per share upon the fourth anniversary date of the original issuance date, provided that once there are 200,000 or fewer shares of the Series B Preferred Stock outstanding, the liquidation preference will be reduced to $5.00 per share; and (vi) the Company must redeem, repurchase or otherwise acquire certain amount of shares of Series B Preferred Stock through the fourth anniversary of the original date of issuance as provided in the Charter. The fair value of the Series B Preferred Stock was $8.26 per share based on a probability-weighted average of the expected return method.

As of September 30, 2024, the Company had 2,252,272 shares of Series B Preferred Stock issued and outstanding. No dividends were declared or paid on the Series B Preferred Stock for the three and nine months ended September 30, 2024 and 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 shareholders of record at 5:00 p.m. Eastern Time on February 27, 2023 (the “Dividend Record Date”). The Articles of Amendment Establishing Series E Redeemable Preferred Shares were filed with the Secretary of State of the State of Georgia and became effective on February 14, 2023. The Series E Preferred Stock was distributed on February 28, 2023 to shareholders of record on the Dividend Record Date.

All shares of Series E Preferred Stock were redeemed in connection with the Special Meeting. The Series E Preferred Stock designation has been eliminated from the Charter and, as of September 30, 2024, there are no shares of Series E Preferred Stock issued and outstanding.

NOTE 11. STOCK BASED COMPENSATION

Stock Incentive Plans

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

Our 2023 Plan replaced the Regional Health Properties, Inc. 2020 Equity Incentive Plan (the “2020 Plan”). 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.

As of September 30, 2024, the number of securities remaining available for future issuance under the 2023 Plan is 141,000.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in 000’s)	**2024**	**2023**	**2024**	**2023**
Employee compensation:				
Stock compensation expense	$ 19	$ 85	$ 85	$ 321
Total employee stock-based compensation expense	$ 19	$ 85	$ 85	$ 321

As of September 30, 2024, the remaining stock-based compensation expense that is expected to be recognized in future periods is $0.2 million.

Restricted Stock

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

	Number of Shares (000's)		Weighted Avg. Grant Date (per Share) Fair Value
Unvested, December 31, 2023	80	$	5.27
Granted	65	$	2.18
Vested	(43)	$	6.67
Forfeited	(16)	$	3.15
Unvested, September 30, 2024	86	$	2.61

The remaining unvested shares at September 30, 2024 will vest over the next 2.2 years with $0.2 million in compensation expense recognized over this period.

Common Stock Options

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

	Number of Shares (000's)		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (000's)
Outstanding, December 31, 2023	33	$	14.84		$	—
Granted	24	$	2.03			
Outstanding, September 30, 2024	57	$	9.41	7.5	$	—
Outstanding and Vested, September 30, 2024	44	$	11.55	6.9	$	—

The aggregate intrinsic value of options outstanding and vested was calculated as the difference between the exercise price of the options and the fair value of the Company's common stock as of September 30, 2024. The fair value of the common stock is the closing stock price of the Company's Common Stock.

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

	Stock Options Outstanding				Stock Options Exercisable		
Exercise Price	Number of Shares (000's)	Weighted Average Remaining Contractual Term (in years)		Weighted Average Exercise Price	Shares Vested, September 30, 2024 (000's)		Weighted Average Exercise Price
$2.03-$3.32	48	8.8	$	2.68	35	$	2.91
$46.80 - $48.72	9	0.2	$	46.80	9	$	46.80
Total	57	7.5	$	9.41	44	$	11.55

Common Stock Warrants

The following summarizes the Company's employee and non-employee common stock warrant as of December 31, 2023 and September 30, 2024:

	Outstanding and Exercisable			
	Number of Shares (000's)		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding and Vested, December 31, 2023	32	$	52.50	1.0
Outstanding and Vested, September 30, 2024	32	$	52.50	0.3

The Company has no unrecognized compensation expense related to common stock warrants as of September 30, 2024.

NOTE 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 September 30, 2024, all of the Company's facilities operated by Regional or leased and subleased to third-party operators are certified by CMS and are operational. See Note 7 - *Leases.*

Legal Matters

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

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

On February 16, 2024, the Regional's insurance carrier was able to reach a settlement with the family of Mable Polite within policy limits.

As of September 30, 2024, the Company has been named in three lawsuits pertaining to facilities it transitioned operations to other entities as a lessor in 2015. Even though the residents were not part of our dates of service as the operator of the buildings, the lawsuits claim the Company knew the new operator had a history of providing poor patient care and therefore should not have leased or sold the premises to the new operator. We do not believe there is any basis in law or fact to hold the previous operator/ lessor liable, and as a result management has concluded that the likelihood of a material adverse result should be remote. Despite our confidence in our legal position, we have to acknowledge that jurors sometimes follow sympathy rather than the law. One of the three cases was dismissed. The plaintiff has until August of 2025 to re-file the lawsuit. Subsequent to quarter end, the two other suits were non-suited by the plaintiff and the matters were dismissed without prejudice. The plaintiff has until August 2025 to re-file the cases.

NOTE 13. SEGMENT RESULTS

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

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

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

	Three Months Ended September 30,			Three Months Ended September 30,			Nine Months Ended September 30,			Nine Months Ended September 30,		
	2024	2024	2024	2023	2023	2023	2024	2024	2024	2023	2023	2023
(Amounts in 000's)	**Real Estate Services**	**Healthcare Services**	**Total**	**Real Estate Services**	**Healthcare Services**	**Total**	**Real Estate Services**	**Healthcare Services**	**Total**	**Real Estate Services**	**Healthcare Services**	**Total**
Revenues:												
Patient care revenues	$ —	$ 2,585	$ 2,585	$ —	$ 2,136	$ 2,136	$ —	$ 7,418	$ 7,418	$ —	$ 6,577	$ 6,577
Rental revenues	1,640	—	1,640	1,739	—	1,739	5,257	—	5,257	5,170	—	5,170
Management fees	—	—	—	263	—	263	—	—	—	788	—	788
Other revenues	—	—	—	—	—	—	—	—	—	107	—	107
Total revenues	1,640	2,585	4,225	2,002	2,136	4,138	5,257	7,418	12,675	6,065	6,577	12,642
Expenses:												
Patient care expense	—	2,179	2,179	—	2,153	2,153	—	6,462	6,462	—	6,444	6,444
Facility rent expense	149	—	149	284	(135)	149	446	—	446	446	—	446
Cost of management fees	—	—	—	—	156	156	—	—	—	—	442	442
Depreciation and amortization	340	134	474	402	124	526	1,110	389	1,499	1,578	160	1,738
General and administrative expense	897	327	1,224	1,234	95	1,329	3,034	1,051	4,085	2,970	1,314	4,284
Credit loss expense	466	33	499	—	229	229	466	98	563	—	269	269
Total expenses	1,852	2,673	4,525	1,920	2,622	4,542	5,055	8,000	13,055	4,994	8,630	13,623
Income (loss) from operations	(212)	(88)	(300)	82	(486)	(404)	202	(582)	(380)	1,071	(2,053)	(981)
Other (income) expense:												
Interest expense, net	571	106	677	600	108	708	1,708	313	2,021	1,947	119	2,066
Other expense (income), net	2	3	5	(139)	—	(139)	65	184	249	—	603	603
Total other expense (income), net	573	109	682	462	108	569	1,773	497	2,270	1,947	722	2,669
Net loss	$ (785)	$ (197)	$ (982)	$ (380)	$ (594)	$ (973)	$ (1,571)	$ (1,079)	$ (2,650)	$ (876)	$ (2,775)	$ (3,650)

Total assets for the Real Estate Services segment and Healthcare Services segment were $48.2 million and 11.9 million respectively, as of September 30, 2024.

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

NOTE 14. SUBSEQUENT EVENTS

As of September 30, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments with the exception of a notice of default under two USDA loans secured by the Southland and Mt. Trace Property and an SBA loan secured by Southland. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. The Company is working with the lender of the Mt. Trace Property to get back into compliance with the loan documents and received a waiver in November 2024.

On November 8, 2024, Company obtained a $.5 million line of credit. The line of credit accrues interest at 7.75% per annum with interest only payments payable monthly.

On November 11, 2024, the Company executed a operations transfer agreement and a lease termination agreement with the tenant of the Mt. Trace Property effective November 15, 2024. The Company will be the new operator of the facility.

On November 11, 2024, the NYSE Regulation determined that the Company is no longer suitable for listing pursuant to Section 1009(a) of the NYSE American Company Guide as the Company was unable to demonstrate that it had regained compliance with Sections 1003(a)(i) and (ii) of the NYSE American Company Guide by the end of the maximum 18-month compliance plan period, which expired on November 10, 2024. The Company has a right to a review of staff's determination to delist the Company's Securities by the Listings Qualifications Panel of the Committee for Review of the Board of Directors of the Exchange. Following such appeal, a decision by the Listings Qualifications Panel will be made and announced by NYSE American regarding either proceeding with suspension and delisting or continued trading in the Company's Securities. The Company's request for such a review must be made by November 18, 2024. The Company intends to appeal such determination and will continue with the plan to regain compliance. The Company expects the Securities to continue to trade on NYSE American during the appeal process.

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

Forward Looking Statements

This Quarterly Report and certain information incorporated herein by reference contain forward-looking statements and information within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information includes assumptions made by, and information currently available to management, including statements regarding future economic performance and financial condition, liquidity and capital resources, and management's plans and objectives. In addition, certain statements included in this Quarterly Report, in the Company's future filings with the SEC, in press releases, and in oral and written statements made by us or with our approval, which are not statements of historical fact, are forward-looking statements. Words such as "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "seek," "plan," "project," "continue," "predict," "will," and other words or expressions of similar meaning are intended by us to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are based on the Company's current expectations about future events or results and information that is currently available to us, involve assumptions, risks, and uncertainties, and speak only as of the date on which such statements are made.

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

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

Overview

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

While the Company is a self-managed real estate investment company, the Company, when business conditions require, may undertake portfolio stabilization measures, such as operating a previously leased facility.

Real Estate Portfolio

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

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

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

Portfolio

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

Location	Skilled Nursing Facilities	Multi Service Properties	Total Properties
Alabama (1)	1	1	2
Georgia	3	-	3
North Carolina	1	-	1
Ohio (2)	2	1	3
South Carolina	2	-	2
	9	2	11

Location	Skilled Nursing Beds/Units	Multi Service Beds/Units	Total Beds/Units
Alabama (1)	124	90	214
Georgia	395	-	395
North Carolina	106	-	106
Ohio (2)	112	194	306
South Carolina	180	-	180
	917	284	1,201

Location	Skilled Nursing Investment	Multi Service Investment	Total Investment
Alabama (1)	$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 (2)	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

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

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

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

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

(1)Represents the number of facilities leased or subleased to separate tenants, of which each tenant is an affiliate of the entity named in the table above.

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

Portfolio Occupancy Rates

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

Operating Metric	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024
Occupancy (%)	66.3%	66.2%	66.1%	65.8%

(1)Excludes three managed facilities in Ohio.

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

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

Lease Expiration

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

		Licensed Beds		Annual Lease Revenue [2]	
	Number of Facilities	Count	Percent (%)	Amount ($) '000's [1]	Percent (%)
2025	0	-	0.0%	-	0.0%
2026	0	-	0.0%	-	0.0%
2027	0	-	0.0%	-	0.0%
2028	5	405	38.6%	2,761	43.0%
2029	0	-	0.0%	-	0.0%
2030	2	233	22.2%	2,077	32.4%
Thereafter	2	180	17.1%	995	15.5%
Total	11	1,050	100.0%	6,416	100.0%

(1)Straight-line rent.

(2)See Note 6 - *Leases* to the consolidated financial statements included in Part I, Item 1 herein for a discussion of lease terminations.

Results of Operations

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Percent Change	2024	2023	Percent Change
Revenues:						
Patient care revenues	$ 2,585	$ 2,136	21.0%	$ 7,418	$ 6,577	12.8%
Rental revenues	1,640	1,739	(5.7)%	5,257	5,170	1.7%
Management fees	—	263	(100.0)%	—	788	(100.0)%
Other revenues	—	—	—	—	107	(100.0)%
Total revenues	4,225	4,138	2.1%	12,675	12,642	0.3%
Expenses:						
Patient care expense	2,179	2,153	1.2%	6,462	6,444	0.3%
Facility rent expense	149	149	—	446	446	—
Cost of management fees	—	146	(100.0)%	—	442	(100.0)%
Depreciation and amortization	474	526	(9.9)%	1,499	1,738	(13.8)%
General and administrative expense	1,224	1,339	(8.6)%	4,085	4,284	(4.6)%
Credit loss expense	499	229	117.9%	563	269	109.3%
Total expenses	4,525	4,542	(0.4)%	13,055	13,623	(4.2)%
Loss from operations	(300)	(404)	(25.7)%	(380)	(981)	(61.3)%
Other (income) expense:						
Interest expense, net	677	708	(4.4)%	2,021	2,066	(2.2)%
Other expense (income), net	5	(139)	(103.6)%	249	603	(58.7)%
Total other expense, net	682	569	19.9%	2,270	2,669	(14.9)%
Net loss	$ (982)	$ (973)	0.9%	$ (2,650)	$ (3,650)	(27.4)%

Three Months Ended September 30, 2024 and 2023

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and Glenvue Facilities, were $2.6 million for the three months ended September 30, 2024, compared to $2.1 million for the same period in 2023. The 21.0% increase is primarily due to an increase in the Medicaid reimbursement rate paid for the Glenvue facility and an increase in occupancy at the Glenvue facility.

Rental revenues—Rental revenue for our Real Estate Services segment decreased by approximately $0.1 million to $1.6 million for the three months ended September 30, 2024, compared with $1.7 million for the same period in 2023.

Patient care expense—Patient care expense remained consistent totaling $2.2 million for the three months ended September 30, 2024 and 2023.

Facility rent expense—Facility rent remained consisted totaling $0.1 million for the three months ended September 30, 2024 and 2023.

Depreciation and amortization—Depreciation and amortization remained consistent totaling $0.5 million for the three months ended September 30, 2024 and 2023.

General and administrative expenses—General and administrative expenses were $1.2 million for the three months ended September 30, 2024 compared with $1.3 million for the same period in 2023.

	Three Months Ended September 30,		
(Amounts in 000's)	**2024**	**2023**	**Percent Change**
General and administrative expenses:			
Real Estate Services	$ 897	$ 1,234	(27.3)%
Healthcare Services	327	95	244.2%
Total	$ 1,224	$ 1,329	(7.9)%

Credit loss expense—Credit loss expense was $0.5 million for the three months ended September 30, 2024 compared to $0.3 million for the same period in 2023. Credit loss expense represents reserves taken against patient accounts receivable at the

Glenvue facility, reserves taken against rental accounts receivable at the Southland facility and a write off of approximately $0.4 million of notes receivable at Lumber City.

Other expense (income), net—Other (income) expense decreased by $.2 thousand for the three months ending September 30, 2024 compared to the same period in 2023 due to writing off escheatment liabilities in 2023.

Nine Months Ended September 30, 2024 and 2023

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and Glenvue Facilities, totaled $7.4 million for the nine months ended September 30, 2024, compared to $6.6 million for the same period in 2023. The 12.8% increase is primarily due to an increase in the Medicaid reimbursement rate paid for the Glenvue facility and an increase in occupancy at the Glenvue facility.

Rental revenues—Rental revenue for our Real Estate Services segment increased by approximately $.1 million to $5.3 million for the nine months ended September 30, 2024, compared with $5.2 million for the same period in 2023. The 1.7% increase is primarily due to the extension of the Greenfield lease and the increase in rent from the Southland facility.

Patient care expense—Patient care expense remained consistent totaling $6.5 million for the nine months ended September 30, 2024 and 2023.

Facility rent expense—Facility rent expense remained consistent totaling $0.4 million for the nine months ended September 30, 2024 and 2023.

Depreciation and amortization—Depreciation and amortization was $1.5 million for the nine months ended September 30, 2024, compared to $1.7 million for the same period in 2023.

General and administrative expenses—General and administrative expenses were $4.1 million for the nine months ended September 30, 2024, compared with $4.3 million for the same period in 2023. The decrease is primarily due to a reduction in corporate overhead.

	Nine Months Ended September 30,		
(Amounts in 000's)	**2024**	**2023**	**Percent Change**
General and administrative expenses:			
Real Estate Services	$ 3,034	$ 2,970	2.2 %
Healthcare Services	1,051	1,314	(20.0)%
Total	$ 4,085	$ 4,284	(4.6)%

Credit loss expense—Credit loss expense was $0.6 million for nine months ended September 30, 2024, compared to $0.3 million for the same period in 2023. Credit loss expense represents reserves taken against patient accounts receivable at the Glenvue facility, reserves taken against rental accounts receivable at the Southland facility and a write off of approximately $0.4 million of notes receivable at Lumber City.

Other expense (income), net—Other expense, net was 0.2 million for nine months ended September 30, 2024, compared to $0.6 million for the same period in 2023. The prior year expenses were related to professional and legal services incurred for the preferred exchange and legacy facility related expenses.

NON-GAAP Financial Measures

The following table summarizes the Company's non-GAAP financial measure of results based on EBITDA for the three and six months ending September 30, 2024. EBITDA attributable to the Company's financial measure represents net income (loss) before interest expense (including amortization of deferred financing costs), amortization of stock-based compensation, and depreciation and amortization. Adjusted EBITDA represents EBITDA further adjusted to eliminate the impact of certain items that the Company does not consider indicative of core operating performance, such as recovery of previously reversed rent, lease termination revenue, property operating expenses, gains or losses from dispositions of real estate, real estate impairment charges, provision for loan losses, non-routine transaction costs, loss on extinguishment of debt, unrealized loss on other real estate related investments and provision for credit losses and lease restructuring, as applicable.

REGIONAL HEALTH PROPERTIES, INC.
RECONCILIATION OF NET LOSS TO NON-GAAP FINANCIAL MEASURES
(in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net loss	$ (982)	$ (973)	$ (2,650)	$ (3,650)
Depreciation and amortization	474	526	1,499	1,738
Interest expense, net	677	708	2,021	2,066
Amortization of employee stock compensation	19	85	85	321
EBITDA	**188**	**346**	**955**	**475**
Credit loss expense	499	229	563	269
Other expense (income), net	5	(139)	249	603
Gain (loss) from write-off of liabilities and other credit balances from discontinued operations	3	(200)	180	(231)
Expenses related to preferred stock recapitalization	-	95	-	768
Other one-time costs	179	6	319	270
Project costs	20	70	85	237
Tail insurance on legacy facilities	55	127	262	382
One-time income adjustment - quality incentive program [1]	49	49	(49)	(354)
Adjusted EBITDA from operations	**$ 998**	**$ 583**	**$ 2,564**	**$ 2,419**

[1] Amounts represent adjustments needed for historical and estimated future amounts along with reconciling for timing differences.

Liquidity and Capital Resources

Overview

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

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, and debt refinancing during the twelve months following the date of this filing. The Company has committed to a plan to sell the Mt. Trace Property to increase cash available for operations and future investments. At September 30, 2024, the Company had $0.5 million in unrestricted cash and $2.0 million of net accounts receivable, mainly consisting of patient accounts receivables and rent receivables.

During the nine months ended September 30, 2024, the Company's net cash provided by operating activities was $1.0 million primarily due timing of payments of accounts payable. Management anticipates collecting a portion of the past due rent after the filing date and is currently negotiating various methods to collect the remaining unpaid rent.

As of September 30, 2024, the Company recorded an estimated allowance of $2.2 million against a gross accounts receivable of $4.2 million.

As of September 30, 2024, the Company had $49.7 million in indebtedness, net of $1.0 million deferred financing costs and unamortized discounts. The Company anticipates net principal repayments of approximately $2.2 million during the next twelve-month period, approximately $1.6 million of routine debt service amortization, $0.4 million of insurance financing amortization, and $0.2 million payment of bond debt.

Series A Preferred Stock Exchange Offer

On June 30, 2023, the Company closed the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Company's 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") for newly issued shares of the Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, $50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of September 30, 2024, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 9 – *Common and Preferred Stock*. As of September 30, 2024, the Company has not redeemed any Series B Preferred Stock.

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

Costs associated with these efforts have been expensed as incurred in "Other expense, net" and there were no expenses incurred for the nine months ended September 30, 2024 and there were $0.5 million for the nine months ended nine months ended September 30, 2023.

Series A Preferred Dividend Suspension

Prior to the Exchange Offer, as discussed above, we suspended the quarterly dividend payment with respect to our Series A Preferred Stock commencing with the fourth quarter of 2017, and on June 8, 2018, the Board suspended quarterly dividend payments indefinitely with respect to the Series A Preferred Stock. The dividend suspension provided the Company with additional funds to meet its ongoing liquidity needs. As the Company had failed to pay cash dividends on the outstanding Series A Preferred Stock in full for more than four dividends periods, the annual dividend rate on the Series A Preferred Stock for the fifth and future missed dividend periods had increased to 12.875%, which was equivalent to approximately $3.20 per share each year, commencing on the first day after the missed fourth quarterly payment (October 1, 2018) and continuing until the second consecutive dividend payment date following such time as the Company had paid all accumulated and unpaid dividends on the Series A Preferred Stock in full in cash. As discussed above, in connection with the completion of the Exchange Offer, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated.

Debt Covenant Compliance

As of September 30, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments with the exception of a notice of default under two USDA loans secured by the Southland and Mt. Trace Property and an SBA loan secured by Southland. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. On November 8, 2024, Company obtained a line of credit and intends to pay all unpaid principal and interest payments to get back into compliance with the loan documents. The Company is working with the lender of the Mt. Trace Property to get back into compliance with the loan documents and received a waiver in November 2024.

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

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

At September 30, 2024, the Company had cash on hand of $0.5 million. At September 30, 2024, the Company had an accumulated deficit of $84.6 million. For the nine months ended September 30, 2024, the Company had a net loss of $2.7 million and had $1.0 million of net cash provided by operations for the period, respectively. The Company received a notice of default under one USDA loan secured by Southland and an SBA loan secured by Southland totaling $4.1 million. On October 25, 2024, the Company received a notice of acceleration and demand for payment from the lenders of Southland stating that the covenants of the deed of trust have been violated for failure to pay principal and interest. The lender accelerated the maturity dates and is requesting for the loans to be paid in full plus unpaid interest and late fees immediately. We are working with the lender to reach a forbearance agreement and think it is likely we will reach an agreement. On November 8, 2024, Company obtained a line of credit and intends to pay all unpaid principal and interest payments to get back into compliance with the loan documents.

These conditions raise doubt regarding our ability to continue as a going concern as the Company will need additional debt or equity financing or a combination of both to continue its operations and meet its financial obligations for twelve months from the date these consolidated financial statements were issued if we do not obtain a forbearance agreement with the lender. We think it is likely we will reach an agreement.

We may consume available resources more rapidly than currently anticipated, resulting in the need for additional funding. We expect to incur continuing losses for the foreseeable future.

Any additional debt or equity financing that the Company obtains may substantially dilute the ownership held by our existing stockholders. The economic dilution to our shareholders will be significant if our stock price does not materially increase, or if the effective price of any sale is below the price paid by a particular investor. The Company may be unable to access further equity or debt financing when needed or obtain additional financing under acceptable terms, if at all.

We may decide to raise additional capital through a variety of sources in the short-term and in the long-term, including but not limited to:

- the public equity markets;
- private equity financings;
- collaborative arrangements;
- asset sales; and/or
- public or private debt.

If the Company is unable to raise additional capital, there is a risk that the Company could be required to discontinue or significantly reduce the scope of its operations. These consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

For additional information regarding the Company's liquidity, see Note 2 – *Liquidity* and Note 9 – *Senior Debt and other debt,* to the consolidated financial statements included in Part I, Item 1 herein.

Cash Flows

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

	Nine Months Ended September 30,	
(Amounts in 000's)	**2024**	**2023**
Net cash provided by operating activities	$ 990	$ 3,460
Net cash used in investing activities	(430)	(916)
Net cash used in financing activities	(1,242)	(1,818)
Net change in cash and restricted cash	(682)	726
Cash and restricted cash at beginning of period	4,184	3,909
Cash and restricted cash, ending	$ 3,502	$ 4,635

Nine Months Ended September 30, 2024

Net cash provided by operating activities—was approximately $1.0 million. The positive cash flow from operating activities was mainly due to the timing of working capital accounts.

Net cash used in investing activities—was approximately $0.4 million. This capital expenditure was primarily for leasehold improvements.

Net cash used in financing activities—was approximately $1.2 million. The cash was used to make routine payments totaling 1.0 million for our senior debt obligations, $0.2 million for other debt.

Nine Months Ended September 30, 2023

Net cash provided by operating activities—was approximately $3.5 million. The positive cash flow from operating activities were largely due to collection of the ERTC, collection of patient care receivables, and rent receivables.

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

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

Off-Balance Sheet Arrangements

Guarantee

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

Critical Accounting Policies

We prepare our financial statements in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Article 8 of Regulation S-X. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. On an ongoing basis, we review our judgments and estimates, including, but not limited to, those related to doubtful accounts, income taxes, stock compensation, intangible assets and loss contingencies. We base our estimates on historical experience, business knowledge and on various other assumptions that we believe to be reasonable under the circumstances at the time. Actual results may vary from our estimates. These estimates are evaluated by management and revised as circumstances change.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and 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 Senior Vice President, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on such evaluation, our management has concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

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

Part II. Other Information

Item 1. Legal Proceedings.

The Company is a defendant in various legal actions and administrative proceedings arising in the ordinary course of business, including claims that the services the Company provided during the time it operated skilled nursing facilities resulted in injury or death to patients. Although the Company settles cases from time to time when settlement can be achieved on a reasonable basis, the Company vigorously defends any matter in which it believes the claims lack merit and the Company has a reasonable chance to prevail at trial or in arbitration. Litigation is inherently unpredictable. There is no assurance that the outcomes of these matters will not have a material adverse effect on the Company's financial condition. Although arising in the ordinary course of the Company's business, certain of these matters are described in "Note 12 - *Commitments and Contingencies"*.

Item 1A. Risk Factors.

For a detailed description of certain risk factors that could affect our business, operations and financial condition, see Part I, Item 1A., Risk Factors, included in the Annual Report, as supplemented and modified by the risk factors set forth below in this Item 1A. The risk factors described in the Annual Report and this Quarterly Report (collectively, the “Risk Factors”) do not describe all risks applicable to our business, and we intend it only as a summary of certain material factors. The Risk Factors should be considered in connection with evaluating the forward-looking statements contained in this Quarterly Report because the Risk Factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. If any of the risks actually occur, our business, financial condition, or results of operations could be negatively affected. In that case, the trading price of the common stock, no par value per share (the "common stock"), the Series A Redeemable Preferred Shares, no par value per share (the "Series A Preferred Stock"), and the 12.5% Series B Cumulative Redeemable Preferred Shares, no par value per share (the "Series B Preferred Stock"), could decline.

There are no material changes to the risk factors set forth in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on April 1, 2024 other than as set forth below.

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. For example, we believe that efforts may be made to, among other things, transition Federal payment programs further in the direction of value based care, but we cannot predict whether or in what form any of these measures may be enacted, or what effect they would have on 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. In addition, the Biden Administration announced a focus on implementing minimum staffing requirements and increased inspections as part of nursing home reforms announced in the 2022 State of the Union Address. On April 22, 2024, CMS issued a final rule regarding minimum staffing requirements and increased inspections at nursing homes in order to establish comprehensive nurse staffing requirements. The rule consists of three core staffing requirements: (1) overall minimum standard of 3.48 total nurse staff hours per resident day; (2) minimum nurse staffing standards of 0.55 hours per resident day for registered nurses and 2.45 hours of care from a certified nurse’s aid per resident per day; and (3) a requirement to have a registered nurse onsite 24 hours a day, seven days a week. The rule includes a staggered implementation approach for which CMS will publish additional details on compliance as the implementation dates approach. The rule also includes possible waivers and temporary hardship exemptions for select facilities, however no funding for the additional staff will be provided. We are currently evaluating the impact of the rule, but believe the unfunded mandate to increase staff may have a material and adverse impact on the financial condition of our tenants. We cannot predict whether any future legislation related to staffing will be adopted or, if adopted, the impact such legislation may have on our tenants or our business.

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, labor and employment issues and financial and other arrangements that may be entered into by healthcare providers. See “Government Regulation” in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024, for more information. 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. The cost to comply with these laws, regulations and other requirements results in increased costs of doing business for our tenants and operators. If our tenants are unable to offset these increased costs, the operating results and financial condition of our tenants will be adversely impacted and they may be unable to satisfy their rent obligations to us.

We believe that additional resources may be dedicated to regulatory enforcement, which could further increase our tenants’ costs of doing business and negatively impact their ability to pay their rent obligations to us. 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.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.
None.

Item 3. Defaults upon Senior Securities.

In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, $50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of September 30, 2024, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 2 – *Liquidity* and Note 9 – *Common and Preferred Stock* to the consolidated financial statements included in Part I, Item 1 herein.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

NYSE American Listing

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. On November 11, 2024, the NYSE Regulation determined that the Company is no longer suitable for listing pursuant to Section 1009(a) of the NYSE American Company Guide as the Company was unable to demonstrate that it had regained compliance with Sections 1003(a)(i) and (ii) of the NYSE American Company Guide by the end of the maximum 18-month compliance plan period, which expired on November 10, 2024. The Company has a right to a review of staff’s determination to delist the Company’s Securities by the Listings Qualifications Panel of the Committee for Review of the Board of Directors of the Exchange. Following such appeal, a decision by the Listings Qualifications Panel will be made and announced by NYSE American regarding either proceeding with suspension and delisting or continued trading in the Company’s Securities. The Company’s request for such a review must be made by November 18, 2024. The Company intends to appeal such determination and will continue with the plan to regain compliance. The Company expects the Securities to continue to trade on NYSE American during the appeal process.

Regional Health’s common stock and Series A Preferred Stock will continue to be listed on the NYSE American while it attempts to regain compliance with the continued listing standard noted, subject to Regional Health’s compliance with other continued listing requirements. The common stock and Series A Preferred Stock will continue to trade under the symbols “RHE” and “RHE-PA,” respectively, but will each have an added designation of “.BC” to indicate that Regional Health is not in compliance with the NYSE American’s continued listing standards.

Trading Arrangement

During the third quarter of 2024, 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 6. Exhibits.

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

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

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

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
3.1	Amended and Restated Articles of Incorporation of Regional Health Properties, Inc., effective July 3, 2023	Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on July 6, 2023
3.24	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-K12B filed on October 10, 2017
3.2(a)	Amendment No. 1 to Amended and Restated Bylaws of Regional Health Properties, Inc., effective June 27, 2023	Incorporated by reference to Exhibit 3.6 of the Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form S-4 (Reg. No. 333-269750) filed on June 28, 2023
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act	Filed herewith
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act	Filed herewith
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act	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 Document	Filed herewith
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	Filed herewith

SIGNATURES

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

		REGIONAL HEALTH PROPERTIES, INC. **(Registrant)**
Date:	November 19, 2024	/s/ Brent Morrison Brent Morrison Chairman, Chief Executive Officer and Director (Principal Executive Officer)
Date:	November 19, 2024	/s/ Paul O'Sullivan Paul O'Sullivan Senior Vice President (Principal Financial Officer)

Exhibit 31.1

CERTIFICATIONS

I, Brent Morrison, certify that:

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

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 19, 2024	By /s/ Brent Morrison *Chairman Chief Executive Officer and President*

Exhibit 31.2

CERTIFICATIONS

I, Paul O’Sullivan, certify that:

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

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

November 19, 2024	By /s/ Paul O’ Sullivan *Senior Vice President*

Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 19, 2024	By:	/s/ Brent Morrison
		Brent Morrison
		Chairman, Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Regional Health Properties, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Paul O’Sullivan, 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.

November 19, 2024	By:	/s/ Paul O’Sullivan
		Paul O’Sullivan
		Senior Vice President