

REFINITIV

# DELTA REPORT

## 10-Q

SNDA - SONIDA SENIOR LIVING, INC

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

The following comparison report has been automatically generated

|              |      |
|--------------|------|
| TOTAL DELTAS | 1408 |
|--------------|------|

|   |     |
|---|-----|
|  CHANGES | 153 |
|---|-----|

|   |     |
|---|-----|
|  DELETIONS | 690 |
|---|-----|

|   |     |
|---|-----|
|  ADDITIONS | 565 |
|---|-----|

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**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, 2023** **March 31, 2024**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-13445

 Sonida Senior Living.jpg

**Sonida Senior Living, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

**75-2678809**

(State or Other Jurisdiction of  
Incorporation or Organization)

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

**14755 Preston Road, Suite 810, Dallas, Texas**

**75254**

(Address of principal executive offices)

(Zip code)

**(972) 770-5600**

(Registrant's telephone number, including area code)

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



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

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

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

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

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

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

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

As of **November 10, 2023** **May 8, 2024**, the Registrant had **8,177,846** **13,854,520** shares of common stock outstanding.

**Sonida Senior Living, Inc.**  
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**For the Period Ended **September 30, 2023** **March 31, 2024****

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## **Cautionary Note Regarding Forward-Looking Statements**

Certain information contained in this Quarterly Report on Form 10-Q of Sonida Senior Living, Inc. (together with its consolidated subsidiaries, "Sonida," "we," "our," "us," or the "Company") constitutes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts included in this Quarterly Report on Form 10-Q, including, without limitation, those relating to the Company's future business prospects and strategies, financial results, working capital, liquidity, capital needs and expenditures, interest costs, insurance availability and contingent liabilities, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "may," "will," "would," "intend," "could," "believe," "expect," "anticipate,"

“project,” “plans,” “estimate” or “continue” or the negatives thereof or other variations thereon or comparable terminology.

Forward-looking statements are subject to certain risks and uncertainties that could cause the Company’s actual results and financial condition to differ materially from those indicated in the forward-looking statements, including, among others, the risks, uncertainties and factors set forth under “Item. 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, filed with the Securities and Exchange Commission (the “SEC”) on **March 30, 2023** **March 27, 2024**, as well as “[Item. 1A. Risk Factors](#)” in this Quarterly Report on Form 10-Q, and also include the following:

- the **impact of COVID-19, including the actions taken to prevent or contain the spread of COVID-19, the transmission of its highly contagious variants and sub-lineages and the development and availability of vaccinations and other related treatments, or another epidemic, pandemic or other health crisis;**
- the Company’s ability to generate sufficient cash flows from operations, additional proceeds from **equity issuances and** debt financings, **or refinancings**, and proceeds from the sale of assets to satisfy its short- and long-term debt obligations and to fund the Company’s **acquisitions and** capital improvement projects to expand, redevelop, and/or reposition its senior living communities;
- increases in market interest rates that increase the cost of certain of our debt obligations;
- increased competition for, or a shortage of, skilled workers, including due to **the COVID-19 pandemic or** general labor market conditions, along with wage pressures resulting from such increased competition, low unemployment levels, use of contract labor, minimum wage increases and/or changes in overtime laws;
- the Company’s ability to obtain additional capital on terms acceptable to it;
- the Company’s ability to extend or refinance its existing debt as such debt matures;
- the Company’s compliance with its debt agreements, including certain financial covenants, and the risk of cross-default in the event such non-compliance occurs;
- the Company’s ability to complete acquisitions and dispositions upon favorable terms or at all;
- the risk of oversupply and increased competition in the markets which the Company operates;
- the Company’s ability to improve and maintain controls over financial reporting and remediate the identified material weakness discussed in [Item 4](#) of Part I of this Quarterly Report on Form 10-Q;
- the **departure of certain of the Company’s key officers and personnel;**
- **the** cost and difficulty of complying with applicable licensure, legislative oversight, or regulatory changes;
- risks associated with current global economic conditions and general economic factors such as inflation, the consumer price index, commodity costs, fuel and other energy costs, competition in the labor market, costs of salaries, wages, benefits, and insurance, interest rates, and tax rates;
- **the impact from or the potential emergence and effects of a future epidemic, pandemic, outbreak of infectious disease or other health crisis;** and

- changes in accounting principles and interpretations.

We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or outcomes that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this Quarterly Report on Form 10-Q apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise.

**Part I. FINANCIAL INFORMATION**

## Item 1. Financial Statements

**Sonida Senior Living, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(in thousands, except per share amounts)**

|                           |                           | September<br>30,<br>2023 | December<br>31,<br>2022 |
|---------------------------|---------------------------|--------------------------|-------------------------|
|                           |                           | (Unaudited)              |                         |
|                           | March 31,                 |                          | March 31,               |
|                           | 2024                      |                          | 2023                    |
|                           | (Unaudited)               |                          |                         |
| Assets                    |                           |                          |                         |
| Assets                    |                           |                          |                         |
| Assets                    | Assets                    |                          |                         |
| Current assets:           | Current assets:           |                          |                         |
| Current assets:           |                           |                          |                         |
| Current assets:           |                           |                          |                         |
| Cash and cash equivalents |                           |                          |                         |
| Cash and cash equivalents |                           |                          |                         |
| Cash and cash equivalents | Cash and cash equivalents | \$ 3,562                 | \$ 16,913               |
| Restricted cash           | Restricted cash           | 17,590                   | 13,829                  |
| Accounts receivable, net  | Accounts receivable, net  | 8,124                    | 6,114                   |

|  |  |                  |                  |
|--|--|------------------|------------------|
| Prepaid expenses and other assets                            |  |                  |                  |
| Prepaid expenses and other assets                            |  |                  |                  |
| Prepaid expenses and other assets                            | Prepaid expenses and other assets                            | 3,540            | 4,099            |
| Derivative assets  | Derivative assets  | 745              | 2,611            |
| <b>Total current assets</b>                                  | <b>Total current assets</b>                                  | <b>33,561</b>    | <b>43,566</b>    |
| Property and equipment, net                                  | Property and equipment, net                                  | 594,116          | 615,754          |
| Other assets, net  | Other assets, net  | 1,412            | 1,948            |
| Other assets, net  |  |                  |                  |
| Other assets, net  |  |                  |                  |
| <b>Total assets</b>  | <b>Total assets</b>  | <b>\$629,089</b> | <b>\$661,268</b> |
| <b>Liabilities and Equity</b>                                |  |                  |                  |
| <b>Current liabilities:</b>                                  |  |                  |                  |
| <b>Current liabilities:</b>                                  |  |                  |                  |
| <b>Current liabilities:</b>                                  |  |                  |                  |
| Accounts payable   |  |                  |                  |
| Accounts payable   |  |                  |                  |
| Accounts payable   | Accounts payable   | \$ 10,067        | \$ 7,272         |
| Accrued expenses   | Accrued expenses   | 41,532           | 36,944           |
| Current portion of notes payable, net of deferred loan costs | Current portion of notes payable, net of deferred loan costs | 64,309           | 46,029           |
| Deferred income  | Deferred income  | 3,790            | 3,419            |
| Federal and state income taxes payable                       | Federal and state income taxes payable                       | 158              | —                |
| Other current liabilities                                    | Other current liabilities                                    | 548              | 653              |
| <b>Total current liabilities</b>                             | <b>Total current liabilities</b>                             | <b>120,404</b>   | <b>94,317</b>    |
| <b>Total current liabilities</b>                             |  |                  |                  |
| <b>Total current liabilities</b>                             |  |                  |                  |

|   |   |                |   |
|---|---|----------------|---|
| Notes payable, net of deferred loan costs and current portion   | Notes payable, net of deferred loan costs and current portion | 565,149        | 625,002                                 |
| Other liabilities   |   | 61             | 113                                     |
| Other long-term liabilities   |   |                |   |
| <b>Total liabilities</b>  | <b>Total liabilities</b>                                      | <b>685,614</b> | <b>719,432</b>                          |
| Commitments and contingencies   |   |                |   |
| Commitments and contingencies (Note 11)   |   |                | Commitments and contingencies (Note 11) |
| <b>Redeemable preferred stock:</b>  | <b>Redeemable preferred stock:</b>                            |                |   |
| Series A convertible preferred stock, \$0.01 par value; 41 shares authorized, 41 shares issued and outstanding as of September 30, 2023 and December 31, 2022     |   | 47,243         | 43,550                                  |
| Series A convertible preferred stock, \$0.01 par value; 41 shares authorized, 41 shares issued and outstanding as of March 31, 2024 and December 31, 2023         |   |                |   |
| Series A convertible preferred stock, \$0.01 par value; 41 shares authorized, 41 shares issued and outstanding as of March 31, 2024 and December 31, 2023         |   |                |   |
| Series A convertible preferred stock, \$0.01 par value; 41 shares authorized, 41 shares issued and outstanding as of March 31, 2024 and December 31, 2023         |   |                |   |
| <b>Shareholders' deficit:</b>   | <b>Shareholders' deficit:</b>                                 |                |   |
| Preferred stock, \$0.01 par value:  | Preferred stock, \$0.01 par value:                            |                |   |
| Authorized shares - 15,000 as of September 30, 2023 and December 31, 2022; none issued or outstanding, except Series A convertible preferred stock as noted above |   | —              | —                                       |
| Preferred stock, \$0.01 par value:  |   |                |   |



Preferred stock, \$0.01 par value:

Authorized shares - 15,000 as of March 31, 2024 and December 31, 2023; none issued or outstanding, except Series A convertible preferred stock as noted above

Authorized shares - 15,000 as of March 31, 2024 and December 31, 2023; none issued or outstanding, except Series A convertible preferred stock as noted above

Authorized shares - 15,000 as of March 31, 2024 and December 31, 2023; none issued or outstanding, except Series A convertible preferred stock as noted above

Common stock,  
\$0.01 par value:

Common stock,  
\$0.01 par value:

Authorized shares - 15,000 as of September 30, 2023 and December 31, 2022; 7,778 and 6,670 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively

78

67

Authorized shares - 30,000 and 15,000 as of March 31, 2024 and December 31, 2023, respectively; 13,197 and 8,178 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively

Authorized shares - 30,000 and 15,000 as of March 31, 2024 and December 31, 2023, respectively; 13,197 and 8,178 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively

Authorized shares - 30,000 and 15,000 as of March 31, 2024 and December 31, 2023, respectively; 13,197 and 8,178 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively

Additional paid-in  
capital

Additional paid-in  
capital

299,690

295,277

|  |  |                  |                  |
|--|--|------------------|------------------|
| Retained deficit   | Retained deficit   | (403,536)        | (397,058)        |
| <b>Total shareholders' deficit</b>   | <b>Total shareholders' deficit</b>   | <b>(103,768)</b> | <b>(101,714)</b> |
| <b>Total liabilities, redeemable preferred stock and shareholders' deficit</b> | <b>Total liabilities, redeemable preferred stock and shareholders' deficit</b> | <b>\$629,089</b> | <b>\$661,268</b> |

See Notes to Condensed Consolidated Financial Statements.

**Sonida Senior Living, Inc.**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(in thousands, except per share data)

|                  |                  | Three Months Ended<br>September 30,  |           | Nine Months Ended<br>September 30, |           |
|------------------|------------------|--|-----------|------------------------------------|-----------|
|                  |                  | 2023   | 2022      | 2023                               | 2022      |
|                  |                  | Three Months Ended March 31,<br>Three Months Ended March 31,<br>Three Months Ended March 31, |           |                                    |           |
|                  |                  | 2024   |           | 2024                               | 2023      |
| <b>Revenues:</b> | <b>Revenues:</b> |  |           |                                    |           |
| Resident revenue | Resident revenue |  |           |                                    |           |
| Resident revenue | Resident revenue |  |           |                                    |           |
| Resident revenue | Resident revenue | \$ 59,117  | \$ 52,485 | \$172,683                          | \$155,315 |

|   |   |        |        |         |         |
|---|---|--------|--------|---------|---------|
| Management fees                         | Management fees                         | 569    | 608    | 1,605   | 1,836   |
| Managed community reimbursement revenue | Managed community reimbursement revenue | 4,989  | 7,694  | 15,314  | 21,757  |
| Total revenues                          | Total revenues                          | 64,675 | 60,787 | 189,602 | 178,908 |
| <b>Expenses:</b>                        | <b>Expenses:</b>                        |        |        |         |         |
| Operating expense                       | Operating expense                       | 44,486 | 43,123 | 132,956 | 126,562 |
| Operating expense                       |   |        |        |         |         |
| Operating expense                       |   |        |        |         |         |
| General and administrative expense      | General and administrative expense      | 8,615  | 5,851  | 22,252  | 23,563  |
| Depreciation and amortization expense   | Depreciation and amortization expense   | 9,943  | 9,691  | 29,751  | 28,940  |
| Long-lived asset impairment             |   | 5,965  | —      | 5,965   | —       |
| Depreciation and amortization expense   |   |        |        |         |         |
| Depreciation and amortization expense   |   |        |        |         |         |
| Managed community reimbursement expense |   |        |        |         |         |
| Managed community reimbursement expense |   |        |        |         |         |
| Managed community reimbursement expense | Managed community reimbursement expense | 4,989  | 7,694  | 15,314  | 21,757  |
| Total expenses                          | Total expenses                          | 73,998 | 66,359 | 206,238 | 200,822 |
| Other income (expense):                 | Other income (expense):                 |        |        |         |         |

|  |  |          |          |          |          |
|--|--|----------|----------|----------|----------|
| Interest income  | Interest income  | 139      | 44       | 521      | 47       |
| Interest income  |  |          |          |          |          |
| Interest income  |  |          |          |          |          |
| Interest expense   | Interest expense   | (9,020)  | (8,205)  | (26,445) | (23,728) |
| Gain (loss) on extinguishment of debt, net                   |  |          |          |          |          |
|  |  | —        | —        | 36,339   | (641)    |
| Gain (loss) on sale of assets, net                           |  | (34)     | —        | 217      | —        |
| Gain on extinguishment of debt, net                          |  |          |          |          |          |
| Gain on extinguishment of debt, net                          |  |          |          |          |          |
| Gain on extinguishment of debt, net                          |  |          |          |          |          |
| Other income (expense), net                                  | Other income (expense), net                                  | (90)     | (6)      | (269)    | 8,663    |
| <b>Loss before provision for income taxes</b>                |  |          |          |          |          |
|  |  | (18,328) | (13,739) | (6,273)  | (37,573) |
| Other income (expense), net                                  |  |          |          |          |          |
| Other income (expense), net                                  |  |          |          |          |          |
| <b>Income before provision for income taxes</b>              |  |          |          |          |          |
| Provision for income taxes                                   | Provision for income taxes                                   | (83)     | —        | (205)    | (254)    |
| <b>Net loss</b>  |  | (18,411) | (13,739) | (6,478)  | (37,827) |
| Dividends on Series A convertible preferred stock            |  |          |          |          |          |
|  |  | —        | —        | —        | (2,267)  |
| <b>Net income</b>  |  |          |          |          |          |
| Undeclared dividends on Series A convertible preferred stock | Undeclared dividends on Series A convertible preferred stock | (1,265)  | (1,134)  | (3,693)  | (1,134)  |

|  |  |             |             |             |             |
|--|--|-------------|-------------|-------------|-------------|
| Undeclared dividends on Series A convertible preferred stock   |  |             |             |             |             |
| Undeclared dividends on Series A convertible preferred stock   |  |             |             |             |             |
| Undistributed net income allocated to participating securities |  |             |             |             |             |
| <b>Net income attributable to common stockholders</b>          |  |             |             |             |             |
| <b>Net loss attributable to common stockholders</b>            |  |             |             |             |             |
|  |  | \$ (19,676) | \$ (14,873) | \$ (10,171) | \$ (41,228) |
| Weighted average common shares outstanding — basic             |  |             |             |             |             |
| Weighted average common shares outstanding — basic             |  |             |             |             |             |
| Weighted average common shares outstanding — basic             | Weighted average common shares outstanding — basic   | 7,050       | 6,364       | 6,602       | 6,357       |
| Weighted average common shares outstanding — diluted           | Weighted average common shares outstanding — diluted | 7,050       | 6,364       | 6,602       | 6,357       |
| Basic net loss per common share                                |  | \$ (2.79)   | \$ (2.34)   | \$ (1.54)   | \$ (6.49)   |
| Diluted net loss per common share                              |  | \$ (2.79)   | \$ (2.34)   | \$ (1.54)   | \$ (6.49)   |
| Basic net income per common share                              |  |             |             |             |             |

Basic net income per common  
share  
Basic net income per common  
share  
Diluted net  
income per  
common share

See Notes to Condensed Consolidated Financial Statements.

**Sonida Senior Living, Inc.**  
**Condensed Consolidated Statements of Shareholders' Equity (Deficit) (Unaudited)**  
**(in thousands)**

|  | Common Stock  |
|--|---------------|
|  | Common Stock  |
|  | Common Stock  |
|  | <u>Shares</u> |
|  | <u>Shares</u> |
|  | <u>Shares</u> |
| Balance as of December 31, 2022                              |               |
| Balance as of December 31, 2022                              |               |
| Balance as of December 31, 2022                              |               |
| Undeclared dividends on Series A convertible preferred stock |               |
| Undeclared dividends on Series A convertible preferred stock |               |
| Undeclared dividends on Series A convertible preferred stock |               |
| Stock-based plan activity                                    |               |
| Stock-based plan activity                                    |               |
| Stock-based plan activity                                    |               |
| Non-cash stock-based compensation                            |               |
| Non-cash stock-based compensation                            |               |

|                                   |
|-----------------------------------|
| Non-cash stock-based compensation |
| Net income                        |
| Net income                        |
| Net income                        |
| Balance as of March 31, 2023      |
| Balance as of March 31, 2023      |
| Balance as of March 31, 2023      |

|  | Common Stock |        | Additional      | Retained     | Total |             |
|--|--------------|--------|-----------------|--------------|-------|-------------|
|  | Shares       | Amount | Paid-In Capital | Deficit      |       |             |
| Balance as of December 31, 2021                              | 6,634        | \$ 66  | \$ 295,781      | \$ (342,657) |       | \$ (46,810) |
| Series A convertible preferred stock dividends               | —            | —      | (1,133)         | —            |       | (1,133)     |
| Stock-based plan activity                                    | 31           | 1      | —               | —            |       | 1           |
| Non-cash stock-based compensation                            | —            | —      | 1,827           | —            |       | 1,827       |
| Net loss   | —            | —      | —               | (16,678)     |       | (16,678)    |
| Balance as of March 31, 2022                                 | 6,665        | 67     | 296,475         | (359,335)    |       | (62,793)    |
| Series A convertible preferred stock dividends               | —            | —      | (1,134)         | —            |       | (1,134)     |
| Stock-based plan activity                                    | 157          | 1      | (220)           | —            |       | (219)       |
| Non-cash stock-based compensation                            | —            | —      | 2,240           | —            |       | 2,240       |
| Net loss   | —            | —      | —               | (7,410)      |       | (7,410)     |
| Balance as of June 30, 2022                                  | 6,822        | 68     | 297,361         | (366,745)    |       | (69,316)    |
| Undeclared dividends on Series A convertible preferred stock | —            | —      | (1,134)         | —            |       | (1,134)     |
| Stock-based plan activity                                    | (152)        | (1)    | (44)            | —            |       | (45)        |
| Non-cash stock-based compensation                            | —            | —      | (588)           | —            |       | (588)       |
| Net loss   | —            | —      | —               | (13,739)     |       | (13,739)    |
| Balance at September 30, 2022                                | 6,670        | \$ 67  | \$ 295,595      | \$ (380,484) |       | \$ (84,822) |
|  | Common Stock |        | Additional      | Retained     | Total |             |
|  | Shares       | Amount | Paid-In Capital | Deficit      |       |             |

|  |  |              |    |         |           |          |    |           |    |           |
|--|--|--------------|----|---------|-----------|----------|----|-----------|----|-----------|
| Balance as of December 31, 2022                              |  | 6,670        | \$ | 67      | \$        | 295,277  | \$ | (397,058) | \$ | (101,714) |
| Common Stock   |  |              |    |         |           |          |    |           |    |           |
| Common Stock   |  |              |    |         |           |          |    |           |    |           |
|  |  | Common Stock |    |         |           |          |    |           |    |           |
|  |  | Shares       |    |         |           |          |    |           |    |           |
|  |  | Shares       |    |         |           |          |    |           |    |           |
|  |  | Shares       |    |         |           |          |    |           |    |           |
| Balance as of December 31, 2023                              |  |              |    |         |           |          |    |           |    |           |
| Balance as of December 31, 2023                              |  |              |    |         |           |          |    |           |    |           |
| Balance as of December 31, 2023                              |  |              |    |         |           |          |    |           |    |           |
| Issuance of common stock, net <sup>(1)</sup>                 |  |              |    |         |           |          |    |           |    |           |
| Issuance of common stock, net <sup>(1)</sup>                 |  |              |    |         |           |          |    |           |    |           |
| Issuance of common stock, net <sup>(1)</sup>                 |  |              |    |         |           |          |    |           |    |           |
| Undeclared dividends on Series A convertible preferred stock |  |              |    |         |           |          |    |           |    |           |
| Undeclared dividends on Series A convertible preferred stock |  |              |    |         |           |          |    |           |    |           |
| Undeclared dividends on Series A convertible preferred stock | Undeclared dividends on Series A convertible preferred stock | —            | —  | (1,198) | —         | (1,198)  |    |           |    |           |
| Stock-based plan activity                                    | Stock-based plan activity                                    | 272          | 2  | (17)    | —         | (15)     |    |           |    |           |
| Stock-based plan activity                                    |  |              |    |         |           |          |    |           |    |           |
| Stock-based plan activity                                    |  |              |    |         |           |          |    |           |    |           |
| Non-cash stock-based compensation                            |  |              |    |         |           |          |    |           |    |           |
| Non-cash stock-based compensation                            |  |              |    |         |           |          |    |           |    |           |
| Non-cash stock-based compensation                            | Non-cash stock-based compensation                            | —            | —  | 902     | —         | 902      |    |           |    |           |
| Net income   | Net income   | —            | —  | —       | 24,145    | 24,145   |    |           |    |           |
| Balance as of March 31, 2023                                 |  | 6,942        | 69 | 294,964 | (372,913) | (77,880) |    |           |    |           |
| Undeclared dividends on Series A                             |  |              |    |         |           |          |    |           |    |           |



|  |       |       |            |              |              |
|--|-------|-------|------------|--------------|--------------|
| convertible preferred stock                                  | —     | —     | (1,230)    | —            | (1,230)      |
| Issuance of common stock, net                                | 68    | 1     | (1)        | —            | —            |
| Stock-based plan activity                                    | 168   | 2     | (14)       | —            | (12)         |
| Net income   |       |       |            |              |              |
| Non-cash stock-based compensation                            | —     | —     | 601        | —            | 601          |
| Net loss   | —     | —     | —          | (12,212)     | (12,212)     |
| Balance as of June 30, 2023                                  | 7,178 | 72    | 294,320    | (385,125)    | (90,733)     |
| Undeclared dividends on Series A convertible preferred stock | —     | —     | (1,265)    | —            | (1,265)      |
| Issuance of common stock, net                                | 600   | 6     | 5,994      | —            | 6,000        |
| Net income   |       |       |            |              |              |
| Balance as of March 31, 2024                                 |       |       |            |              |              |
| Balance as of March 31, 2024                                 |       |       |            |              |              |
| Balance as of March 31, 2024                                 |       |       |            |              |              |
| Non-cash stock-based compensation                            | —     | —     | 641        | —            | 641          |
| Net loss   | —     | —     | —          | (18,411)     | (18,411)     |
| Balance at September 30, 2023                                | 7,778 | \$ 78 | \$ 299,690 | \$ (403,536) | \$ (103,768) |

(1) Issuance of common stock, net includes the shares of common stock with the Company's recently completed private placement transaction, net of issuance costs.

See Notes to Condensed Consolidated Financial Statements.

**Sonida Senior Living, Inc.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(in thousands)

|                                       |                                       | Nine Months<br>Ended September<br>30, |      |                                       | Three Months Ended March<br>31, |      |
|---------------------------------------|---------------------------------------|---------------------------------------|------|---------------------------------------|---------------------------------|------|
|                                       |                                       | 2023                                  | 2022 |                                       | 2024                            | 2023 |
|                                       |                                       |                                       |      |                                       |                                 |      |
| Cash flows from operating activities: | Cash flows from operating activities: |                                       |      | Cash flows from operating activities: |                                 |      |

|   |                                     |            |             |
|---|-------------------------------------|------------|-------------|
| Net loss  |                                     | \$ (6,478) | \$ (37,827) |
| Adjustments to reconcile net loss to net cash provided by operating activities:             |                                     |            |             |
| Net income  |                                     |            |             |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                     |            |             |
| Depreciation and amortization   |                                     |            |             |
| Depreciation and amortization   |                                     |            |             |
| Depreciation and amortization   | Depreciation and amortization       | 29,751     | 28,940      |
| Amortization of deferred loan costs   | Amortization of deferred loan costs | 1,130      | 946         |
| Gain on sale of assets, net   | Gain on sale of assets, net         | (217)      | —           |
| Long-lived asset impairment   |                                     | 5,965      | —           |
| Write-off of other assets   |                                     | —          | 535         |
| Unrealized (gain) loss on interest rate cap, net  |                                     | 1,958      | (206)       |
| (Gain) loss on extinguishment of debt   |                                     | (36,339)   | 641         |
| Gain on sale of assets, net   |                                     |            |             |
| Gain on sale of assets, net   |                                     |            |             |
| Loss on derivative instruments, net   |                                     |            |             |
| Loss on derivative instruments, net   |                                     |            |             |
| Loss on derivative instruments, net   |                                     |            |             |

|  |  |         |         |
|--|--|---------|---------|
| Gain on extinguishment of debt               |  |         |         |
| Provision for bad debt                       | Provision for bad debt                       | 582     | 908     |
| Non-cash stock-based compensation expense    | Non-cash stock-based compensation expense    | 2,144   | 3,479   |
| Other non-cash items                         | Other non-cash items                         | (7)     | 7       |
| Changes in operating assets and liabilities: | Changes in operating assets and liabilities: |         |         |
| Accounts receivable, net                     | Accounts receivable, net                     | (2,592) | (1,760) |
| Accounts receivable, net                     |  |         |         |
| Accounts receivable, net                     |  |         |         |
| Prepaid expenses and other assets            |  |         |         |
| Prepaid expenses and other assets            |  |         |         |
| Prepaid expenses and other assets            | Prepaid expenses and other assets            | 2,997   | 6,755   |
| Other assets, net                            | Other assets, net                            | (45)    | (115)   |
| Accounts payable and accrued expense         | Accounts payable and accrued expense         | 11,276  | 566     |

|  |  |          |          |
|--|--|----------|----------|
| Federal and state income taxes payable                     | Federal and state income taxes payable       | 158      | (423)    |
| Federal and state income taxes payable                     |  |          |          |
| Federal and state income taxes payable                     |  |          |          |
| Deferred income  | Deferred income                              | 371      | 414      |
| Other current liabilities                                  | Other current liabilities                    | (11)     | 43       |
| <b>Net cash provided by operating activities</b>           |  | 10,643   | 2,903    |
| Other current liabilities                                  |  |          |          |
| Other current liabilities                                  |  |          |          |
| <b>Net cash provided by (used in) operating activities</b> |  |          |          |
| <b>Cash flows from investing activities:</b>               | <b>Cash flows from investing activities:</b> |          |          |
| Acquisition of new communities                             |  | —        | (12,342) |
| Capital expenditures                                       |  |          |          |
| Capital expenditures                                       |  |          |          |
| Capital expenditures                                       | Capital expenditures                         | (14,168) | (18,317) |
| Proceeds from sale of assets                               | Proceeds from sale of assets                 | 1,376    | —        |

|  |  |                |                 |
|--|--|----------------|-----------------|
| <b>Net cash used in investing activities</b>           | <b>Net cash used in investing activities</b> | (12,792)       | (30,659)        |
| <b>Cash flows from financing activities:</b>           | <b>Cash flows from financing activities:</b> |                |                 |
| Proceeds from notes payable                            | Proceeds from notes payable                  | —              | 80,000          |
| Proceeds from notes payable                            |  |                |                 |
| Proceeds from notes payable                            |  |                |                 |
| Repayments of notes payable                            | Repayments of notes payable                  | (12,508)       | (98,535)        |
| Proceeds from issuance of common stock                 |  |                |                 |
| Dividends paid on Series A convertible preferred stock |  |                |                 |
| Proceeds from issuance of common stock, net            |  |                |                 |
| Proceeds from issuance of common stock, net            |  |                |                 |
| Proceeds from issuance of common stock, net            |  |                |                 |
| Purchase of interest rate cap                          |  |                |                 |
| Purchase of interest rate cap                          |  |                |                 |
| Purchase of interest rate cap                          | Purchase of interest rate cap                | —              | (258)           |
| Deferred loan costs paid                               | Deferred loan costs paid                     | (825)          | (2,180)         |
| Other financing costs                                  | Other financing costs                        | (108)          | (81)            |
| <b>Net cash used in financing activities</b>           |  | <b>(7,441)</b> | <b>(24,304)</b> |

|  |   |                 |                  |
|--|---|-----------------|------------------|
| Decrease in cash and cash equivalents and restricted cash            |   | (9,590)         | (52,060)         |
| <b>Net cash provided by (used in) financing activities</b>           |   |                 |                  |
| Increase (decrease) in cash and cash equivalents and restricted cash |   |                 |                  |
| Cash, cash equivalents, and restricted cash at beginning of period   | Cash, cash equivalents, and restricted cash at beginning of period  | 30,742          | 92,876           |
| <b>Cash, cash equivalents, and restricted cash at end of period</b>  | <b>Cash, cash equivalents, and restricted cash at end of period</b> | <b>\$21,152</b> | <b>\$ 40,816</b> |
| <b>Supplemental Disclosures of Cash Flow Information</b>             | <b>Supplemental Disclosures of Cash Flow Information</b>            |                 |                  |
| <b>Supplemental Disclosures of Cash Flow Information</b>             |   |                 |                  |
| <b>Supplemental Disclosures of Cash Flow Information</b>             |   |                 |                  |
| Cash paid during the period for:                                     |   |                 |                  |
| Cash paid during the period for:                                     |   |                 |                  |
| Cash paid during the period for:                                     | Cash paid during the period for:                                    |                 |                  |
| Interest   | Interest  | \$21,216        | \$ 21,536        |
| Income taxes paid, net   |   | \$ 77           | \$ 672           |

|  |  |          |          |
|--|--|----------|----------|
| Interest   |  |          |          |
| Interest   |  |          |          |
| Income taxes   |  |          |          |
| paid (refunds  |  |          |          |
| received), net   |  |          |          |
| Non-cash investing and financing activities:                 | Non-cash investing and financing activities:                 |          |          |
| Undeclared dividends on Series A convertible preferred stock |  |          |          |
| Undeclared dividends on Series A convertible preferred stock |  |          |          |
| Undeclared dividends on Series A convertible preferred stock | Undeclared dividends on Series A convertible preferred stock | \$ 3,693 | \$ 1,134 |
| Non-cash additions of property and equipment                 | Non-cash additions of property and equipment                 | \$ 1,919 | \$ 1,197 |

See Notes to Condensed Consolidated Financial Statements.

Sonida Senior Living, Inc.  
Notes to Condensed Consolidated Financial Statements  
(Unaudited)

1. Basis of Presentation

Organization and Business

Sonida Senior Living, Inc. (formerly known as Capital Senior Living Corporation), a Delaware corporation (together with its subsidiaries, the “Company,” “we,” “our,” “us,” or “Sonida”), is one of the leading owner-operators of senior housing communities in the United States in terms of resident capacity. The Company owns, operates, and manages senior housing communities throughout the United States. As of September 30, 2023 March 31, 2024, the Company operated 71 senior housing communities in 18 states with an aggregate capacity of approximately 8,000 residents, including 61 communities which the Company owned and 10 communities that the Company managed on behalf of third parties. As

of December 31, 2022, the Company had two properties that were no longer operated and were in the process of transitioning the legal ownership back to the Federal National Mortgage Association ("Fannie Mae"). The transfer of ownership was completed during January 2023. In August 2023, the Company sold one community located in Shaker Heights, Ohio. **third-party manages.** The accompanying condensed consolidated financial statements include the financial statements of Sonida Senior Living, Inc. and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

### ***Interim Unaudited Financial Information***

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and should be read in conjunction with the condensed consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted from this Quarterly Report on Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The results for the interim periods shown in this report are not necessarily indicative of future financial results. The accompanying condensed consolidated financial statements have not been audited by our independent registered public accounting firm. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, including normal recurring items, necessary to present fairly our condensed consolidated financial position as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, and our condensed consolidated results of operations and cash flows for the periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**.

### ***Reclassifications***

Certain amounts previously reflected in the prior year condensed consolidated financial statements have been reclassified to conform to our **September 30, 2023** **March 31, 2024** presentation.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. These estimates include such items related to the accounting for: income taxes, including assessments of probabilities of realization of income tax benefits; impairment of long-lived assets, including applicable cash flow projections, holding periods and fair value evaluations; self-insurance liabilities and expense; stock-based compensation; and depreciation and amortization including determination of estimated useful lives. Actual results could differ from those estimates.

## **2. **Going Concern Uncertainty** **Liquidity****

**During 2023, the Company's liquidity conditions, including operating losses and Related Strategic Cash Preservation Initiatives**

**Accounting Standards Codification ("ASC") 205-40, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," requires an evaluation of whether there are conditions or events, considered in the aggregate, that**



raise net working capital deficits, raised substantial doubt about an entity's the Company's ability to continue as a going concern within 12 months after concern. As a result of increases in occupancy occurring throughout 2023 and continuing into 2024, rental rate increases in March 2024 and the date the financial statements are issued. Initially, this evaluation does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management evaluates the mitigating effect of its plans to determine if it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, 2024 private placement transaction and (2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

In complying with the requirements under ASC 205-40 to complete an evaluation without considering mitigating factors, Protective Life loan purchase, the Company considered several conditions or events including: (1) the current inflationary environment and financial results; (2) recurring and non-recurring scheduled principal and interest payments due in the next 12 months; (3) recurring operating losses; (4) the Company's working capital deficit; and (5) events of non-compliance with certain of our mortgage agreements, as noted in has substantially improved its liquidity position. See "Note 6-6-Notes Payable" and "Note 7-Securities Financing" for details of the transactions that have increased cash on hand significantly. In addition, \$10.3 million was raised in April 2024 through our at-the-market equity offering. See "Note 15-Subsequent Events." The above conditions raise substantial doubt about Based on these events, the Company's ability Company concluded it has adequate cash to continue meet its obligations as a going concern they become due for the 12-month period following the date the September 30, 2023 financial March 31, 2024 financial statements are issued.

As discussed below, the Company has implemented plans that encompass short-term cash preservation initiatives to provide the Company with adequate liquidity to meet its obligations for at least the 12-month period following the date its September 30, 2023 financial statements are issued, in addition to creating sustained cash flow generation thereafter. The Company's primary sources of near- and medium-term liquidity are expected to be (1) net cash generated from operations; (2) debt modifications, refinancings and extensions to the extent available on acceptable terms; and (3) equity issuances pursuant but not limited to the equity commitment agreement defined and described below.

#### *Strategic and Cash Preservation Initiatives*

The Company has taken the following actions, among others, to improve its liquidity position and to address uncertainty about its ability to continue as a going concern:

- Upon its management team transition in September 2022, the Company promptly implemented new strategic and operational plans to accelerate margin recovery, including the following:
  - Design and execution of a comprehensive resident rate review program to align revenues with the significant increase in the operating cost environment.
  - Implementation of a global purchasing organization function to leverage scaled purchasing to lower unit operating costs.

- Use of several internally developed and external programs to provide alternative mitigants to a challenging labor environment.
- We have adopted a comprehensive cash optimization strategy aimed at improving working capital management.
- In June 2023, the Company entered into a forbearance agreement with Fannie Mae (“Fannie Forbearance” and “Fannie Forbearance Agreement”), pursuant to which, among other things, the Company and Fannie Mae structured a loan modification agreement with terms identical to those contained within the Fannie Forbearance that significantly reduces debt service payments, improves working capital, and extends loan maturities. The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023. Concurrent with the Fannie Mae Forbearance Agreement, the Company executed a second amendment to its Refinance Facility and Second Amended and Restated Limited Payment Guaranty with Ally Bank, which, among other things, temporarily reduced the minimum liquidity covenant under such Refinance Facility for a period of 18 months, subject to certain conditions set forth therein. See [“Note 6 – Notes Payable”](#) for more information about these agreements and transactions.
- In June 2023, the Company entered into a \$13.5 million equity commitment agreement with the Conversant Investors, at the Company’s right, but not the obligation. See [“Note 7–Securities Financing”](#) and [“Note 15–Subsequent Events.”](#)
- Through recently integrated systems and revised process workflows, the Company has implemented additional proactive spending reductions, including reduced discretionary spending and more stringent, return-based capital spending.
- The Company received approximately \$0.5 million in various state grants during the quarter ended September 30, 2023 and approximately \$2.9 million for the nine months ended September 30, 2023.
- Under the terms of the Amended and Restated Investment Agreement, dated October 1, 2021 (the “A&R Investment Agreement”) entered into with Conversant Dallas Parkway (A) LP and Conversant Dallas Parkway (B) LP, (together “Conversant” or the “Conversant Investors”), the Company may request additional investments from the Conversant Investors in shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) (up to an aggregate amount equal to \$25.0 million) that can be used for future investment in accretive capital expenditures and acquisitions, subject to certain conditions.
- The Company filed for an employee retention credit (“ERC”) with the Internal Revenue Service after September 30, 2023. The ERC is a tax credit for businesses that had employees that were affected during the COVID-19 pandemic.

While the Company’s plans are designed to provide it with adequate liquidity to meet its obligations for at least the 12-month period following the date its financial statements are issued, the remediation plan is dependent on conditions and matters that may be outside of the Company’s control, and no assurances can be given that certain options will be available on terms acceptable to the Company, or at all. Accordingly, management could not conclude that it was probable that the plans will mitigate the relevant conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern.

The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date the financial statements are issued. As such, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

### 3. Summary of Significant Accounting Policies

#### Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents. The Company has deposits in banks that exceed Federal Deposit Insurance Corporation insurance limits. Management believes that credit risk related to these deposits is minimal. Restricted cash consists of reserve accounts for property insurance, real estate taxes, capital expenditures, derivatives, and debt service required by certain loan agreements. In addition, restricted cash includes deposits required by certain counterparties as collateral pursuant to letters of credit which must remain so long as the letters of credit are outstanding, which are subject to renewal annually.

The following table sets forth our cash, cash equivalents, and restricted cash (in thousands):

|                                     |                                     | September 30, 2023 |       | December 31, 2022 |        |
|-------------------------------------|-------------------------------------|--------------------|-------|-------------------|--------|
|                                     |                                     | March 31, 2024     |       | March 31, 2024    |        |
|                                     |                                     |                    |       | December 31, 2023 |        |
| Cash and cash equivalents           | Cash and cash equivalents           | \$                 | 3,562 | \$                | 16,913 |
| Restricted cash:                    | Restricted cash:                    |                    |       |                   |        |
| Property tax and insurance reserves | Property tax and insurance reserves |                    | 7,495 |                   | 6,184  |
| Property tax and insurance reserves |                                     |                    |       |                   |        |

|  |  |           |           |
|--|--|-----------|-----------|
| Property tax and insurance reserves                |  |           |           |
| Lender reserves                                    | Lender reserves                                    | 4,237     | 1,500     |
| Capital expenditures reserves                      | Capital expenditures reserves                      | 1,834     | 2,034     |
| Escrow deposit                                     |  |           |           |
| Deposits pursuant to outstanding letters of credit | Deposits pursuant to outstanding letters of credit | 4,024     | 4,111     |
| Other reserves                                     |  |           |           |
| Total restricted cash                              | Total restricted cash                              | 17,590    | 13,829    |
| Total cash, cash equivalents, and restricted cash  | Total cash, cash equivalents, and restricted cash  | \$ 21,152 | \$ 30,742 |

### Long-Lived Assets

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. At each balance sheet date, the Company reviews the carrying value of its property and equipment to determine if facts and circumstances suggest that they may be impaired or that the depreciation period may need to be changed. The Company considers internal factors such as net operating losses along with external factors relating to each asset, including contract changes, local market developments, and other publicly available information to determine whether impairment indicators exist.

If an indicator of impairment is identified, recoverability of an asset group is assessed by comparing its carrying amount to the estimated future undiscounted net cash flows expected to be generated by the asset group through operation or disposition, calculated utilizing the lowest level of identifiable cash flows. If this comparison indicates that the carrying amount of an asset group is not recoverable, we estimate the Company estimates fair value of the asset group and record records an impairment loss when the carrying amount exceeds fair value. The Company recognized a non-cash impairment charge of \$6.0 million to its "Property and equipment,"

net” during the three and nine months ended September 30, 2023, which related to one owned community. There were no impairments on long-lived assets during the ~~ninethree~~ months ended September 30, 2022, March 31, 2024 and 2023.

In evaluating our long-lived assets for impairment, we undergo continuous evaluations of property level performance and real estate trends, and management makes several estimates and assumptions, including, but not limited to, the projected date of disposition, estimated sales price, and future cash flows of each property during our estimated holding period. If our analysis or assumptions regarding the projected cash flows expected to result from the use and eventual disposition of our properties change, we incur additional costs and expenses during the holding period, or our expected hold periods change, we may incur future impairment losses.

Upon the acquisition of new communities accounted for as an acquisition of assets, we recognize the assets acquired and the liabilities assumed as of the acquisition date, measured at their relative fair values once we have determined the fair value of each of these assets and liabilities. The acquisition date is the date on which we obtain control of the real estate property. The assets acquired and liabilities assumed consist of land, inclusive of associated rights, buildings, assumed debt, and identified intangible assets and liabilities. See “[Note 4–Property and Equipment, net.](#)”

### **Revenue Recognition**

Resident revenue consists of fees for basic housing and certain support services and fees associated with additional housing and expanded support requirements such as assisted living care, memory care, and ancillary services. Basic housing and certain support services revenue is recorded when services are rendered, and amounts billed are due from residents in the period in which the rental and other services are provided. Residency agreements are generally short term in nature with durations of one year or less and are typically terminable by either party, under certain circumstances, upon providing 30 days’ notice, unless state law provides otherwise, with resident fees billed monthly in advance. Revenue for certain ancillary services is recognized as services are provided, and includes fees for services such as medication management, daily living activities, beautician/barber, laundry, television, guest meals, pets, and parking, which are generally billed monthly in arrears. Other operating revenue consists of state relief funds received from various states due to the financial distress impacts of COVID-19 (“State Relief Funds”).

The Company’s senior housing communities have residency agreements that generally require the resident to pay a community fee and other amounts prior to moving into the community, which are initially recorded by the Company as deferred revenue. The Company had contract liabilities for deferred fees paid by our residents prior to the month housing and support services were to be provided totaling approximately \$3.8 million \$4.3 million and \$3.4 million \$4.0 million, respectively, which is reported as deferred income within current liabilities of the Company’s condensed consolidated balance sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Revenues from the Medicaid program accounted for approximately 11.4% 11.6% and 10.1% 9.3% of the Company’s revenue in the three months ended September 30, 2023 March 31, 2024 and 2022, respectively. Revenues from the Medicaid program accounted for approximately 10.0% and 9.9% of the Company’s revenue in the nine months ended September 30, 2023 and 2022, 2023, respectively. During the three months ended September 30, 2023 March 31, 2024 and 2022, 23 2023, 22 and 24, respectively, of the Company’s communities were providers of services under the Medicaid program, and during the nine months ended September 30, 2023 and 2022, 24 and 28, respectively, of the Company’s communities were providers of services under the Medicaid program. Accordingly, these communities were entitled to reimbursement under the Medicaid program at established rates that were lower than private pay rates. Resident revenues for Medicaid residents were recorded at the reimbursement rates as the rates were set

prospectively by the applicable state upon the filing of an annual cost report. None of the Company's communities were providers of services under the Medicare program during the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023.

Laws and regulations governing the Medicaid program are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its Condensed Consolidated Financial Statements. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicaid program.

The Company has management agreements whereby it manages certain communities on behalf of third-party owners under contracts that provide for periodic management fee payments to the Company. The Company has determined that all community management activities are a single performance obligation, which is satisfied over time as the services are rendered. The Company's estimate of the transaction price for management services also includes the amount of reimbursement due from the owners of the communities for services provided and related costs incurred. Such revenue is included in "managed community reimbursement revenue" on the Company's condensed consolidated statements of operations. The related costs are included in "managed community reimbursement expense" on the Company's condensed consolidated statements of operations. See "[Note 8—Revenue](#)."

The Company received approximately \$9.1 million in the nine months ended September 30, 2022 through grants from the Public Health and Social Services Emergency Fund's (the "Provider Relief Fund") Phase 4 General Distribution, which was expanded by the CARES Act to provide grants or other funding mechanisms to eligible healthcare providers for healthcare-related or lost revenues attributable to COVID-19. For the three and nine months ended September 30, 2023 March 31, 2023, the Company received approximately \$0.5 million and \$2.9 million, respectively, in various State Relief Funds received from state departments due to financial distress impacts of COVID-19. For the nine months ended September 30, 2022, the Company received approximately \$1.2 \$2.0 million in various State Relief Funds from state departments due to financial distress impacts of COVID-19. For the three months ended September 30, 2022 March 31, 2024, no grants State Relief Funds were received from the state departments. The Company recognizes income for government grants on a systematic and rational basis over the periods in which the Company recognizes the related expenses or loss of revenue for which the grants are intended to compensate when there is reasonable assurance that the Company will comply with the applicable terms and conditions of the grant and there is reasonable assurance that the grant will be received. The Phase 4 Provider Relief Funds received from the Federal Government were recorded in "other income (expense), net" and the State Relief Funds were recorded as "resident revenue—revenue—other operating revenue" in the Company's condensed consolidated financial statements of operations and notes thereto.

### **Credit Risk and Allowance for Doubtful Accounts**

The Company's resident accounts receivable are generally due within 30 days after the date billed. Accounts receivable are reported net of an allowance for doubtful accounts of \$5.1 million \$5.7 million and \$5.9 5.3 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, and represent the Company's estimate of the amount that ultimately will be collected. The adequacy of the Company's allowance for doubtful accounts is reviewed on an ongoing basis, using historical payment trends, write-off experience, analyses of



receivable portfolios by payor source and aging of receivables, as well as a review of specific accounts, and adjustments are made to the allowance, as necessary. Credit losses on resident receivables have historically been within management's estimates, and management believes that the allowance for doubtful accounts adequately provides for expected losses.

### ***Concentration of Credit Risk and Business Risk***

Substantially all of our revenues are derived from senior living communities we own and senior living communities that we manage. Senior living operations are particularly sensitive to adverse economic, social and competitive conditions and trends, including the effects of the COVID-19 pandemic, which has adversely affected, and may continue to adversely affect, our business, financial condition, and results of operations.

We have a concentration of owned properties operating in Texas (16)(16), Indiana (12)(12), Ohio (10)(10) and Wisconsin (8)(8), which we estimate represented approximately 23%, 19%, 20% and 10%, respectively, of our resident revenues for the three months ended September 30, 2023 and approximately 24%, 18%, 19% and 10%, respectively, of our resident revenues for the nine months ended September 30, 2023 March 31, 2024.

### ***Self-Insurance Liability Accruals***

The Company offers full-time employees an option to participate in its health and dental plans. The Company is self-insured up to certain limits and is insured if claims in excess of these limits are incurred. The cost of employee health and dental benefits, net of employee contributions, is shared between the corporate office and the senior housing communities based on the respective number of plan participants. Funds collected are used to pay the actual program costs, including estimated annual claims, third-party administrative fees, network provider fees, communication costs, and other related administrative costs incurred by the plans. Claims are paid as they are submitted to the Company's third-party administrator. The Company records a liability for outstanding claims and claims that have been incurred but not yet reported. This liability is based on the historical claim reporting lag and payment trends of health insurance claims. Management believes that the recorded liabilities and reserves established for outstanding losses and expenses are adequate to cover the ultimate cost of losses and expenses incurred as of September 30, 2023 March 31, 2024. It is possible that actual claims and expenses may differ from established reserves. Any subsequent changes in estimates are recorded in the period in which they are determined.

The Company uses a combination of insurance and self-insurance for workers' compensation. Determining the reserve for workers' compensation losses and costs that the Company has incurred as of the end of a reporting period involves significant judgments based on projected future events, including among other factors, potential settlements for pending claims, known incidents which may result in claims, estimates of incurred but not yet reported claims, changes in insurance premiums and estimated litigation costs. The Company regularly adjusts these estimates to reflect changes in the foregoing factors. However, since this reserve is based on estimates, it is possible the actual expenses incurred may differ from the amounts reserved. Any subsequent changes in estimates are recorded in the period in which they are determined.

### ***Income Taxes***

Income taxes are computed using the asset and liability method and current income taxes are recorded based on amounts refundable or payable in the current year. The effective tax rates for the three and nine months ended September 30, 2023, March 31, 2024, and 2022-2023 differ from the statutory tax rates due to state income taxes, permanent tax differences, and changes in the deferred tax asset valuation allowance.

Deferred income taxes are recorded based on the estimated future tax effects of loss carryforwards and temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates that are expected to apply to taxable income in the years in which the Company expects those carryforwards and temporary differences to be recovered or settled. Management regularly evaluates the future realization of deferred tax assets and provides a valuation allowance, if considered necessary, based on such evaluation. As part of the evaluation, management has evaluated taxable income in carryback years, future reversals of taxable temporary differences, feasible tax planning strategies, and future expectations of income. For the tax year ended December 31, 2022, the Company had a three-year cumulative net operating loss for its operations and is subject to annual operating loss utilization limits and accordingly, has provided a full valuation allowance on its federal and state net deferred tax assets as of December 31, 2022 and September 30, 2023. The valuation allowance reduces the Company's net deferred tax assets to the amount that is "more likely than not" (i.e., a greater than 50% likelihood) to be realized. However, in the event that the Company were to ultimately determine that it would be more likely than not that the Company would realize the benefit of deferred tax assets in the future in excess of their net recorded amounts, adjustments to deferred tax assets would increase net income in the period such determination was made. The benefits of the net deferred tax assets might not be realized if actual results differ from expectations.

The Company evaluates uncertain tax positions through consideration of accounting and reporting guidance on criteria, measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different companies. The Company is required to recognize a tax benefit in its financial statements for an uncertain tax position only if management's assessment is that its position is "more likely than not" (i.e., a greater than 50 percent likelihood) to be upheld on audit based only on the technical merits of the tax position. The Company's policy is to recognize interest related to unrecognized tax benefits as interest expense and penalties as income tax expense.

The Company filed for an employee retention credit ("ERC") with the Internal Revenue Service in November 2023. The ERC is a tax credit for businesses that had employees and were affected during the COVID-19 pandemic. We have not received any funds from the ERC as of March 31, 2024.

The Company is evaluating the potential tax impact of the Protective Life Insurance Company gain on extinguishment of debt totaling \$38.1 million.

### **Redeemable Preferred Stock**

The Company's Series A Preferred Stock is convertible outside of our control and in accordance with ASC 480-10-S99-3A is classified as mezzanine equity. The Series A Preferred Stock was initially recorded at fair value upon issuance, net of issuance costs and discounts. The holders, or Conversant Dallas Parkway (A) LP and Conversant Dallas Parkway (B) LP (together, "Conversant" or the "Conversant Preferred Investors"), of Series A Preferred Stock are entitled to vote with the holders of common stock on all matters submitted to a vote of stockholders of the Company. As such, the Conversant Preferred Investors, in combination with their common stock ownership as of September 30, 2023, March 31, 2024, and December 31, 2022-December 31, 2023, have voting rights in excess of 50% of the



Company's total voting stock. It is deemed probable that the Series A Preferred Stock could be redeemed for cash by the Conversant Preferred Investors, and as such, the Series A Preferred Stock is required to be remeasured and adjusted to its maximum redemption value at the end of each reporting period. However, to the extent that the maximum redemption value of the Series A Preferred Stock does not exceed the fair value of the shares at the date of issuance, the shares are not adjusted below the fair value at the date of issuance. As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the Series A Preferred Stock is carried at the maximum redemption value. The Series A Preferred Stock does not have a maturity date and, therefore, is considered perpetual.

Dividends on redeemable Series A Preferred Stock are recorded to retained earnings or additional paid-in capital if retained earnings is an accumulated deficit. Dividends are cumulative, and any declaration of dividends is at the discretion of the Company's Board of Directors (the "Board"). If the Board does not declare a dividend in respect of any dividend payment date, the amount of such accrued and unpaid dividend is added to the liquidation preference of the Series A Preferred Stock and compounds quarterly thereafter. During the nine months ended September 30, 2023, March 31, 2024, the Board did not declare any dividends with respect to the Series A Preferred Stock, and accordingly, an aggregate of \$3.7 million was added to the liquidation preference of the Series A Preferred Stock during such period, effectively increasing the carrying value of the redeemable preferred stock.

### ***Derivative Instruments***

We use derivative instruments as part of our overall strategy to manage our exposure to market risks associated with the fluctuations in interest rates. We are also required to enter into interest rate derivative instruments in compliance with certain debt agreements. We regularly monitor the financial stability and credit standing of the counterparties to our derivative instruments. We do not enter into derivative financial instruments for trading or speculative purposes. We record all derivatives at fair value. As of September 30, 2023, March 31, 2024 and December 31, 2023, our derivative instruments consisted of interest rate caps that were not designated as hedge instruments. Changes in fair value of undesignated hedge instruments are recorded in current period earnings as interest expense. See "[Note 14—Derivatives and Hedging](#)."

### ***Net Income (Loss) Per Common Share***

The Company uses the two-class method to compute net income (loss) per common share because the Company has issued securities (Series A Preferred Stock) that entitle the holder to participate in dividends and earnings of the Company. Under this method, net income is reduced by the amount of any dividends earned during the period. The remaining earnings (undistributed earnings) are allocated based on the weighted-average shares outstanding of common stock and Series A Preferred Stock (on an if-converted basis) to the extent that each preferred security may share in earnings as if all of the earnings for the period had been distributed. The total earnings allocated to common stock is then divided by the number of outstanding shares to which the earnings are allocated to determine the earnings per share. The two-class method is not applicable during periods with a net loss, as the holders of the Series A Preferred Stock have no obligation to fund losses.

Diluted net income (loss) per common share is computed under the two-class method by using the weighted-average number of shares of common stock outstanding, plus, for periods with net income attributable to common stockholders, the potential dilutive effects of stock options, stock-based compensation awards, and warrants. In addition, the Company analyzes the potential dilutive effect of the outstanding Series A Preferred Stock under the "if-converted"

method when calculating diluted earnings per share, in which it is assumed that the outstanding Series A Preferred Stock converts into common stock at the beginning of the period or when issued, if later. The Company reports the more dilutive of the approaches (two class or "if-converted") as its diluted net income per share during the period. See ["Note 9–Net Loss Income Per Share."](#)

### **Segment Reporting**

The Company evaluates the performance and allocates resources of its senior living communities based on current operations and market assessments on a property-by-property basis. The Company does not have a concentration of operations geographically or by product or service as its management functions are integrated at the property level. The Company has determined that its operating units meet the criteria in [ASC Accounting Standards Codification \("ASC"\) Topic 280, Segment Reporting](#), to be aggregated into one reporting segment. As such, the Company operates in one segment.

### **Troubled Debt Restructurings**

The Company assesses all loan modifications with existing lenders to determine if it is a troubled debt restructuring. A loan that has been modified or renewed is considered to be a troubled debt restructuring when two conditions are met: (1) the borrower is experiencing financial difficulty and (2) concessions are made for the borrower's benefit that would not otherwise be considered for a borrower or a transaction with similar credit risk characteristics. These concessions may include modifications of the terms of the debt such as deferral of payments, extension of maturity, reduction of principal balance, reduction of the stated interest rate other than normal market rate adjustments, or a combination of these concessions. The Company compares the total cash outflows of the restructured debt to the carrying amount of the debt prior to the restructure. If cash outflows of the restructured debt are less than the carrying amount, a gain is recognized and the carrying amount of the debt is adjusted. If cash outflows of the restructured debt are more than the carrying amount, no gain or loss is recognized and the carrying amount of the debt is not adjusted. The change in cash outflows resulting from the restructuring is accounted for on a prospective basis by calculating a new effective interest rate on the restructured debt and applying it to recognize lower interest expense over the remaining term. See ["Note 6–Notes Payable."](#)

### **Recently Adopted Issued Accounting Pronouncements Not Yet Adopted**

#### **Improvements to Reportable Segment Disclosures**

##### **Allowance for Doubtful Accounts**

In [June 2016](#), [November of 2023](#), the Financial Accounting Standards Board ("FASB") issued [Accounting Standards Update \("ASU"\) No. 2023-07, Segment Reporting \(Topic 280\): Improvements to Reportable Segment Disclosures](#). The amendments are intended to increase reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The [ASU 2016-13, Financial Instruments - Credit Losses: Measurement](#) is effective on a retrospective basis for fiscal years beginning after December 15, 2023, and interim periods

within fiscal years beginning after December 15, 2024. We are currently evaluating the impact of Credit Losses this guidance on Financial Instruments. Current GAAP requires an “incurred loss” methodology the disclosures within the Company's condensed consolidated financial statements.

### Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments require disclosure of specific categories in the rate reconciliation and provide additional information for recognizing credit losses reconciling items that delays recognition until it is probable meet a loss has been incurred. quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU 2016-13 replaces the current incurred loss methodology for credit losses and removes the thresholds that companies apply to measure credit losses on financial statements measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The determination of the allowance for credit losses under the new standard would typically be based on evaluation of a number of factors, including, but not limited to, general economic conditions, payment status, historical collection patterns and loss experience, financial strength of the borrower, and nature, extent and value of the underlying collateral. For smaller reporting companies, ASU 2016-13 is effective for fiscal years and for interim periods within those fiscal years beginning after December 15, 2022. It requires a cumulative effect adjustment to December 15, 2024, with early adoption permitted. We are currently evaluating the balance sheet as of impact that this guidance will have on the beginning of the first reporting period in which the guidance is effective. The Company adopted ASU 2016-13 on January 1, 2023. The effect of the adoption had an immaterial impact on our condensed consolidated financial statements.

### Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on contracts, hedging relationships, and other transactions that reference the London InterBank Offered Rate (“LIBOR”). The new standard was effective upon issuance and elections can be made through December 31, 2024. The adoption of the optional expedient has not had and is not expected to have a material impact on disclosures within the Company's condensed consolidated financial statements.

## 4. Property and Equipment, net

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, property and equipment, net, which include assets under finance leases, consist of the following (in thousands):

|      |      | September December |           |           |              |
|------|------|--------------------|-----------|-----------|--------------|
|      |      | Asset              | 30, 31,   |           |              |
|      |      | Lives              | 2023 2022 |           |              |
|      |      |                    |           | March 31, | December 31, |
|      |      | Asset Lives        |           | 2024      | 2023         |
| Land | Land | \$ 47,322          | \$ 47,476 |           |              |

|  |  |                |                  |                  |
|--|--|----------------|------------------|------------------|
| Land improvements  | Land improvements  | 5 to 20 years  | 20,377           | 20,053           |
| Buildings and building improvements                      | Buildings and building improvements                      | 10 to 40 years | 841,206          | 842,854          |
| Furniture and equipment                                  | Furniture and equipment                                  | 5 to 10 years  | 57,031           | 53,236           |
| Automobiles  | Automobiles  | 5 to 7 years   | 2,686            | 2,704            |
| Assets under financing leases and leasehold improvements | Assets under financing leases and leasehold improvements |                |                  |                  |
| (1)  | (1)  |                | 4,279            | 1,899            |
| Construction in progress                                 | Construction in progress                                 |                | 704              | 666              |
| Total property and equipment                             | Total property and equipment                             |                | 973,605          | 968,888          |
| Less accumulated depreciation and amortization           | Less accumulated depreciation and amortization           |                | (379,489)        | (353,134)        |
| Total property and equipment, net                        | Total property and equipment, net                        |                | <u>\$594,116</u> | <u>\$615,754</u> |

(1) Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining lease term. Assets under financing leases and leasehold improvements include \$0.1 million and \$0.2 million \$0.1 million of financing lease right-of-use assets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company recognized a non-cash impairment charge of \$6.0 million to its “Property and equipment, net” during the three and nine months ended September 30, 2023, which related to one owned community. Due to recurring net operating losses, the Company concluded the assets related to this community had indicators of impairment and the carrying value was not recoverable. The fair value of the property and equipment, net of this community was determined using an income approach considering stabilized facility operating income, a discount rate of 8.5% and market capitalization rate of 7.5%. This impairment charge is primarily due to recurring net operating losses and lower than expected operating performance at the community and reflects the amount by which the carrying amount of these assets exceeded fair value. There were no impairments of on long-lived assets for the three and nine months ended September 30, 2022.

Sale of Shaker Heights

In August 2023, the Company completed the sale of the property owned by a subsidiary of the Company, CSL Shaker Heights, LLC, an Ohio property (“Shaker Heights”), for \$1.0 million. The Company recognized a \$55 thousand loss on the sale. The Shaker Heights property was unencumbered. March 31, 2024 and 2023.

5. Accrued Expenses

The following is a summary of accrued expenses as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

|                                       |                                       | September December |           |           |              |
|---------------------------------------|---------------------------------------|--------------------|-----------|-----------|--------------|
|                                       |                                       | 30,                | 31,       |           |              |
|                                       |                                       | 2023               | 2022      |           |              |
|                                       |                                       |                    |           | March 31, | December 31, |
|                                       |                                       |                    |           | 2024      | 2023         |
| Accrued payroll and employee benefits | Accrued payroll and employee benefits | \$ 16,186          | \$ 13,795 |           |              |
| Accrued interest <sup>(1)</sup>       | Accrued interest <sup>(1)</sup>       | 8,645              | 9,374     |           |              |
| Accrued taxes                         | Accrued taxes                         | 9,000              | 6,939     |           |              |
| Accrued professional fees             | Accrued professional fees             | 4,638              | 3,179     |           |              |
| Accrued other expenses                | Accrued other expenses                | 3,063              | 3,657     |           |              |

|                                       |                                       |                  |                  |
|---------------------------------------|---------------------------------------|------------------|------------------|
| <b>Total<br/>accrued<br/>expenses</b> | <b>Total<br/>accrued<br/>expenses</b> | <b>\$ 41,532</b> | <b>\$ 36,944</b> |
|---------------------------------------|---------------------------------------|------------------|------------------|

(1) Includes \$2.3 million of deferred interest of \$5.9 million and \$4.3 million as of September 30, 2023, March 31, 2024 and December 31, 2023, respectively, in consideration of the Fannie Mae Loan Modification. Modification (as defined below).

## 6. Notes Payable

Notes payable consists of the following (in thousands):

|   |  | Weighted<br>average<br>interest<br>rate | Maturity<br>Date   | September<br>30,<br>2023          | December<br>31,<br>2022 |                      |
|---|--|---|--------------------|-----------------------------------|-------------------------|----------------------|
| Weighted average<br>interest rate                               |  |   |                    | Weighted average<br>interest rate | March 31,<br>2024       | December 31,<br>2023 |
| Fixed rate<br>mortgage<br>notes<br>payable                      | Fixed rate<br>mortgage<br>notes<br>payable | 4.5%                                    | 2024<br>to<br>2045 | \$493,436                         | \$503,312               |                      |
| Fannie Mae 18<br>mortgage notes<br>payable <sup>(1)</sup>       |  |   |                    | —                                 | 31,991                  |                      |
| Variable rate mortgage<br>notes payable <sup>(2)</sup>          |  | 5.9%                                    | 2026<br>to<br>2029 | 137,320                           | 137,652                 |                      |
| Variable<br>rate<br>mortgage<br>notes<br>payable <sup>(1)</sup> |  |   |                    |                                   |                         |                      |
| Notes<br>payable -<br>insurance                                 | Notes<br>payable -<br>insurance            | 6.4%                                    | 2024               | 1,865                             | 1,724                   |                      |
| Notes<br>payable -<br>other                                     | Notes<br>payable -<br>other                | 8.5%                                    | 2023               | 1,619                             | 1,619                   |                      |
| Notes payable <sup>(5)</sup>                                    |  |   |                    | 634,240                           | 676,298                 |                      |

| Notes payable                                   |   |           |           |
|---|---|-----------|-----------|
| Deferred loan costs, net                        | Deferred loan costs, net                        | 4,782     | 5,267     |
| Total notes payable, net of deferred loan costs | Total notes payable, net of deferred loan costs | \$629,458 | \$671,031 |
| Current portion of notes payable <sup>(3)</sup> |   | 64,309    | 46,029    |
| Current portion of notes payable                |   |           |           |
| Long-term notes payable, net                    | Long-term notes payable, net                    | \$565,149 | \$625,002 |

(1) See Note 14 for interest rate cap agreements on variable rate mortgage notes payable.

The following schedule summarizes our notes payable as of **September 30, 2023** **March 31, 2024** (in thousands):

| <u>Principal payments due in:</u>                                 |            |
|---|------------|
| 2023 <sup>(3)</sup> <sup>(4)</sup>                                | \$ 57,312  |
| 2024  | 9,179      |
| 2025  | 40,107     |
| 2026  | 319,901    |
| 2027  | 3,597      |
| Thereafter  | 204,144    |
| Total notes payable, excluding deferred loan costs <sup>(5)</sup> | \$ 634,240 |

(1) See "2020 Foreclosure Proceedings on Fannie Mae Loans (18 properties)" disclosure below.

(2) See Note 13 for interest rate cap agreements on variable rate mortgage notes payable.

(3) September 30, 2023 includes \$55.8 million aggregate outstanding principal due under the loans currently in default with Protective Life Insurance Company.

(4) See "Protective Life Insurance Company Non-recourse Mortgages" disclosure below.

(5) Maturities reflect the terms of the Loan Modification Agreements executed in October 2023.

Principal payments due in:

|  |                   |
|--|-------------------|
| 2024   | \$ 8,075          |
| 2025   | 31,434            |
| 2026   | 335,214           |
| 2027   | 3,597             |
| 2028   | 3,719             |
| Thereafter   | 200,417           |
| Total notes payable, excluding deferred loan costs | <u>\$ 582,456</u> |

As of **September 30, 2023** **March 31, 2024**, our fixed rate mortgage notes bear interest rates ranging from 3.6% to 6.3%. Our variable rate mortgage notes are based on **either one-month LIBOR or** the Secured Overnight Financing Rate ("SOFR") plus an applicable margin. As of **September 30, 2023** **March 31, 2024**, **one-month LIBOR and the one-month SOFR** **were 5.4% and was 5.3%, respectively,** and the applicable margins were **either 2.14% and or 3.50%, respectively.**

As of **September 30, 2023** **March 31, 2024**, we had property and equipment with a net carrying value of **\$590.2** **565.5** million that is secured by outstanding notes payable.

***Protective Life Insurance Company Loan Repurchase Agreement and Ally Term Loan Expansion***

We entered into an agreement with Protective Life Insurance Company ("Protective") pursuant to which, subject to the terms and conditions set forth therein, the Company agreed to purchase the outstanding indebtedness it owed to Protective for a purchase price of \$40.2 million (plus the reimbursement of certain amounts advanced to the Company by Protective). On February 2, 2024, the Company completed the purchase of the total outstanding principal balance of \$74.4 million from Protective Life that was secured by seven of the Company's senior living communities (such transaction, the "Protective Life Loan Purchase"). The Protective Life Loan Purchase was funded by expanding the Company's existing loan facility with Ally Bank ("Ally") by \$24.8 million and the remainder was funded by proceeds from the 2024 Private Placement, see "[Note 7—Securities Financing](#)." The Protective Life Loan Purchase and Ally financing closed on February 2, 2024, reduced notes payable by \$49.6 million, and resulted in a gain on debt extinguishment totaling \$38.1 million. The Company incurred deferred loan costs of \$0.5 million as part of the Ally financing that will be amortized over the loan term. As part of the agreement with Ally, the Company expanded its current interest rate cap to include the additional borrowing at a cost of \$0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the Protective Life Loan Purchase.

***Fannie Mae Loan Modification***

On June 29, 2023, the Company entered into the Fannie Forbearance with **Federal National Mortgage Association** ("**Fannie Mae Mae**") for all 37 of its encumbered communities, effective as of June 1, 2023 ("Fannie Forbearance



Effective Date”). Under the Fannie Forbearance, Fannie Mae agreed to forbear on its remedies otherwise available under the community mortgages and Master Credit Facility (“MCF”) in connection with reduced debt service payments made by the Company during the forbearance period. In connection with the Fannie Forbearance, the Company made a \$5.0 million principal payment in July 2023. The Fannie Forbearance was the first of a two-step process to modify all existing mortgage loan agreements with Fannie Mae by October 1, 2023 October 2023 under a proposed loan modification agreement, agreements, as defined in the Fannie Forbearance (“Loan Modification Agreement” Agreements”). Terms outlined in an agreed upon term sheet accompanying the Fannie Forbearance were included in the Loan Modification Agreements as the final step to modify the various 37 Fannie Mae community mortgages and MCF prior to the expiration of the Fannie Forbearance, which was subsequently extended to October 6, 2023.

The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023.

The material terms of the Loan Modification Agreements are were as follows:

- Maturities on 18 community mortgages, ranging from July 2024 to December 2026, have been were extended to December 2026. The remaining 19 communities under the MCF have existing maturities in December 2028, January 2029.
- The Company is not required to make scheduled principal payments due under the 18 community mortgages and 19 communities under the MCF through the revised maturity date of December 2026 or 36 months from the Fannie Forbearance Effective Date, respectively.
- The monthly interest rate will be was reduced by a 1.5% weighted average on all 37 communities for 12 months from the Fannie Forbearance Effective Date and deferred (the “Fannie Interest Abatement Period”). On June 1, 2024, the reduced interest rates will expire.
- The Company is required to make a second principal payment of \$5.0 million with respect to the Fannie Mae debt which is due on June 1, 2024, the one-year anniversary of the Fannie Forbearance Effective Date.
- The Company provided a full corporate guaranty in the amount of \$5.0 million related to the second principal payment of \$5.0 million (the “Second Payment Guaranty”). This guaranty will fully expire upon payment of the second \$5.0 million principal payment, payment due June 1, 2024.
- In addition to the Second Payment Guaranty above, the Company also provided a \$10.0 million guaranty (the “Supplemental Fannie Guaranty”). After the expiration of 24 months from the Fannie Forbearance Effective Date, Sonida may discharge the full amount of the Supplemental Fannie Guaranty by making a \$5.0 million principal payment to Fannie Mae on its community mortgages and/or its MCF.
- In the first twelve months following the effective date of the Loan Modification Agreements, the Company is required to escrow 50% of Net Cash Flow less Debt Service (as defined in the Fannie mortgages and MCF) on an aggregate basis over all 37 Fannie Mae communities. The excess cash flow will be deposited into a lender-controlled capital expenditure reserve on a monthly basis to support the re-investment into certain

communities, as mutually determined by the Company and Fannie Mae. The Company will be able to draw down such amounts on qualifying projects as the capital expenditures are incurred.

The Company has determined that the Fannie loan modification is was a troubled debt restructuring where the total cash outflows exceed the current carrying value of the debt. The Company incurred restructuring costs of \$0.5 million and \$0.7 million in related to the

three and nine months ended September 30, 2023, respectively. These costs Loan Modification Agreements are included in deferred loan costs and are being amortized over the lives of the Fannie Mae loans.

### **Transactions Involving Certain Fannie Mae Loans**

During 2020, the Company initiated a process to transfer the operations and ownership of 18 properties to Fannie Mae. In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of \$36.3 million for the gain on debt extinguishments for the three months ended March 31, 2023. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure was complete.

### **2024 Ally Loan Amendment**

On February 2, 2024, the Company expanded the existing loan facility with Ally by \$24.8 million to partially fund the Protective Life Loan Purchase. The Company incurred deferred loan costs of \$0.5 million as part of September 30, 2023 and the Ally financing that will be amortized over the new lives loan term. As part of the Fannie Mae loans agreement with Ally, the Company expanded its current interest rate cap to include the additional loan obligation at a cost of \$0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the Protective Life Loan Purchase.

Some terms with Ally on the expanded loan facility include: delayed draws will not be available until successful syndication of the loan, a payroll tax reserve account was established, and certain financial covenant requirements were updated.

### **2023 Ally Loan Amendment**

On June 29, 2023, and concurrent with the Fannie Forbearance, Sonida we executed a second an amendment ("2023 Ally Amendment") to its Refinance Facility the Ally term loan agreement ("Ally Term Loan" or "Ally Term Loan Agreement") and an amended guaranty ("Second Amended and Restated Limited Payment Ally Guaranty") with Ally Bank with terms as follows:

- With respect to the Second Amended and Restated Limited Payment Ally Guaranty, Ally will grant Sonida, the Company, as Guarantor, a waiver ("Limited Payment Guaranty Waiver" or "Waiver") of the Liquid Assets liquid assets minimum requirement of \$13.0 million for a 12-month period. On July 1, 2024, a new Liquid Assets

Threshold liquid assets threshold of \$7.0 million will be effective, with such threshold increasing \$1.0 million per month through the earlier of the release of the Waiver period or December 31, 2024.

- During the Waiver period, a new and temporary Liquid Assets liquid assets minimum threshold (“Limited Payment Guaranty Waiver Minimum Threshold”) will be established. The Limited Payment Guaranty Waiver Minimum Threshold is \$6.0 million and is measured weekly. If breached, the “Excess Cash Flow Sweep” is triggered and all excess cash from the communities collateralizing the Ally Term Loan will be swept into an “Equity Cure Fund”, as defined in the Ally Term Loan Agreement. As provided for in the 2023 Ally Amendment, the Excess Cash Flow Sweep, if triggered, will cease upon the achievement of meeting or exceeding the Limited Payment Guaranty Waiver Minimum Threshold for four consecutive weeks. Consistent with the Ally Term Loan, all amounts held in escrow (i.e., Debt Service Escrow and IRC Reserve) will be included and combined with the Company’s unrestricted cash for purposes of measurement against the Limited Payment Guaranty Waiver Minimum Threshold.
- During the Waiver period, the Company cannot avail itself to (1) its two potential \$5.0 million draw-downs, (2) the release of its Debt Service Escrow Account and Waiver Principal Reserve Account (defined below), or (3) its interest rate margin reduction, all otherwise provided for in the Ally Term Loan, subject to achievement of certain financial performance metrics as more fully described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.
- During the Waiver period, Ally will collect the equivalent of the monthly Ally Term Loan principal payment (as provided for in the Ally Term Loan Agreement) of approximately \$117,000 through an Ally controlled escrow (“Waiver Principal Reserve Account”).
- Upon meeting the Ally Term Loan’s Liquid Assets Threshold of \$13.0 million, the Company may elect to remove the Waiver, with initial terms in the Ally Term Loan applicable again, except as described further below.
- In July 2023, Sonida was we were required to fund \$2.3 million to an interest rate cap reserve (“IRC Reserve”) held by Ally, which represents represented the quoted cost of a one-year interest rate cap on the full \$88.1 million notional value of the Ally Term Loan at a 2.25% SOFR strike rate. The valuation date used for pricing On December 1, 2023, the Company entered into a new SOFR-based interest rate cap is November 30, 2023, the date on which the current transaction for an aggregate notional amount of \$88.1 million at a cost of \$2.4 million. The interest rate cap expires. At each month-end subsequent to agreement has a 12-month term and caps the effective date of the Ally Amendment and through its next required annual floating interest rate cap purchase under the portion of our indebtedness with Ally Term Loan, Sonida is required to fund an additional IRC Reserve amount such that the then estimated interest rate cap cost is fully escrowed. An additional \$0.1 million was funded to the IRC Reserve during the three months ended September 30, 2023 Bank at 2.25%. Until the terms of the Limited Payment Guaranty Waiver have expired or have been met and elected at the Company’s discretion, the IRC Reserve is required to be replenished to its replacement cost.
- To the extent either the Second Payment Guaranty or Supplemental Fannie Guaranty have not been discharged, any uncured monetary event of default under the Fannie Forbearance will constitute a cross

default under the 2023 Ally Amendment, resulting in the immediate trigger of a full excess cash flow sweep for the communities collateralizing the Ally Term Loan as well as additional performance and liquidity reporting requirements.

- Subsequent to the Waiver period, all funds in the Waiver Principal Reserve Account as well as any funds swept into the Equity Cure Fund will be released to the Company.
- In consideration for the terms contemplated in the Ally Amendment and upon execution of the same, Sonida paid Ally an Amendment Fee of \$0.1 million, which is included in deferred loan costs as of September 30, 2023 and will be amortized over the life of the Ally Term Loan.

The foregoing description of the Fannie Forbearance, the 2023 Ally Amendment, Second Amended and Restated Limited Payment Ally Guaranty, and the Loan Modification Agreements and the transactions contemplated thereby do not purport to be complete and are subject to, and qualified in their entirety by, the full text of the Fannie Forbearance, the 2023 Ally Amendment and Second Amended and Restated Limited Payment Ally Guaranty which are filed as Exhibits 10.1, 10.2 10.21, 10.22 and 10.3, 10.23, respectively, and the Loan Modification Agreements, which are filed as Exhibits 10.4 10.24 and 10.5 10.25 to this Quarterly the Company's Annual Report on Form 10-Q. See "Item 6. Exhibits."

### **2022 Ally Loan Refinance**

In March 2022, the Company completed the refinancing of certain existing mortgage debt ("Refinance Facility") for ten of its communities. The Refinance Facility includes an initial term loan of \$80.0 million. In addition, \$10.0 million is available as delayed loans that can be borrowed upon achieving and maintaining certain financial covenant requirements and up to an additional uncommitted \$40.0 million may be available to fund future growth initiatives. In addition, the Company provided a limited payment guaranty. In conjunction 10-K filed with the Refinance Facility, the Company incurred costs of \$2.2 million in March 2022. These costs, net of amortization of \$0.7 million, are included in deferred loan costs as of September 30, 2023 SEC on March 27, 2024.

On December 13, 2022, the Company amended the Refinance Facility with Ally Bank by adding two additional subsidiaries of the Company as borrowers and mortgaging their communities. The amendment increased the principal by \$8.1 million to \$88.1 million. In conjunction with the amendment, the Company incurred costs of approximately \$0.2 million in December 2022 that are included in deferred loan costs as of September 30, 2023 and will be deferred and amortized over the remaining life of the term loan.

The Refinance Facility requires the financial performance of the twelve communities to meet certain financial covenants, including a minimum debt service coverage ratio and a minimum debt yield (as defined in the Loan Agreement) with a first measurement date as of June 30, 2022 and quarterly measurement dates thereafter. As of September 30, 2023, we were in compliance with the financial covenants. The debt service coverage financial covenant was waived entirely for the June 30, 2023 measurement date. We can provide no assurance that any financial covenants will be met in the future.

The Refinance Facility required the Company to purchase and maintain an interest rate cap facility during the term of the Refinance Facility. To comply with the lender's requirement, the Company entered into an interest rate cap

agreement for an aggregate notional amount of \$88.1 million in November 2022.

### **Notes Payable - Insurance**

In December 2022, During the year ended December 31, 2023, the Company renewed certain insurance policies and entered into a several finance agreement agreements totaling approximately \$1.1\$3.3 million. In May 2023, the Company entered into a finance agreement totaling approximately \$2.3 million with a fixed interest rate of 6.50%. As of September 30, 2023 March 31, 2024, the Company had finance agreements totaling \$1.9\$0.9 million, with fixed interest rates ranging from 4.75% 6.25% to 6.50%, and weighted average rate of 6.43% 6.32%, with principal amounts being fully repaid over a seven-month term. ten-month terms.

### **2020 Foreclosure Proceedings on Fannie Mae Loans (18 properties) Other Debt Transactions**

The CARES Act, among other things, permitted borrowers with mortgages from Government Sponsored Enterprises who experienced a financial hardship Company had notes payable related to rent payments due to Healthpeak as of March 31, 2024 and December 31, 2023 of \$1.2 million and \$1.6 million, respectively. In November 2023, the COVID-19 pandemic to obtain forbearance Company modified its payment terms on the Healthpeak note payable to include four consecutive quarterly installments beginning in January 2024.

### **Debt Covenant Compliance**

The Company was in compliance with its debt covenants related to its outstanding indebtedness as of their loans for up March 31, 2024.

## **7. Securities Financing**

### **Increase in Authorized Shares of Common Stock**

On March 21, 2024, following receipt of stockholder approval at the Special Meeting of the Company's stockholders held on March 21, 2024, the Company filed an amendment to 90 daysthe Company's Amended and Restated Certificate of Incorporation, as amended, with the Delaware Secretary of State to increase the number of authorized shares of the Company's common stock from 15,000,000 shares to 30,000,000 shares (the "Stockholder Approval"). During 2020, The charter amendment became effective upon filing.

### **2024 Private Placement Transaction**

On February 1, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP and several loan forbearance agreements with Fannie Mae. In July 2020, the Company elected not other shareholders (together, the "Investors"), pursuant to pay \$3.8 million on which the loans for 18 properties as of that date as it initiated a process intended Investors agreed to transfer the operations and ownership of such properties to Fannie Mae. Therefore, purchase from the Company, was and the Company agreed to sell to the Investors, in default on such loans. a private placement transaction (the "2024 Private Placement") pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), an aggregate of 5,026,318 shares of the Company's common stock at a price of \$9.50 per share.

As The 2024 Private Placement occurred in two tranches. The first tranche occurred on February 1, 2024, at which time 3,350,878 shares of common stock were issued and sold to the Investors for \$31.8 million. The second tranche occurred on March 22, 2024, at which time 1,675,440 shares of common stock were issued and sold to the Investors for \$15.9 million. The Company used a result portion of the events proceeds from the first closing of default the 2024 Private Placement to fund a portion of the cash purchase price for the Protective Life Loan Purchase and receivership order obtained by Fannie Mae, the Company discontinued recognizing revenues intends to use the remaining proceeds for ongoing working capital, continued investments in community improvements, potential acquisitions of new communities, broader community programming and expenses related to the 18 properties effective August 1, 2020, which was the date of default. In addition, the Company concluded that it was no longer entitled to receive any existing accounts receivable or revenue related to the properties, that all amounts held in escrow by Fannie Mae were forfeited, and that the Company no longer had control of the properties in accordance with GAAP. Accordingly, the Company derecognized the net carrying value of the properties and related assets from the financial statements and recorded a loss from the forbearance. The Company continued to recognize the related debt and liabilities until the debt was formally released. Once the debts were formally released, the net carrying value of the debts were derecognized and a gain on extinguishment of debt was recognized. general corporate purposes. As of December 31, 2022 March 22, 2024, Fannie Mae had completed the transition majority of legal ownership of 16 of our common stock is held by Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP, and Conversant Dallas Parkway (D) LP (together, "Conversant" or the Company's properties, "Conversant Investors").

In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of \$36.3 million for the gain on debt extinguishments for the nine months ended September 30, 2023. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure was complete.

### **Protective Life Insurance Company Non-recourse Mortgages**

During 2023, the Company elected to not make principal and interest payments due under certain non-recourse mortgage loan agreements with Protective Life Insurance Company ("Protective Life"). As of September 30, 2023 there were three communities with an aggregate outstanding principal amount as of \$55.8 million that were in default. The Company has presented the total amount due on these three communities as current notes payable on the condensed consolidated balance sheets.

In August 2023, Protective Life sold three different mortgages that were not in default to other lenders in the ordinary course of business with no impact to the Company. The total outstanding debt balance for the mortgages sold as of September 30, 2023 was \$43.2 million.

## **7. Securities Financing**

### **Series A Preferred Stock**

In November 2021, the Company issued 41,250 shares of Series A Preferred Stock. The Series A Preferred Stock is convertible outside of the Company's control and, in accordance with GAAP, is classified as mezzanine equity, outside the stockholders' equity (deficit) section, on our condensed consolidated balance sheets.



The Series A Preferred Stock has an 11% annual dividend calculated on the original investment of approximately \$41.3 million accrued quarterly in arrears and compounded. Dividends are cumulative, and any declaration of dividends is at the discretion of the Company's Board of Directors. If the Board does not declare a dividend in respect of any dividend payment date, the amount of such accrued and unpaid dividend is added to the liquidation preference and compounds quarterly thereafter. On March 31, 2023, June 30, 2023, and September 30, 2023 March 31, 2024, the Board did not declare dividends with respect to the Series A Preferred Stock, and accordingly, \$1.2 million, \$1.2 million, and \$1.3 million respectively, were was added to the liquidation preference of the Series A Preferred Stock, effectively increasing the carrying value of the Series A Preferred Stock. On March 31, 2022 As of March 31, 2024, the Company declared a \$1.1 total of \$8.6 million cash dividend on the Series A Preferred Stock which was paid in April 2022. On June 8, 2022, the Company declared a \$1.1 million cash dividend on the Series A Preferred Stock, which was paid in June 2022. On September 30, 2022, the Board did not declare dividends with respect to the Series A Preferred Stock, and accordingly, \$1.1 million was has been added to the liquidation preference of the Series A Preferred Stock.

Conversant Equity Commitment

In connection with the Fannie Forbearance and 2023 Ally Amendment signed on June 29, 2023, the Company entered into a \$13.5 million equity commitment agreement ("Equity Commitment") with Conversant Investors for a term of 18 months. The Equity Commitment had a commitment fee of \$675,000 payable through the issuance of 67,500 shares of common stock of the Company. The commitment fee shares were issued to Conversant on June 29, 2023. Sonida has the right, but not the obligation, to utilize Conversant's equity commitment and may draw on the commitment in whole or in part. The Company made an equity draw in July 2023 part, subject to the terms and conditions therein and applicable laws and regulations. As of \$6.0 million and issued 600,000 shares of common stock to Conversant. The Company used \$5.0 million of the proceeds to make unscheduled principal payments on two of its Fannie Mae loan balances. On November 1, 2023 March 31, 2024, the Company made an had \$3.5 million remaining under its Equity Commitment with Conversant, and the Equity Commitment is in effect through December 31, 2024.

At-the-Market Equity Offerings

See "Note 15–Subsequent Events" for the Company's At-the-Market Issuance Sales Agreement entered into on April 1, 2024 and subsequent equity draw of \$4.0 million and issued 400,000 shares of common stock to the Conversant Investors. issuances.

8. Revenue

Revenue for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 is comprised of the following components (in thousands):

|                              | Three Months Ended September 30, |           | Nine Months Ended September 30, |            |
|------------------------------|----------------------------------|-----------|---------------------------------|------------|
|                              | 2023                             | 2022      | 2023                            | 2022       |
| Housing and support services | \$ 57,887                        | \$ 51,703 | \$ 167,527                      | \$ 151,854 |
| Community fees               | 428                              | 481       | 1,354                           | 1,410      |

|   |                  |                  |                   |                   |
|---|------------------|------------------|-------------------|-------------------|
| Ancillary services                      | 288              | 301              | 807               | 838               |
| Other operating revenue <sup>(1)</sup>  | 514              | —                | 2,995             | 1,213             |
| <b>Resident revenue</b>                 | <b>59,117</b>    | <b>52,485</b>    | <b>172,683</b>    | <b>155,315</b>    |
| Management fees                         | 569              | 608              | 1,605             | 1,836             |
| Managed community reimbursement revenue | 4,989            | 7,694            | 15,314            | 21,757            |
| <b>Total revenues</b>                   | <b>\$ 64,675</b> | <b>\$ 60,787</b> | <b>\$ 189,602</b> | <b>\$ 178,908</b> |

|   | Three Months Ended March 31, |                  |
|---|------------------------------|------------------|
|   | 2024                         | 2023             |
| Housing and support services            | \$ 59,984                    | \$ 53,791        |
| Community fees                          | 459                          | 479              |
| Ancillary services                      | 294                          | 273              |
| Other operating revenue <sup>(1)</sup>  | —                            | 2,063            |
| <b>Resident revenue</b>                 | <b>60,737</b>                | <b>56,606</b>    |
| Management fees                         | 594                          | 505              |
| Managed community reimbursement revenue | 6,107                        | 4,962            |
| <b>Total revenues</b>                   | <b>\$ 67,438</b>             | <b>\$ 62,073</b> |

(1) Other operating revenue consists of funds received from state departments due to financial distress impacts of COVID-19. The Company intends to pursue any additional funding that may become available in the future, but there is no guarantee of qualifying any additional funds will be available or that the Company will qualify for, or receiving, receive, any additional relief funds. funds that become available.

Community fees, ancillary services, management fees, and community reimbursement revenue represent revenue from contracts with customers in accordance with GAAP.

## 9. Net Loss Income Per Share

Basic net income (loss) per share ("EPS") is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Potentially dilutive securities include warrants, Series A Preferred Stock, shares of restricted stock, restricted stock units, and former employee stock options. Diluted EPS reflects the assumed exercise or conversion of all dilutive securities. The Series A Preferred Stock is considered participating securities for the purposes of the Company's EPS calculation.

The following table sets forth the computation of basic and diluted net loss income per share (in thousands, except for per share amounts):

|  | Three Months Ended September 30, |             | Nine Months Ended September 30, |             |
|--|----------------------------------|-------------|---------------------------------|-------------|
|  | 2023                             | 2022        | 2023                            | 2022        |
| Basic net loss per common share calculation: |                                  |             |                                 |             |
| Net loss                                     | \$ (18,411)                      | \$ (13,739) | \$ (6,478)                      | \$ (37,827) |



|  |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|
| Less: Dividends on Series A Preferred Stock            | —                  | —                  | —                  | (2,267)            |
| Less: Undeclared dividends on Series A Preferred Stock | (1,265)            | (1,134)            | (3,693)            | (1,134)            |
| Net loss attributable to common stockholders           | \$ (19,676)        | \$ (14,873)        | \$ (10,171)        | \$ (41,228)        |
| Weighted average shares outstanding — basic            | 7,050              | 6,364              | 6,602              | 6,357              |
| Basic net loss per share                               | <u>\$ (2.79)</u>   | <u>\$ (2.34)</u>   | <u>\$ (1.54)</u>   | <u>\$ (6.49)</u>   |
| Diluted net loss per common share calculation:         |                    |                    |                    |                    |
| Net loss attributable to common stockholders           | <u>\$ (19,676)</u> | <u>\$ (14,873)</u> | <u>\$ (10,171)</u> | <u>\$ (41,228)</u> |
| Weighted average shares outstanding — diluted          | <u>7,050</u>       | <u>6,364</u>       | <u>6,602</u>       | <u>6,357</u>       |
| Diluted net loss per share                             | <u>\$ (2.79)</u>   | <u>\$ (2.34)</u>   | <u>\$ (1.54)</u>   | <u>\$ (6.49)</u>   |

|  | Three Months Ended March 31, |                  |
|--|------------------------------|------------------|
|  | 2024                         | 2023             |
| Basic net income per common share calculation:                     |                              |                  |
| Net income   | \$ 27,019                    | \$ 24,145        |
| Less: Undeclared dividends on Series A Preferred Stock             | (1,335)                      | (1,198)          |
| Less: Undistributed earnings allocated to participating securities | (2,849)                      | (3,182)          |
| Net income attributable to common stockholders                     | <u>\$ 22,835</u>             | <u>\$ 19,765</u> |
| Weighted average shares outstanding — basic                        | <u>9,861</u>                 | <u>6,855</u>     |
| Basic net income per share   | <u>\$ 2.32</u>               | <u>\$ 2.88</u>   |
| Diluted net income per common share calculation:                   |                              |                  |
| Net income attributable to common stockholders                     | <u>\$ 22,835</u>             | <u>\$ 19,765</u> |
| Weighted average shares outstanding — diluted                      | <u>10,562</u>                | <u>7,168</u>     |
| Diluted net income per share                                       | <u>\$ 2.16</u>               | <u>\$ 2.76</u>   |

The following weighted-average shares of securities were not included in the computation of diluted net **loss** **income** per common share as their effect would have been antidilutive:

| Three Months<br>Ended<br>September 30, | Nine Months<br>Ended<br>September 30, |
|--|---------------------------------------|
|--|---------------------------------------|

| Three Months<br>Ended March<br>31, |
|------------------------------------|
|------------------------------------|



|  |              | Weighted        |                  |
|--|--------------|-----------------|------------------|
|  |              | Average Grant   |                  |
|  | Restricted   | Date Fair Value | Total Grant Date |
| (in thousands, except weighted average amount) | Stock Awards | Per Share       | Fair Value       |
| Nine months ended September 30, 2023           | 447          | \$ 7.80         | 3,486            |

During the nine months ended September 30, 2023, the Company granted 3,000 time-based restricted stock units under the Company's 2019 Plan to a certain non-employee director at a grant date based on their fair value of \$8.80 per share that are scheduled to vest on the first anniversary of the grant date. values.

The Company recognized recognized \$0.6 million and \$2.1 million \$0.9 million in stock-based compensation expense for the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, respectively. The Company recognized \$(0.6) million and \$3.5 million in stock-based compensation expense for the three and nine months ended September 30, 2022, respectively. The negative expense for the three months ended September 30, 2022 is due to forfeiture credits as a result of executive personnel changes in September 2022.

## 11. Commitments and Contingencies

As of September 30, 2023 March 31, 2024, the Company had contractual commitments of \$3.6 \$3.1 million related to future renovations and technology enhancements to our its communities, which are expected to be substantially expended during 2023. 2024.

The Company has claims incurred in the normal course of its business. Most of these claims are believed by management to be covered by insurance, subject to deductibles, normal reservations of rights by the insurance companies and possibly subject to certain exclusions in the applicable insurance policies. Whether or not covered by insurance, these claims, in the opinion of management, based on advice of legal counsel, should not have a material impact on the condensed consolidated financial statements of the Company.

## 12. Related Party Transactions

As of September 30, 2023 March 31, 2024, Conversant Investors and its affiliates beneficially owned approximately 59% 61% of our outstanding shares of common stock (inclusive of common stock issuable upon conversion of outstanding Series A Preferred Stock and outstanding warrants). O

During the three months ended n June 29, 2023 March 31, 2024, the Conversant Investors purchased an additional 3,157,895 shares of common stock of the Company entered into a \$13.5 million equity commitment agreement with Conversant. The Company made equity draws of \$6.0 million in July 2023 and \$4.0 million in November 2023 against the equity commitment. for \$30.0 million. See "Note 7–Securities Financing" and "Note 15–Subsequent Events."

## 13. Fair Value Measurements

## Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company uses interest rate cap arrangements with financial institutions to manage exposure to interest rate changes for loans that utilize floating interest rates. As of September 30, 2023, March 31, 2024 and December 31, 2023, we had interest rate cap agreements with an aggregate notional value of \$113.0 million and \$138.4 million that were entered into during 2022., respectively. The fair value of these derivative assets as of September 30, 2023, March 31, 2024 and December 31, 2023 was \$1.0 million, \$2.1 million and \$2.1 million, respectively, which was determined using significant observable inputs (Level 2), including quantitative models that utilize multiple market inputs to value the position. The majority of market inputs are actively quoted and can be validated through external sources, including brokers, market transactions, and third-party pricing services.

## Financial Instruments Not Reported at Fair Value

For those financial instruments not carried at fair value, the carrying amount and estimated fair values of our financial assets and liabilities were as follows as of September 30, 2023, March 31, 2024 and December 31, 2023 (in thousands):

|  |  | March 31, 2024     |            | March 31, 2024             |            | December 31, 2023          |  |
|--|--|--------------------|------------|----------------------------|------------|----------------------------|--|
|  |  | Carrying Amount    |            | Carrying Amount Fair Value |            | Carrying Amount Fair Value |  |
|  |  | September 30, 2023 |            | December 31, 2022          |            |                            |  |
| Cash and cash equivalents                    |  | Carrying Amount    | Fair Value | Carrying Amount            | Fair Value |                            |  |
| Cash and cash equivalents                    |  |                    |            |                            |            |                            |  |
| Cash and cash equivalents                    | Cash and cash equivalents                    | \$ 3,562           | \$ 3,562   | \$ 16,913                  | \$ 16,913  |                            |  |
| Restricted cash                              | Restricted cash                              | 17,590             | \$ 17,590  | 13,829                     | 13,829     |                            |  |
| Notes payable, excluding deferred loan costs | Notes payable, excluding deferred loan costs | \$634,240          | \$511,450  | \$676,298                  | \$638,485  |                            |  |

We believe the carrying amount of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable, and accrued expenses approximate fair value due to their short-term nature.

The fair value of notes payable, excluding deferred loan costs, is estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements, which represent Level 2 inputs as defined in ASC 820, *Fair Value Measurement*.

#### **Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

The Company adjusts the carrying amount of certain non-financial assets to fair value on a non-recurring basis when they are impaired. There were no impairment losses for the **ninethree** months ended **September 30, 2022**.

During the three **March 31, 2024** and **nine months ended September 30, 2023**, the Company recorded non-cash impairment charges of \$6.0 million to "Property and equipment, net." The fair value of the impaired assets was \$7.3 million as of September 30, 2023. The fair value of the property and equipment, net was primarily determined utilizing the income approach considering stabilized facility operating income, a discount rate of 8.5%, and market capitalization rates of 7.5%, **2023**.

#### **14. Derivatives and Hedging**

The Company uses derivatives as part of its overall strategy to manage our exposure to market risks associated with the fluctuations in interest rates. We are also required to enter into interest rate derivative instruments in compliance with certain debt agreements. We do not enter into derivative financial instruments for trading or speculative purposes.

On March 1, 2022, the Company entered into an interest rate cap transaction for an aggregate notional amount of \$50.3 million to reduce exposure to interest rate fluctuations associated with **certain a portion of our its** variable mortgage notes payable. The interest rate cap agreement **has had** a 24-month term and effectively **caps capped** LIBOR at 4.00% from March 1, 2022 through March 1, 2024 with respect to such floating rate indebtedness. **LIBOR rates were no longer available after June 30, 2023, and, as a result, this derivative instrument has transitioned to the SOFR rate.** In the event **LIBOR SOFR** is less than the capped rate, we will pay interest at the lower **LIBOR rate plus the applicable margin. SOFR rate.** In the event **LIBOR SOFR** is higher than the capped rate, we will **only** pay interest at the capped rate of 4.00% plus the

applicable margin. The interest rate cap is not designated as a cash flow hedge under ASC 815-20, *Derivatives - Hedging*, and therefore, all changes in the fair value of the instrument are **captured included** as a component of interest expense in our condensed consolidated statements of operations. See "**Note 15-Subsequent Events**" regarding the **Company's replacement derivative instrument purchased during April 2024.**

On **November 30, 2022 December 1, 2023**, in order to comply with the lender's requirements under the Ally Bank **Refinance Facility, loan agreements,** the Company entered into a SOFR-based interest rate cap transaction for an aggregate notional amount of \$88.1 million at a cost of \$2.4 million. The interest rate cap agreement **expires on November 30, 2023 has a 12-month term** and effectively caps the interest rate **at 2.25% with respect to the portion of the SOFR**

portion of our floating rate indebtedness. On February 2, 2024, as part of the Ally Bank debt Term Loan expansion, the Company entered into a SOFR-based interest rate cap transaction for an aggregate notional amount of \$24.8 million at 2.25% a cost of \$0.6 million. See “[Note 6—Notes Payable](#).” The interest rate cap is not designated as a hedge under ASC 815-20, “Derivatives -- Hedging,” and therefore, all changes in the fair value of the instrument are included as a component of interest expense in our condensed consolidated statements of operations.

As of September 30, 2023, all of our variable-rate debt obligations were covered by interest rate cap transactions.

The following table presents the fair values of derivative assets and liabilities in the condensed consolidated balance sheets (in thousands):

|                                 |                                | March 31, 2024     |                 | March 31, 2024       |                      |
|---------------------------------|--------------------------------|--------------------|-----------------|----------------------|----------------------|
|                                 |                                | Derivative Asset   |                 | Derivative Asset     | Derivative Liability |
|                                 |                                | Notional Amount    | Notional Amount | Fair Value           | Fair Value           |
|                                 |                                | September 30, 2023 |                 |                      |                      |
|                                 |                                | Derivative Asset   |                 | Derivative Liability |                      |
|                                 |                                | Notional Amount    | Fair Value      | Notional Amount      | Fair Value           |
| Interest rate cap (LIBOR-based) |                                | \$ 50,260          | \$ 342          | \$ —                 | \$ —                 |
| Interest rate cap (SOFR-based)  |                                |                    |                 |                      |                      |
| Interest rate cap (SOFR-based)  |                                |                    |                 |                      |                      |
| Interest rate cap (SOFR-based)  | Interest rate cap (SOFR-based) | 88,125             | 684             | —                    | —                    |
| Total derivatives, net          | Total derivatives, net         | \$138,385          | \$1,026         | \$ —                 | \$ —                 |
|                                 |                                | December 31, 2023  |                 | December 31, 2023    |                      |
|                                 |                                | Derivative Asset   |                 | Derivative Asset     | Derivative Liability |

| Notional Amount                 |                                | Notional Amount   |            | Fair Value           | Notional Amount | Fair Value |
|---------------------------------|--------------------------------|-------------------|------------|----------------------|-----------------|------------|
|                                 |                                | December 31, 2022 |            |                      |                 |            |
|                                 |                                | Derivative Asset  |            | Derivative Liability |                 |            |
|                                 |                                | Notional Amount   | Fair Value | Notional Amount      | Fair Value      |            |
| Interest rate cap (LIBOR-based) |                                | \$ 50,260         | \$ 542     | \$ —                 | \$ —            |            |
| Interest rate cap (SOFR-based)  |                                |                   |            |                      |                 |            |
| Interest rate cap (SOFR-based)  |                                |                   |            |                      |                 |            |
| Interest rate cap (SOFR-based)  | Interest rate cap (SOFR-based) | 88,125            | 2,180      | —                    | —               |            |
| Total derivatives, net          | Total derivatives, net         | \$138,385         | \$2,722    | \$ —                 | \$ —            |            |

The following table presents the effect of the derivative instruments on the condensed consolidated statements of operations (in thousands):

| Three months ended March 31,       |  |  | 2024 | 2024 | 2023 |
|------------------------------------|--|--|------|------|------|
| Three months ended March 31,       |  |  |      |      |      |
| Three months ended March 31,       |  |  |      |      |      |
| 2024                               |  |  |      |      |      |
| Derivative not designated as hedge |  |  |      |      |      |
| Interest rate cap                  |  |  |      |      |      |

Interest rate  
cap

Interest rate  
cap

Loss on  
derivatives  
not  
designated  
as hedges  
included in  
interest  
expense

Loss on  
derivatives  
not  
designated  
as hedges  
included in  
interest  
expense

Loss on  
derivatives  
not  
designated  
as hedges  
included in  
interest  
expense

| Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|-------------------------------------|------|------------------------------------|------|
| 2023                                | 2022 | 2023                               | 2022 |

Derivative  
not  
designated  
as hedge  
Interest rate  
cap



(Gain) loss  
on  
derivatives  
not  
designated  
as hedges  
included in  
interest  
expense      \$    (855) \$251   \$1,978   \$206

## 15. Subsequent Events

### *Fannie Mae Loan Modification At-the Market Equity Offerings*

On April 1, 2024, the Company entered into an At-the-Market Issuance Sales Agreement (the “ATM Sales Agreement”) with Mizuho Securities USA LLC, who is acting as the sole sales agent (the “Agent”). Pursuant to the ATM Sales Agreement, the Company may sell, at its option, shares of its common stock up to an aggregate offering price of \$75,000,000 (the “Shares”) through the Agent. Sales of the Shares made pursuant to the ATM Sales Agreement, if any, will be made under the Company’s Registration Statement on Form S-3 filed with the SEC on May 1, 2023 (File No. 333-271545), which includes a base prospectus and was declared effective on May 9, 2023 (the “Registration Statement”), and the prospectus supplement dated April 1, 2024 relating to the offering and filed with the SEC on April 1, 2024 (the “Prospectus Supplement”), in each case, as may be amended or supplemented from time to time.

Subject to the terms and conditions of the ATM Sales Agreement, the Company may propose that the Agent place Shares pursuant to the terms set forth in a placement notice (each, a “Transaction”). The Agent may sell the Shares, if any, in a Transaction only by methods deemed to be an “at the market offering” as defined in Rule 415 promulgated under the Securities Act, including without limitation sales made directly on The New York Stock Exchange, on any other trading market for the common stock or to or through a market maker. In addition, the Agent may, with the Company’s prior written consent, sell Shares by any other method permitted by law, including negotiated transactions. The Agent will use commercially reasonable efforts consistent with its normal trading and sales practices to sell the Shares in a Transaction in accordance with the terms of the ATM Sales Agreement and any applicable placement notice.

The ATM Sales Agreement provides that the Agent will be entitled to receive a commission of up to 3% of the gross proceeds from the sale of the Shares in a Transaction. Pursuant to the terms of the ATM Sales Agreement, the Company also provided the Agent with customary indemnification and contribution rights. The offering of common stock pursuant to the ATM Sales Agreement will terminate upon the earlier of, among other things, (i) the sale of all of the Shares subject to the ATM Sales Agreement and (ii) the termination of the ATM Sales Agreement by the Company or by the Agent, following delivery of sufficient written notice by the Company or the Agent to the other party. The Company cannot provide any assurances that it will issue any additional Shares pursuant to the ATM Sales Agreement.

The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023. currently anticipates that the net proceeds from the sale of the Shares offered pursuant to the ATM Sales Agreement, if any, will be used for potential acquisition opportunities, capital expenditure projects at the Company’s senior living communities, working capital and other general corporate purposes. See “[Note 6–Notes Payable](#) [Item 6. Exhibits.](#)”

### *Equity Commitment Draw and Principal Payments*

Subsequent to September 30, 2023, On April 5, 2024, the Company elected sold 382,000 shares pursuant to draw down an additional \$4.0 the ATM Sales Agreement at \$27.50 per share for net proceeds of \$10.3 million, inclusive of the Equity Commitment \$0.2 million in October, which was received on November 1, 2023. commissions paid to its Agent. The Company issued 400,000 cannot provide any assurances that it will issue any additional shares of common stock pursuant to Conversant on November 1, 2023, the ATM Sales Agreement.

### *Employee Retention Credit Derivative Purchase*

During April 2024, the Company entered into an interest rate cap transaction for an aggregate notional amount of \$49.2 million for \$1.1 million to reduce exposure to interest rate fluctuations associated with a portion of our variable mortgage notes payable to Fannie Mae. The interest rate cap has 24-month term and effectively caps SOFR at 4.00% from April 1, 2024 through April 1, 2026 with respect to such floating rate indebtedness. In the event SOFR is less than the capped rate, we will pay interest at the lower SOFR rate. In the event SOFR is higher than the capped rate, we will pay interest at the capped rate of 4.00% plus the applicable margin. The Company filed is funding an IRC reserve for an ERC with a replacement IRC which is held by the Internal Revenue Service after September 30, 2023. The ERC is a tax credit for businesses that had employees and were affected during the COVID-19 pandemic. lender.

### *Macedonia Acquisition*

In April 2024, the Company entered into an asset purchase agreement to acquire a community located in Macedonia, Ohio and all in-place leases for a purchase price totaling \$10.7 million that closed on May 9, 2024. In conjunction with the closing, the Company entered into a mortgage loan totaling \$9.4 million. The Company also entered into a SOFR-based interest rate cap to reduce exposure to the variable interest rate fluctuations associated with the new mortgage. The total cost of the IRC was \$0.2 million and has an aggregate notional amount of \$9.4 million. The IRC has a 24-month term and effectively caps SOFR at 6.00% from May 9, 2024 through May 1, 2026 with respect to such floating rate indebtedness.

### *Management Agreement Letter of Intent*

During March 2024, the Company received a Non-Binding Letter of Intent from a public Real Estate Investment Trust in which the Company would manage three properties in exchange for a management fee. The transition of the three properties is anticipated to occur on June 1, 2024. The completion of this potential transaction is subject to several conditions, including the completion of satisfactory due diligence and the negotiation and execution of definitive management agreements. Accordingly, there can be no assurance that this potential transaction will be completed upon the terms or dates contemplated, if at all.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help provide an understanding of our business and results of operations. This MD&A should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This report, including the following MD&A, contains forward-looking statements

regarding future events or trends that should be read in conjunction with the risks, uncertainties and other factors described under “Cautionary Note Regarding Forward-Looking Statements” above in this Quarterly Report on Form 10-Q and “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** filed with the SEC on **March 30, 2023** **March 27, 2024**, or “2022 Annual Report,” as well as “[Item. 1A. Risk Factors](#)” in this Quarterly Report on Form 10-Q. Actual results may differ materially from those projected in such statements as a result of such risks, uncertainties and other factors. Unless otherwise specified or where the context otherwise requires, references in this Report to “our,” “we,” “us,” “Sonida”, the “Company” and “our business” refer to Sonida Senior Living, Inc., together with its consolidated subsidiaries.

## Overview

The following discussion and analysis addresses (i) the Company’s results of operations for the three **and nine** months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, and (ii) liquidity and capital resources of the Company.

The Company is one of the leading owner-operators of senior housing communities in the United States. The Company’s operating strategy is to provide value to its senior living residents by providing quality senior living services at reasonable prices, while achieving and sustaining a strong, competitive position within its geographically concentrated regions, as well as continuing to enhance the performance of its operations. The Company generally provides senior living services to the 75+ population, including independent living, assisted living, and memory care services at reasonable prices. Many of the Company’s communities offer a continuum of care to meet each of their resident’s needs as they change over time. This continuum of care, which integrates independent living, assisted living, and memory care that may be bridged by home care through independent home care agencies, sustains our residents’ autonomy and independence based on their physical and mental abilities.

As of **September 30, 2023** **March 31, 2024**, the Company operated 71 senior housing communities in 18 states with an aggregate capacity of approximately 8,000 residents, including 61 owned senior housing communities and 10 communities that **we manage on behalf of third parties**.

## COVID-19 Pandemic

The United States broadly continues to recover from the pandemic caused by COVID-19, which significantly disrupted the nation’s economy, the senior living industry, and the Company’s business. The COVID-19 pandemic caused a decline in the occupancy levels at the Company’s communities, which negatively impacted the Company’s revenues and operating results, that depend significantly on such occupancy levels. In an effort to protect its residents and employees and slow the spread of COVID-19 and in response to quarantines, shelter-in-place orders and other limitations imposed by federal, state and local governments, the Company had previously restricted or limited access to its communities, including limitations on in-person prospective resident tours and, in certain cases, new resident admissions. As of September 30, 2023, all of the Company’s senior living communities were open for new resident move-ins. Although vaccines are now widely available, we cannot predict the duration of the ongoing impact of the pandemic on our business. If the COVID-19 pandemic worsens, including the transmission of highly contagious variants of the COVID-19 virus, the Company may have to impose or revert to restricted or limited access to its communities. **third-party manages.**

The COVID-19 pandemic has required the Company to incur additional operating costs and expenses in order to implement enhanced infection control protocols and otherwise care for its residents, including increased costs and expenses relating to supplies and personal protective equipment, testing of the

Company's residents and employees, labor and specialized disinfecting and cleaning services, which has increased the costs of caring for the residents and resulted in reduced occupancy at such communities.

The Company received approximately \$9.1 million in the nine months ended September 30, 2022 through grants from the Public Health and Social Services Emergency Fund's (the "Provider Relief Fund") Phase 4 General Distribution which was expanded by the CARES Act to provide grants or other funding mechanism to eligible healthcare providers for healthcare-related or lost revenues attributable to COVID-19. For the three and nine months ended September 30, 2023, the Company received approximately \$0.5 million and \$2.9 million, respectively, in various relief funds received from state departments due to financial distress impacts of COVID-19 ("State Relief Funds"). For the nine months ended September 30, 2022, the Company received approximately \$1.2 million, in various State Relief Funds. The Company received no State Relief Funds for the three months ended September 30, 2022. While we intend to pursue additional funding that may become available, there can be no assurances that we will qualify for, or receive, any additional relief funds in the future.

We cannot, at this time, predict with reasonable certainty the continued impact that the COVID-19 pandemic will ultimately have on our business, results of operations, cash flow and liquidity, and our response efforts may delay or negatively impact our strategic initiatives, including plans for future growth.

### **Going Concern Uncertainty and Related Strategic Cash-Preservation Initiatives**

We have taken, and continue to take, actions to improve our liquidity position and to address the uncertainty about our ability to continue as a going concern, but these actions are subject to a number of assumptions, projections, and analyses. If these assumptions prove to be incorrect, we may be unsuccessful in executing our business plans or achieving the projected results, which could adversely impact our financial results and liquidity. Those plans include various cost-cutting, efficiency and profitability initiatives. There are no assurances such plans will prove to be successful or the cost savings, profitability or other results we achieve through those plans will be consistent with our expectations. As a result, our results of operations, financial position and liquidity could be negatively impacted. In particular, if we are unable to extend or refinance our indebtedness prior to scheduled maturity dates, our liquidity and financial condition could be adversely impacted. Even if we are able to extend or refinance such indebtedness, the terms of the new financing may not be as favorable to us as the terms of the existing financing. If we become insolvent or fail to continue as a going concern, our common stock may become worthless.

Accounting Standards Codification ("ASC") 205-40, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern," requires an evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within 12 months after the date the financial statements are issued. Initially, this evaluation does not consider the potential mitigating effect of management's plans that have not been fully implemented. When substantial doubt exists, management evaluates the mitigating effect of its plans to determine if it is probable that (1) the plans will be effectively implemented within one year after the date the financial statements are issued, and (2) when implemented, the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

In complying with the requirements under ASC 205-40 to complete an evaluation without considering mitigating factors, the Company considered several conditions or events including: (1) the current inflationary environment and financial

results; (2) recurring and non-recurring scheduled principal and interest payments due in the next 12 months; (3) recurring operating losses; (4) the Company's working capital deficit; and (5) events of non-compliance with certain of our mortgage agreements, as noted in "[Note 6—Notes Payable](#)." The above conditions raise substantial doubt about the Company's ability to continue as a going concern for the 12-month period following the date the September 30, 2023 financial statements are issued.

As discussed below, the Company has implemented plans that encompass short-term cash preservation initiatives to provide the Company with adequate liquidity to meet its obligations for at least the 12-month period following the date its September 30, 2023 financial statements are issued, in addition to creating sustained cash flow generation thereafter. The Company's primary sources of near- and medium-term liquidity are expected to be (1) net cash generated from operations; (2) debt modifications, refinancings and extensions to the extent available on acceptable terms; and (3) equity issuances pursuant but not limited to the equity commitment agreement defined and described below.

### *Strategic and Cash Preservation Initiatives*

The Company has taken the following actions, among others, to improve its liquidity position and to address uncertainty about its ability to continue as a going concern:

- Upon its management team transition in September 2022, the Company promptly implemented new strategic and operational plans to accelerate margin recovery, including the following:
  - Design and execution of a comprehensive resident rate review program to align revenues with the significant increase in the operating cost environment.
  - Implementation of a global purchasing organization function to leverage scaled purchasing to lower unit operating costs.
  - Use of several internally developed and external programs to provide alternative mitigants to a challenging labor environment.
- We have adopted a comprehensive cash optimization strategy aimed at improving working capital management.
- In June 2023, the Company entered into a forbearance agreement ("Fannie Forbearance" and "Fannie Forbearance Agreement") with the Federal National Mortgage Association ("Fannie Mae"), pursuant to which, among other things, the Company and Fannie Mae structured a loan modification agreement with terms identical to those contained within the Fannie Forbearance that significantly reduces debt service payments, improves working capital, and extends loan maturities. The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023. Concurrent with the Fannie Mae Forbearance Agreement, the Company executed a second amendment to its Refinance Facility and Second Amended and Restated Limited Payment Guaranty with Ally Bank, which, among other things, temporarily reduced the minimum

liquidity covenant under such Refinance Facility for a period of 18 months, subject to certain conditions set forth therein. See “[Note 6 – Notes Payable](#)” for more information about these agreements and transactions.

- In June 2023, the Company entered into a \$13.5 million equity commitment agreement with the Conversant Investors at the Company's right, but not the obligation.
- Through recently integrated systems and revised process workflows, the Company has implemented additional proactive spending reductions, including reduced discretionary spending and more stringent, return-based capital spending.
- The Company received approximately \$0.5 million in various state grants during the quarter ended September 30, 2023 and \$2.9 million for the nine months ended September 30, 2023.
- Under the terms of the A&R Investment Agreement, the Company may request additional investments from Conversant Dallas Parkway (A) LP and Conversant Dallas Parkway (B) LP, (together “Conversant” or the “Conversant Investors”) in shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) (up to an aggregate amount equal to \$25.0 million) that can be used for future investment in accretive capital expenditures and acquisitions, subject to certain conditions.
- The Company filed for an employee retention credit (“ERC”) with the Internal Revenue Service after September 30, 2023. The ERC is a tax credit for businesses that had employees that were affected during the COVID-19 pandemic.

While the Company's plans are designed to provide it with adequate liquidity to meet its obligations for at least the 12-month period following the date its financial statements are issued, the remediation plan is dependent on conditions and matters that may be outside of the Company's control, and no assurances can be given that certain options will be available on terms acceptable to the Company, or at all. Accordingly, management could not conclude that it was probable that the plans will mitigate the relevant conditions or events that raise substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the 12-month period following the date the financial statements are issued. As such, the accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets and their carrying amounts, or the amount and classification of liabilities that may result should the Company be unable to continue as a going concern.

## Significant Financial and Operational Highlights

### Operations



The Company derives its revenue primarily by providing senior living and healthcare services to seniors. During the three months ended September 30, 2023 March 31, 2024, the Company generated resident revenue of approximately \$59.1 million \$60.7 million compared to resident revenue of approximately \$52.5 million in \$56.6 million during the three months ended September 30, 2022 March 31, 2023, representing an increase of 12.6% 7.3%. The increase in revenue was primarily due to increased occupancy and increased average rent rates. During the nine months ended September 30, 2023, the Company generated resident revenue of approximately \$172.7 million compared to approximately \$155.3 million during the nine months ended September 30, 2022, representing an increase of 11.2%. The increase in revenue was primarily due to increased occupancy, increased average rent rates, and the acquisition of two new communities in early 2022.

Weighted average occupancy for the three months ended September 30, 2023 March 31, 2024 and 2022 for the communities owned by the Company was 84.9% and 83.4%, respectively, reflecting continued occupancy recovery following the onset of the COVID-19 pandemic. The average monthly rental rate for these communities for the quarter ended September 30, 2023 was 11.7% higher as compared to the quarter ended September 30, 2022.

Weighted average occupancy for the nine months ended September 30, 2023 and 2022 for the communities owned by the Company was 84.2% 85.9% and 82.6% 83.9%, respectively, reflecting continued occupancy recovery. The average monthly rental rate for the nine months ended September 30, 2023 was 9.4% higher when compared to the nine months ended September 30, 2022.

During the three and nine months ended September 30, March 31, 2024 was 5.9% higher as compared to the three months ended March 31, 2023.

### **Management Services**

The Company has property management agreements with affiliates of Ventas, Inc. (collectively, "Ventas") pursuant to which the Company manages certain communities for Ventas, and Ventas pays the Company a management fee based on gross revenues of the applicable communities, as well as an incentive management fee, and other customary terms and conditions. The Company managed ten communities on behalf of Ventas during the three months ended March 31, 2024 and 2023.

### **Protective Life Insurance Company Loan Repurchase Agreement and Ally Term Loan Expansion**

We entered into an agreement with Protective Life Insurance Company ("Protective") pursuant to which, subject to the terms and conditions set forth therein, the Company agreed to purchase the outstanding indebtedness it owed to Protective for a purchase price of \$40.2 million (plus the reimbursement of certain amounts advanced to the Company by Protective). On February 2, 2024, the Company continued to be impacted completed the purchase of the total outstanding principal balance of \$74.4 million from Protective that was secured by seven of the senior living industry's workforce challenges related to limited staff availability, which required the use of overtime, shift bonuses and contract labor to properly support our Company's senior living communities and residents. (such transaction, the "Protective Life Loan Purchase"). The Protective Life Loan Purchase was funded by expanding the Company's existing loan facility with Ally Bank

("Ally") by \$24.8 million and the remainder was funded by proceeds from the 2024 Private Placement described below. The Protective Life Loan Purchase and Ally financing closed on February 2, 2024, reduced notes payable by \$49.6 million, and resulted in a gain on debt extinguishment totaling \$38.1 million. The Company incurred deferred loan

costs of \$0.5 million as part of the Ally financing that will be amortized over the loan term. As part of the agreement with Ally, the Company expanded its current interest rate cap to include the additional borrowing at a cost of \$0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the Protective Life Loan Purchase.

### ***Increase in Authorized Shares of Common Stock***

On March 21, 2024, following receipt of stockholder approval at the Special Meeting of the Company's stockholders held on March 21, 2024, the Company filed an amendment to the Company's Amended and Restated Certificate of Incorporation, as amended, with the Delaware Secretary of State to increase the number of authorized shares of the Company's common stock from 15,000,000 shares to 30,000,000 shares (the "Stockholder Approval"). The charter amendment became effective upon filing.

### ***2024 Private Placement Transaction***

On February 1, 2024, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP and several other shareholders (together, the "Investors"), pursuant to which the Investors agreed to purchase from the Company, and the Company agreed to sell to the Investors, in a private placement transaction (the "2024 Private Placement") pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), an aggregate of 5,026,318 shares of the Company's common stock at a price of \$9.50 per share.

The 2024 Private Placement occurred in two tranches. The first tranche occurred on February 1, 2024, at which time 3,350,878 shares of common stock were issued and sold to the Investors for a total of approximately \$31.8 million. The second tranche occurred on March 22, 2024, at which time 1,675,440 shares of common stock were issued and sold to the Investors for a total of approximately \$15.9 million. The second tranche occurred following receipt of the Stockholder Approval. The Company used a portion of the proceeds from the first closing of the 2024 Private Placement to fund a portion of the cash purchase price for the Protective Life Loan Purchase. The Company intends to use the remaining proceeds for ongoing working capital, continued investments in community improvements, potential acquisitions of new communities, broader community programming and general corporate purposes. As of March 22, 2024, the majority of our common stock is held by Conversant Dallas Parkway (A) LP, Conversant Dallas Parkway (B) LP, and Conversant Dallas Parkway (D) LP (together, "Conversant" or the "Conversant Investors").

### ***Other Significant Transactions***

#### ***Fannie Mae Loan Modification***

On June 29, 2023, the Company entered into the Fannie Forbearance with Federal National Mortgage Association ("Fannie Mae") for all 37 of its encumbered communities, effective as of June 1, 2023 ("Fannie Forbearance Effective Date"). Under the Fannie Forbearance, Fannie Mae agreed to forbear on its remedies otherwise available under the community mortgages and Master Credit Facility ("MCF") in connection with reduced debt service payments made by the Company during the forbearance period. In connection with the Fannie Forbearance, the Company made a \$5.0 million principal payment in July 2023. The Fannie Forbearance was the first of a two-step process to modify all existing mortgage loan agreements with Fannie Mae by October 1, 2023 under a proposed loan modification agreement, agreements, as defined in the Fannie Forbearance ("Loan Modification Agreement" Agreements"). Terms outlined in an agreed upon term sheet accompanying the Fannie Forbearance were



included in the Loan Modification Agreements as the final step to modify the various 37 Fannie Mae community mortgages and MCF prior to the expiration of the Fannie Forbearance, which was subsequently extended to October 6, 2023.

The Company entered into Loan Modification Agreements with Fannie Mae on October 2, 2023.

The material terms of the Loan Modification Agreements ~~are~~ **were** as follows:

- Maturities on 18 community mortgages, ranging from July 2024 to December 2026, ~~have been~~ **were** extended to December 2026. The remaining 19 communities under the MCF have existing maturities in ~~December 2028~~ **January 2029**.
- The Company is not required to make scheduled principal payments due under the 18 community mortgages and 19 communities under the MCF through the revised maturity date of December 2026 or 36 months from the Fannie Forbearance Effective Date, respectively.
- The monthly interest rate ~~will be~~ **was** reduced by a 1.5% weighted average on all 37 communities for 12 months from the Fannie Forbearance Effective Date and deferred (the "Fannie Interest Abatement Period"). **On June 1, 2024, the reduced interest rates will expire.**
- The Company is required to make a second principal payment of \$5.0 million with respect to the Fannie Mae debt which is due on June 1, 2024, the one-year anniversary of the Fannie Forbearance Effective Date.
- The Company provided a full corporate guaranty in the amount of ~~\$5~~ **\$5.0** million related to the second principal payment of \$5.0 million (the "Second Payment Guaranty"). This guaranty will fully expire upon payment of the second \$5.0 million principal ~~payment~~ **payment due June 1, 2024**.
- In addition to the Second Payment Guaranty above, the Company also provided a \$10.0 million guaranty (the "Supplemental Fannie Guaranty"). After the expiration of 24 months from the Fannie Forbearance Effective Date,

Sonida may discharge the full amount of the Supplemental Fannie Guaranty by making a \$5.0 million principal payment to Fannie Mae on its community mortgages and/or its MCF.

- In the first twelve months following the effective date of the Loan Modification Agreements, the Company is required to escrow 50% of Net Cash Flow less Debt Service (as defined in the Fannie mortgages and MCF) on an aggregate basis over all 37 Fannie Mae communities. The excess cash flow will be deposited into a lender-controlled capital expenditure reserve on a monthly basis to support the re-investment into certain communities, as mutually determined by the Company and Fannie Mae. The Company will be able to draw down such amounts on qualifying projects as the capital expenditures are incurred.

The Company **has** determined that the Fannie loan modification **is was** a troubled debt restructuring where the total cash outflows exceed the current carrying value of the debt. **The Company incurred restructuring** Restructuring costs of **\$0.7 million in related to the nine months ended September 30, 2023.** These costs **Loan Modification Agreements** are included in deferred loan costs **and are being amortized over the lives of the Fannie Mae loans.**

### **Transactions Involving Certain Fannie Mae Loans**

During 2020, the Company initiated a process to transfer the operations and ownership of 18 properties to Fannie Mae. In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of \$36.3 million for the gain on debt extinguishments for the three months ended March 31, 2023. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure was complete.

### **2024 Ally Loan Amendment**

On February 2, 2024, the Company expanded the existing loan facility with Ally by \$24.8 million to partially fund the Protective Life Loan Purchase. The Company incurred deferred loan costs of \$0.5 million **as part of September 30, 2023 and** the Ally financing that will be amortized over the **new lives** loan term. As part of the **Fannie Mae loans.** agreement with Ally, the Company expanded its current interest rate cap to include the additional loan obligation at a cost of \$0.6 million. The expanded Ally debt facility is secured by six of the Company's senior living communities involved in the Protective Life Loan Purchase.

**Other Significant Transactions** Some terms with Ally on the expanded loan facility include: delayed draws will not be available until successful syndication of the loan, a payroll tax reserve account was established, and certain financial covenant requirements were updated.

### **2023 Ally Loan Amendment**

On June 29, 2023, and concurrent with the Fannie Forbearance, **Sonida** **we** executed **a second an** amendment ("2023 Ally Amendment") to **its Refinance Facility** the Ally term loan agreement ("Ally Term Loan" or "Ally Term Loan Agreement") and an amended guaranty ("Second Amended **and Restated Limited Payment** Ally Guaranty") with Ally Bank with terms as follows:

- With respect to the Second Amended **and Restated Limited Payment** Ally Guaranty, Ally will grant **Sonida, the Company,** as Guarantor, a waiver ("Limited Payment Guaranty Waiver" or "Waiver") of the **Liquid Assets liquid assets** minimum requirement of \$13.0 million for a 12-month period. On July 1, 2024, a new **Liquid Assets Threshold liquid assets threshold** of \$7.0 million will be effective, with such threshold increasing \$1.0 million per month through the earlier of the release of the Waiver period or December 31, 2024.
- During the Waiver period, a new and temporary **Liquid Assets liquid assets** minimum threshold ("Limited Payment Guaranty Waiver Minimum Threshold") will be established. The Limited Payment Guaranty Waiver Minimum Threshold is **\$6.0**

\$6.0 million and is measured weekly. If breached, the “Excess Cash Flow Sweep” is triggered and all excess cash from the communities collateralizing the Ally Term Loan will be swept into an “Equity Cure Fund”, as defined in the Ally Term Loan Agreement. As provided for in the 2023 Ally Amendment, the Excess Cash Flow Sweep, if triggered, will cease upon the achievement of meeting or exceeding the Limited Payment Guaranty Waiver Minimum Threshold for four consecutive weeks. Consistent with the Ally Term Loan, all amounts held in escrow (i.e., Debt Service Escrow and IRC Reserve) will be included and combined with the Company’s unrestricted cash for purposes of measurement against the Limited Payment Guaranty Waiver Minimum Threshold.

- During the Waiver period, the Company cannot avail itself to (1) its two potential \$5.0 million draw-downs, (2) the release of its Debt Service Escrow Account and Waiver Principal Reserve Account (defined below), or (3) its interest rate margin reduction, all otherwise provided for in the Ally Term Loan, subject to achievement of certain financial performance metrics as more fully described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.
- During the Waiver period, Ally will collect the equivalent of the monthly Ally Term Loan principal payment (as provided for in the Ally Term Loan Agreement) of approximately \$117,000 through an Ally controlled escrow (“Waiver Principal Reserve Account”).
- Upon meeting the Ally Term Loan’s Liquid Assets Threshold of \$13.0 million, \$13.0 million, the Company may elect to remove the Waiver, with initial terms in the Ally Term Loan applicable again, except as described further below.
- Sonida is In July 2023, we were required to fund \$2.3 million to an interest rate cap reserve (“IRC Reserve”) held by Ally, which represents represented the quoted cost of a one-year interest rate cap on the full \$88.1 million notional value of the Ally Term Loan at a 2.25% SOFR strike rate. The valuation date used for pricing On December 1, 2023, the Company entered into a new SOFR-based interest rate cap is November 30, 2023, the date on which the current transaction for an aggregate notional amount of \$88.1 million at a cost of \$2.4 million. The interest rate cap expires. At each month-end subsequent to agreement has a 12-month term and caps the effective date of the Ally Amendment and through its next required annual floating interest rate cap purchase under the portion of our indebtedness with Ally Term Loan, Sonida is required to fund an additional IRC Reserve amount such that the then estimated interest rate cap cost is fully escrowed. An additional \$0.1 million was funded to the IRC Reserve during the three months ended September 30, 2023 Bank at 2.25%. Until the terms of the Limited Payment Guaranty Waiver have expired or have been met and elected at the Company’s discretion, the IRC Reserve is required to be replenished to its replacement cost.
- To the extent either the Second Payment Guaranty or Supplemental Fannie Guaranty have not been discharged, any uncured monetary event of default under the Fannie Forbearance will constitute a cross default under the 2023 Ally Amendment, resulting in the immediate trigger of a full excess cash flow sweep for

the communities collateralizing the Ally Term Loan as well as additional performance and liquidity reporting requirements.

- Subsequent to the Waiver period, all funds in the Waiver Principal Reserve Account as well as any funds swept into the Equity Cure Fund will be released to the Company.
- In consideration for the terms contemplated in the Ally Amendment and upon execution of the same, Sonida paid Ally an Amendment Fee of \$0.1 million, which is included in deferred loan costs as of September 30, 2023 and will be amortized over the life of the Ally Term Loan.

#### Conversant Equity Commitment

In connection with the Fannie Forbearance and Ally Amendment signed on June 29, 2023, the Company entered into a \$13.5 million equity commitment agreement ("Equity Commitment") with Conversant Investors for a term of 18 months. The Equity Commitment had a commitment fee of \$675,000 payable through the issuance of 67,500 shares of common stock of the Company. The commitment fee shares were issued to Conversant on June 29, 2023. Sonida has the right, but not the obligation, to utilize Conversant's equity commitment and may draw on the commitment in whole or in part. The Company made an equity draw in July 2023 of \$6.0 million and issued 600,000 shares of common stock to Conversant. The Company used \$5.0 million of the proceeds to make principal payments on two of its Fannie Mae loan balances. Subsequent to September 30, 2023, the Company elected to draw down an additional \$4.0 million of the Equity Commitment in October which was received on November 1, 2023. The Company issued 400,000 shares of common stock to Conversant on November 1, 2023.

The foregoing description of the Fannie Forbearance, the 2023 Ally Amendment, Second Amended Ally Guaranty, and Restated Limited Payment Guaranty, the Loan Modification Agreements and Equity Commitment and the transactions contemplated thereby do not purport to be complete and are subject to, and qualified in their entirety by, the full text of the Fannie Forbearance, the 2023 Ally Amendment and Second Amended and Restated Limited Payment Ally Guaranty and Equity Commitment, which are filed as Exhibits 10.1, 10.2, 10.3 10.21, 10.22 and 10.6, 10.23, respectively, and the Loan Modification Agreements, which are filed as Exhibits 10.4 10.24 and 10.5 10.25 to this Quarterly the Company's Annual Report on Form 10-Q. See "Item 6. Exhibits 10-K filed with the SEC on March 27, 2024."

#### 2022 Ally Loan Mortgage Refinance Conversant Equity Commitment

In March 2022, the Company completed the refinancing of certain existing mortgage debt ("Refinance Facility") for ten of its communities. The Refinance Facility includes an initial term loan of \$80.0 million. In addition, \$10.0 million is available as delayed loans that can be borrowed upon achieving and maintaining certain financial covenant requirements and up to an additional uncommitted \$40.0 million may be available to fund future growth initiatives. In addition, the Company provided a limited payment guaranty. In conjunction connection with the Refinance Facility, the Company incurred costs of \$2.2 million in March 2022. These costs, net of amortization of \$0.7 million, are included in deferred loan costs as of September 30, 2023.

On December 13, 2022, the Company amended the Refinance Facility with Fannie Forbearance and 2023 Ally Bank by adding two additional subsidiaries of the Company as borrowers and mortgaging their communities. The amendment increased the principal by \$8.1 million to \$88.1 million. In conjunction with the amendment, the Company incurred costs

of approximately \$0.2 million in December 2022 that are included in deferred loan costs as of September 30, 2023 and will be deferred and amortized over the remaining life of the term loan.

The Refinance Facility requires the financial performance of the twelve communities to meet certain financial covenants, including a minimum debt service coverage ratio and a minimum debt yield (as defined in the Loan Agreement) with a first measurement date as of June 30, 2022 and quarterly measurement dates thereafter. As of September 30, 2023, Amendment signed on June 29, 2023, we were in compliance with the financial covenants. We can provide no assurance that any financial covenants will be met in the future.

The Refinance Facility required the Company to purchase and maintain an interest rate cap facility during the term of the Refinance Facility. To comply with the lender's requirement, the Company entered into an interest rate cap a \$13.5 million equity commitment agreement ("Equity Commitment") with Conversant for an aggregate notional amount a term of \$88.1 million 18 months. Sonida has the right, but not the obligation, to utilize Conversant's equity commitment and may draw on the commitment in November 2022. See "Note 6–Notes Payable" whole or in the Notes to Condensed Consolidated Financial Statements.

### **2020 Foreclosure Proceedings on Fannie Mae Loans (18 properties)**

The Coronavirus Aid, Relief and Economic Security ("CARES") Act, among other things, permitted borrowers with mortgages from Government Sponsored Enterprises who experienced a financial hardship related part, subject to the COVID-19 pandemic to obtain forbearance terms and conditions therein and applicable laws and regulations. As of their loans for up to 90 days. During 2020, March 31, 2024, the Company entered into several loan forbearance agreements had \$3.5 million remaining under its Equity Commitment with Fannie Mae. In July 2020, the Company elected not to pay \$3.8 million on Conversant, and the loans for 18 properties as of that date as it initiated a process intended to transfer the operations and ownership of such properties to Fannie Mae. Therefore, the Company was Equity Commitment is in default on such loans.

As a result of the events of default and receivership order obtained by Fannie Mae, the Company discontinued recognizing revenues and expenses related to the 18 properties effective August 1, 2020, which was the date of default. In addition, the Company concluded that it was no longer entitled to receive any existing accounts receivable or revenue related to the properties, that all amounts held in escrow by Fannie Mae were forfeited, and that the Company no longer had control of the properties in accordance with GAAP. Accordingly, the Company derecognized the net carrying value of the properties and related assets from the financial statements and recorded a loss from the forbearance. The Company continued to recognize the related debt and liabilities until the debt was formally released. Once the debts were formally released, the net carrying value of the debts were derecognized and a gain on extinguishment of debt was recognized. As of December 31, 2022, Fannie Mae had completed the transition of legal ownership of 16 of the Company's properties.

In January 2023, the Company received notice that the foreclosure sales conducted by Fannie Mae had successfully transitioned the remaining two properties to new owners. This event relieved the Company of the existing Fannie Mae debt relating to the two properties. Accordingly, the Company recognized a total of \$36.3 million for the gain on debt extinguishments for the nine months ended September 30, 2023 effect through December 31, 2024. With the transition of these two remaining properties, the 18 total Fannie Mae properties' foreclosure that commenced in 2020 was complete.

## **Protective Life Insurance Company Non-recourse Mortgages**

During 2023, the Company elected to not make principal and interest payments due under certain non-recourse mortgage loan agreements with Protective Life Insurance Company ("Protective Life"). As of September 30, 2023 there are three communities with an aggregate outstanding principal amount as of \$55.8 million that are in default. The Company has presented the total amount due on these three communities as current notes payable on the condensed consolidated balance sheets.

In August 2023, Protective Life sold three different mortgages that were not in default to other lenders. The total outstanding debt balance for the mortgages sold as of September 30, 2023 was \$43.2 million.

## **Application of Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. For a discussion of our critical accounting policies and estimates, please refer to our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. There have been no significant changes to our critical accounting policies since **December 31, 2022** **December 31, 2023**.

### *Recent Accounting Guidance Adopted*

See "[Note 3—Summary of Significant Accounting Policies](#)" in the Notes to Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements and our assessment of any expected impact of these pronouncements, if known.

## **Results of Operations**

**Three months ended September 30, 2023** **March 31, 2024** as compared to three months ended **September 30, 2022** **March 31, 2023**

### **Revenues**

Resident revenue for the three months ended **September 30, 2023** **March 31, 2024** was **\$59.1 million** **\$60.7 million** as compared to **\$52.5 million** **\$56.6 million** for the three months ended **September 30, 2022** **March 31, 2023**, an increase of **\$6.6 million** **\$4.1 million**, or **12.6%** **7.3%**. The increase in revenue was primarily due to increased occupancy and increased average rent rates.

**Managed community reimbursement revenue for** For the three months ended **March 31, 2023**, the Company received approximately \$2.0 million in various relief funds received from state departments due to financial distress impacts of COVID-19 ("State Relief Funds"). For the three months ended **September 30, 2023** was \$5.0 million as compared to **\$7.7 million** for **March 31, 2024**, the **three months ended September 30, 2022**, representing a decrease of \$2.7 million. The decrease was primarily a result of managing fewer communities in 2023. **Company received no State Relief Funds.**

### **Expenses**



Operating expenses for the three months ended September 30, 2023 March 31, 2024 were \$44.5 million\$46.3 million as compared to \$43.1 million\$43.8 million for the three months ended September 30, 2022 March 31, 2023, representing an increase of \$1.4 million\$2.5 million, or 5.7%.3.2%. The increase is primarily due to a \$2.2 million increase in In our consolidated community portfolio, the labor and employee-related expenses and a \$0.3 million increase in computer software/ internet costs, partially offset by a reduction in real estate taxes component of \$0.4 million and \$0.7 million in other expenses.our operating expense increased approximately \$2.5 million period-over-period.

General and administrative expenses for the three months ended September 30, 2023 March 31, 2024 were \$8.6 million\$7.2 million as compared to \$5.9 million\$7.1 million for the three months ended September 30, 2022 March 31, 2023, representing an increase of \$2.7 million\$0.1 million. This The increase is was primarily due to a \$1.4 million result of an increase in transaction costs due to our loan modification labor and a \$1.2 million increase employee related expenses of \$0.6 million, partially offset by decreases in stock-based compensation expense as a result of prior quarter forfeiture credits in connection with executive personnel changes. \$0.3 million and other expenses of \$0.2 million.

During Interest expense for the three months ended September 30, 2023, the Company recorded a non-cash impairment charge of \$6.0 million related to one owned community as a result of recurring net operating losses. There were no impairments on long-lived assets during the three months ended September 30, 2022.

Managed community reimbursement expense for the three months ended September 30, 2023 March 31, 2024 was \$5.0 million\$8.6 million as compared to \$7.7 million\$8.9 million for the three months ended September 30, 2022 March 31, 2023, representing a decrease of \$2.7 million. The decrease was primarily a result of \$0.3 million primarmanaging fewer communities in 2023.

Interest expense for the three months ended September 30, 2023 was \$9.0 million as compared to \$8.2 million for the three months ended September 30, 2022, representing a increase of \$0.8 million primarily ily due to the change in our derivative assets, and the additional interest expense on the two Indiana communities financed reduced debt balances during December 2022.

### ***Nine months ended September 30, 2023 as compared to nine months ended September 30, 2022***

#### **Revenues**

Resident revenue for the nine months ended September 30, 2023 was \$172.7 million as compared to \$155.3 million for the nine months ended September 30, 2022, 2024.an increase of \$17.4 million, or 11.2%. The increase in revenue was primarily due to increased occupancy and increased average rent rates.

Managed community reimbursement revenue for the nine months ended September 30, 2023 was \$15.3 million as compared to \$21.8 million for the nine months ended September 30, 2022, representing a decrease of \$6.5 million. The decrease was primarily a result of managing fewer communities in 2023.

#### **Expenses**

Operating expenses for the nine months ended September 30, 2023 were \$133.0 million as compared to \$126.6 million for the nine months ended September 30, 2022, an increase of \$6.4 million, or 5.1%. The increase is primarily due to a \$5.8 million increase in labor and employee-related expenses, a \$0.4 million increase in service contracts, a \$0.8

million increase in computer software/ internet costs, partially offset by a \$0.6 million decrease in food costs and a \$0.2 million decrease in real estate taxes.

General and administrative expenses for the nine months ended September 30, 2023 were \$22.3 million as compared to \$23.6 million for the nine months ended September 30, 2022, representing a decrease of \$1.3 million. This decrease is primarily due to a \$1.9 million decrease in recurring general and administrative expenses and a \$1.3 million decrease in stock-based compensation expense as a result of prior year forfeiture credits in connection with executive personnel changes. Partially offsetting the decrease in general and administrative expense is \$1.9 million related to transaction costs associated with our 2023 loan modifications.

During the nine months ended September 30, 2023, the Company recorded a non-cash impairment charge of \$6.0 million related to one owned community as a result of recurring net operating losses. There were no impairments on long-lived assets during the nine months ended September 30, 2022.

Managed community reimbursement expense for the nine months ended September 30, 2023 was \$15.3 million as compared to \$21.8 million for the nine months ended September 30, 2022, representing a decrease of \$6.5 million. The decrease was primarily a result of managing fewer communities in 2023.

Interest expense for the nine months ended September 30, 2023 was \$26.4 million as compared to \$23.7 million for the nine months ended September 30, 2022, representing an increase of \$2.7 million primarily due to increased interest rates associated with the Company's variable rate mortgages and the additional interest expense on the two Indiana communities financed during December 2022.

Gain on extinguishment of debt for the ~~ninethree~~ months ended ~~September 30, 2023~~ March 31, 2024 was ~~\$36.3 million~~ \$38.1 million. The gain relates to the derecognition of notes payable and liabilities as a result of the Protective Life Loan Purchase. Gain on extinguishment of debt for the ~~threemonths~~ ended March 31, 2023 was \$36.3 million and related to the derecognition of notes payable and liabilities as a result of the transition of legal ownership of two communities to Fannie Mae, the holder of the related non-recourse debt. ~~Loss on extinguishment~~

Other expense for the three months ended March 31, 2024 was \$0.5 million as compared to other income of debt \$0.2 million for the ~~nine~~ ~~threemonths~~ ended ~~September 30, 2022~~ was March 31, 2023. For the ~~\$0.6 million~~ three months ended March 31, 2024, other expense is primarily related to transaction costs incurred as a result of the 2022 debt refinancing.

Other income for ~~Ally Term Loan expansion and~~ the ~~nine months ended September 30, 2022~~ was \$8.7 million and includes cash received for CARES Act funding for healthcare-related expenses or lost revenues attributable to COVID-19. ~~Protective Life Loan Purchase.~~

## Liquidity and Capital Resources

In ~~addition~~ ~~addition~~ to ~~approximately \$3.6 million~~ ~~\$24.2 million~~ of unrestricted cash balances on hand as of ~~September 30, 2023~~ ~~March 31, 2024~~, our future liquidity will depend in part upon our operating performance, which will be affected by prevailing economic conditions, including those related to the COVID-19 pandemic, and financial, business and other factors, some of which are beyond our control. Principal sources of liquidity are expected to be cash flows from operations, proceeds from ~~equity offerings~~, ~~proceeds from~~ debt refinancings or loan modifications, ~~proceeds from the~~



issuance of common or preferred stock (including under the Equity Commitment Agreement), COVID-19 or related relief grants from various state agencies, and/or and proceeds from the sale of owned assets. In June During 2023, we entered into loan modifications with Fannie Mae, an amendment with Ally Bank, including a revised Limited Payment Guaranty, and an Equity Commitment with Conversant. During the first quarter of 2024, we completed the 2024 Private Placement pursuant to which we issued and sold an aggregate of 5,026,318 shares of our common stock to several of our shareholders for gross cash proceeds of approximately \$47.8 million, which enabled us to purchase all of the Company's debt then outstanding with Protective Life at a substantial discount, as well as fund future working capital and growth initiatives. Additional financing of \$24.8 million for the debt purchase was provided by Ally Bank through an expansion of the Company's existing Ally Bank term loan. On April 1, 2024, the Company entered into the Fannie Forbearance, the Ally Amendment, Second Amended and Restated Limited Payment Guaranty, and the Equity Commitment At-the-Market Issuance Sales Agreement as disclosed above. In October 2023, (the "ATM Sales Agreement") with Mizuho Securities USA LLC, whereby the Company entered into Loan Modification Agreements with Fannie Mae. may sell, at its option, shares of its common stock up to an aggregate offering price of \$75,000,000. These transactions are expected to provide additional financial flexibility to the Company us and increase its our liquidity position. In March 2022, the Company completed the refinancing of certain existing mortgage debt, which was amended in December 2022 and June 2023. See "[Note 6—Notes Payable](#)," "[Note 7—Securities Financing](#)," and "[Note 15—Subsequent Events](#)" in the Notes to Condensed Consolidated Financial Statements.

In February 2024, in order to comply with Ally term loan requirements, the Company expanded its SOFR-based interest rate cap for an aggregate notional amount of \$24.8 million at a cost of \$0.6 million. The interest rate cap agreement has a 12-month term and caps the floating interest rate portion of our indebtedness with Ally Bank at 2.25%. As of December 31, 2023, the entire balance of our outstanding variable-rate debt obligations were covered by our interest rate caps to better manage our exposure to market risks associated with the fluctuations in interest rates.

During 2023, the Company's liquidity conditions, including operating losses and net working capital deficit, raised substantial doubt about the Company's ability to continue as a going concern. As a result of increases in occupancy, increases in rental rates and completion of the 2024 Private Placement and Protective Life Loan Purchase, the Company has implemented plans, which include strategic and cash-preservation initiatives, designed to provide substantially improved its liquidity position. In addition, net proceeds of \$10.3 million was raised in April 2024 through our ATM Sales Agreement. These transactions have increased cash on hand significantly. Based on these events, the Company with concluded it has adequate liquidity cash to meet its obligations for at least the 12-month period following the date its third quarter 2023 financial statements are issued. While the Company's plans are designed to provide it with adequate liquidity to meet its obligations for at least the 12-month period following the date its financial statements are issued, the remediation plan is dependent on conditions and matters that may be outside of the Company's control, and no assurance can be given that certain options will be available on terms acceptable to the Company, or at all. If the Company is unable to successfully execute all of the planned initiatives or if the plan does not fully mitigate the Company's liquidity challenges, the Company's operating plans and resulting cash flows along with its cash and cash equivalents and other sources of liquidity may not be sufficient to fund operations as they become due for the 12-month period following the date the March 31, 2024 financial statements are issued. See "[Note 2—Going Concern Uncertainty](#)" in the Notes to Condensed Consolidated Financial Statements.

The Company, from time to time, considers and evaluates financial and capital raising transactions related to its portfolio, including debt refinancings, purchases and sales of assets, equity financings offerings and other transactions. There can be no assurance that the Company will continue to generate cash flows at or above current levels, or that

the Company will be able to obtain the capital necessary to meet the Company's short- and long-term capital requirements.

Recent changes in the current economic environment, and other future changes, could result in decreases in the fair value of assets, slowing of transactions, and the tightening of liquidity and credit markets. These impacts could make securing debt or refinancings for the Company or buyers of the Company's properties more difficult or on terms not acceptable to the Company. The Company's actual liquidity and capital funding requirements depend on numerous factors, including its operating results, its capital expenditures for community investment, and general economic conditions, as well as other factors described in "Item 1A. Risk Factors" of our 2022 2023 Annual Report. Report on Form 10-K filed with the SEC on March 27, 2024.

In summary, the Company's cash flows were as follows (in thousands):

|   | Nine months ended September 30, |             |
|---|---------------------------------|-------------|
|   | 2023                            | 2022        |
| Net cash provided by operating activities | 10,643                          | 2,903       |
| Net cash used in investing activities     | (12,792)                        | (30,659)    |
| Net cash used in financing activities     | (7,441)                         | (24,304)    |
| Decrease in cash and cash equivalents     | \$ (9,590)                      | \$ (52,060) |

|  | Three months ended March 31, |            |            |
|--|------------------------------|------------|------------|
|  | 2024                         | 2023       | \$ Change  |
| Net cash provided by (used in) operating activities                  | \$ (4,105)                   | \$ 3,249   | \$ (7,354) |
| Net cash used in investing activities                                | (5,131)                      | (5,086)    | (45)       |
| Net cash provided by (used in) financing activities                  | 29,149                       | (3,759)    | 32,908     |
| Increase (decrease) in cash and cash equivalents and restricted cash | \$ 19,913                    | \$ (5,596) | \$ 25,509  |

### Operating activities

Net cash used in operating activities for the three months ended March 31, 2024 was \$4.1 million as compared to net cash provided by operating activities of \$3.2 million for the nine three months ended September 30, 2023 was \$10.6 million as compared to \$2.9 million for the nine months ended September 30, 2022, an increase March 31, 2023. The change of \$7.7 million. Changes between the periods are \$7.4 million is primarily due to the increase in income settlement of accounts payable and accrued expenses from operations. Additionally, we received grants the proceeds of \$2.9 million in the nine 2024 Private Placement, and to a lesser extent, timing of accounts receivable collections during the three months ended September 30, 2023 from state departments due to financial distress impacts of COVID-19, as compared to \$1.2 million in the nine months ended September 30, 2022 March 31, 2024. During the nine months ended September 30, 2022, the Company received \$9.1 million in Provider Relief Funds from the Federal Government due to financial distress impacts of COVID-19.

### Investing activities

Net cash used in investing activities was \$12.8 million \$5.1 million in the nine three months ended September 30, 2023 due to \$14.2 million of capital expenditures, offset by \$1.4 million from the proceeds from sale of fixed assets. Net cash used in investing activities was \$30.7 million March 31, 2024 for the nine months ended September 30, 2022 primarily due to the acquisition of two new communities for \$12.3 million and \$18.3 million due to results from ongoing capital improvements and refurbishments at existing communities. the Company's senior housing communities of \$5.7 million, offset by \$0.6 million from the proceeds from the sale of an unencumbered land parcel in January 2024. Net cash used in investing activities of \$5.1 million for the three months ended March 31, 2023 is primarily the result of ongoing capital improvements and refurbishments at the Company's senior housing communities of \$5.4 million, partially offset by \$0.3 million from the proceeds from the sale of an unencumbered land parcel in March 2023.

### **Financing activities**

Net cash used in provided by financing activities for the nine three months ended September 30, 2023 March 31, 2024 was \$7.4 million \$29.1 million primarily due to net proceeds from the issuance of common stock of \$47.6 million and proceeds of \$24.8 million from notes payable, partially offset by repayments of notes payable of \$12.5 million and deferred financing costs paid of \$0.8 million, partially offset by proceeds of \$6.0 million from our equity draw. \$42.0 million. The net cash used in financing activities for the nine three months ended September 30, 2022 March 31, 2023 was \$24.3 million \$3.8 million primarily due to repayments of of notes payable and deferred financing costs paid, net of proceeds from notes payable of \$20.7 million, related to our 2022 debt refinancing payable. and \$3.0 million of dividends paid to Series A Preferred Stockholders.

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

Not applicable.

### **Item 4. Controls and Procedures**

#### **Effectiveness of Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to the Company's management, including the CEO and CFO as appropriate, to allow timely decisions regarding required disclosure.

Based upon the controls evaluation, procedures evaluation and the material weakness described in our Annual Report on Form 10-K, which was filed with the SEC on March 30, 2023 March 27, 2024, the Company's CEO and CFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures are ineffective.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's fiscal quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Remediation Plan

As disclosed in our 2022 2023 Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which was filed with the SEC on March 30, 2023 March 27, 2024, we identified a material weakness in our internal control over financial reporting. Due to challenges in hiring and maintaining necessary accounting staffing levels, this material weakness reporting, which has not been remediated as of September 30, 2023 March 31, 2024, as disclosed above.

We have developed and initiated a plan for remediation of the material weakness, including developing and maintaining appropriate management review and process level controls. We will continue to monitor the effectiveness of our remediation measures in connection with our future assessments of the effectiveness of internal control over financial reporting and disclosure controls and procedures, and we will make any changes to the design of our plan and take such other actions that we

deem appropriate given the circumstances. Based on the current remediation plan, we expect to have implemented the remediation process, including developing and maintaining appropriate management review and process level controls, by the end of the fourth quarter of 2023 2024. Control weaknesses are not considered remediated until new internal controls have been operational for a period of time, are tested, and management concludes that these controls are operating effectively.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company has claims incurred in the normal course of its business. Most of these claims are believed by management to be covered by insurance, subject to normal reservations of rights by the insurance companies and possibly subject to certain exclusions in the applicable insurance policies. Whether or not covered by insurance, these claims, in the opinion of management, based on advice of legal counsel, should not have a material effect on the condensed consolidated financial statements of the Company if determined adversely to the Company.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

The following information is provided pursuant to Item 703 of Regulation S-K. The information set forth in the table below reflects the common stock purchased by the Company for the quarter ended September 30, 2023 March 31,

2024:

| Period  | Total<br>Number<br>of Shares<br>Purchased<br>(1) | Average<br>Price Paid<br>per Share | Total Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Program | Approximate<br>Dollar Value of<br>Shares that<br>May<br>Yet Be<br>Purchased<br>Under the<br>Program |
|---|--|------------------------------------|---|---|
| July January 1 – July 31, 2023 January 31, 2024       | —  | —                                  | —   | — 6,570,222   |
| August February 1 – August 31, 2023 February 29, 2024 | —  | —                                  | —   | — 6,570,222   |
| September March 1 – September 30, 2023 March 31, 2024 | —  | —                                  | —   | — 6,570,222   |

(1) Does not include shares withheld to satisfy tax liabilities due upon the vesting of restricted stock, all of which have been reported in Form 4 filings relating to the Company. The average price paid per share for such share withholding is based on the closing price per share on the vesting date of the restricted stock or, if such date is not a trading day, the trading day immediately prior to such vesting date.

On January 22, 2009, the Company's Board approved a share repurchase program that authorized the Company to purchase up to \$10.0 million of the Company's common stock. On January 14, 2016, the Company announced that its Board approved a continuation of the share repurchase program. The repurchase program does not obligate the Company to acquire any particular amount of common stock and the share repurchase authorization has no stated expiration date. All shares that have been acquired by the Company under this program were purchased in open-market transactions. The Company may evaluate whether to acquire additional shares of common stock under this program at its discretion, discretion and subject to applicable laws and regulations.

### Item 3. Defaults upon Senior Securities

As of September 30, 2023, the Company was in default for non-compliance on its required debt service payments under non-recourse mortgage loan agreements with Protective Life for three communities. As of September 30, 2023, we had an aggregate outstanding principal amount of \$55.8 million outstanding under such loan agreements. Not applicable.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

Not applicable.

## Item 6. Exhibits

The following documents are filed as a part of this report. Those exhibits previously filed and incorporated herein by reference are identified below. Exhibits not required for this report have been omitted.

| Exhibit Number | Description   |
|----------------|---|
| 3.1            | <a href="#">Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Registration Statement No. 333-33379 on Form S-1/A filed by the Company with the Securities and Exchange Commission on September 8, 1997.)</a>  |
| 3.1.1          | <a href="#">Amendment to Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, filed by the Company with the Securities and Exchange Commission.)</a>              |
| 3.1.2          | <a href="#">Second Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on December 14, 2020.)</a>   |
| 3.1.3          | <a href="#">Third Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 4, 2021.)</a>   |
| 3.1.4          | <a href="#">Fourth Amendment to Amended and Restated Certificate of Incorporation of the Registrant (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 10, 2021.)</a>   |
| 3.1.5          | <a href="#">Fifth Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Sonida Senior Living, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on June 16, 2023.)</a>  |
| 3.1.6          | <a href="#">Sixth Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Sonida Senior Living, Inc. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 22, 2024.)</a> |
| 3.2            | <a href="#">Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company on Form 8-K with the Securities and Exchange Commission on March 8, 2013.)</a>   |
| 3.2.1          | <a href="#">Amendment to the Second Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 10, 2021.)</a>   |
| 3.2.2          | <a href="#">Second Amendment to the Second Amended and Restated Bylaws of Registrant. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 10, 2021.)</a>   |



- [reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on March 27, 2024.](#))
- 3.3 [Certificate of Designation, Rights and Privileges of Series A Convertible Preferred Stock, par value \\$0.01, of the Company \(Incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on November 4, 2021.\)](#)
- 10.1 [Forbearance At-The-Market Issuance Sales Agreement, among Fannie Mae, dated April 1, 2024, by and between Sonida Senior Living, Inc. and affiliated borrower entities Mizuho Securities USA LLC. \(Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on April 1, 2024.\)](#)
- 10.2 [Securities Purchase Agreement, dated June 29, 2023 as of February 1, 2024, by and between Sonida Senior Living, Inc., Conversant Dallas Parkway \(A\) LP, Conversant Dallas Parkway \(B\) LP, Silk Partners, LP, PF Investors, LLC, Solas Capital Partners, LP, Solas Capital Partners II, LP, Blackwell Partners LLC - Series A, and Paul J. Isaac. \(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 5, 2023 February 6, 2024.\)](#)
- 10.2 [Second Amendment to and Waiver Under Term Loan Agreement among Ally Bank, Sonida Senior Living, Inc. and affiliated borrower entities dated June 29, 2023 \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 5, 2023.\)](#)
- 10.3 [Second Amended and Restated Limited Payment Guaranty by Sonida Senior Living, Inc. in favor of Ally Bank dated June 29, 2023 \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 5, 2023.\)](#)
- 10.4 [Waiver and Third Amendment to Master Credit Facility Agreement among Sonida Senior Living, Inc., Berkadia Commercial Mortgage LLC, Fannie Mae and affiliated borrower entities dated September 29, 2023 \(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on October 6, 2023.\)](#)
- 10.5 [\[Form of\] Waiver and \[First\] Amendment to Multifamily Loan and Security Agreement by and among, Sonida Senior Living, Inc., \[Berkadia Commercial Mortgage LLC\], \[Wells Fargo Bank, National Association\], Fannie Mae and affiliated borrower entities dated September 29, 2023 \(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on October 6, 2023.\)](#)
- 10.6 [Equity Commitment Agreement among Conversant Dallas Parkway \(A\) LP, Conversant Dallas Parkway \(B\) LP and Sonida Senior Living, Inc. dated June 29, 2023 \(Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 5, 2023.\)](#)
- 31.1\* [Certification of Principal Executive Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\)](#)

- 31.2\* [Certification of Principal Financial Officer required by Rule 13a-14\(a\) or Rule 15d-14\(a\)](#)
- 32.1\* [Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 32.2\* [Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)
- 101\* The following materials from the Company's Quarterly Report on Form 10-Q for the **nine** **three** months ended **September 30, 2023** **March 31, 2024** formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Statements of Operations, (ii) the Condensed Consolidated Balance Sheets, (iii) the Condensed Consolidated Statements of Cash Flows, (iv) the Condensed Consolidated Statements of Shareholders' Equity (Deficit) and (v) related notes.
- 104\* Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

## SIGNATURES

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

Sonida Senior Living, Inc  
(Registrant)

By: /s/ BRANDON M. RIBAR

Brandon M. Ribar

President, **and** Chief Executive Officer **and Director**

(Principal Executive Officer)

Date: **November 14, 2023** **May 10, 2024**

By: /s/ KEVIN J. DETZ

Kevin J. Detz

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Date: **November 14, 2023** **May 10, 2024**

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## SONIDA SENIOR LIVING, INC.

## CERTIFICATIONS

I, Brandon M. Ribar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonida Senior Living, Inc. ("Registrant");
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 we 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 controls 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 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 function):
  - 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.

/s/ BRANDON M. RIBAR

Brandon M. Ribar

President and Chief Executive Officer

(Principal Executive Officer)

November 14, 2023 May 10, 2024

**EXHIBIT 31.2**

**SONIDA SENIOR LIVING, INC.**

**CERTIFICATIONS**

I, Kevin J. Detz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sonida Senior Living, Inc. ("Registrant");
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 we 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 controls 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 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 function):

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.

/s/ KEVIN J. DETZ

Kevin J. Detz

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

November 14, 2023 May 10, 2024

## EXHIBIT 32.1

### Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report of Sonida Senior Living, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brandon M. Ribar, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ BRANDON M. RIBAR

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Brandon M. Ribar

President and Chief Executive Officer

(Principal Executive Officer)

November 14, 2023 May 10, 2024

## EXHIBIT 32.2

### Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report of Sonida Senior Living, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin J. Detz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ KEVIN J. DETZ

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Kevin J. Detz

Executive Vice President and Chief Financial  
Officer

(Principal Financial Officer)

November 14, 2023 May 10, 2024

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