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DELTA REPORT

10-Q

RHE PR A - REGIONAL HEALTH PROPERTIE
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

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| TOTAL DELTAS | 512 |
| CHANGES | 173 |
| DELETIONS | 120 |
| ADDITIONS | 219 |

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 March 31, June 30, 2024

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

For the transition period from to

Commission File Number 001-33135

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

Georgia
(State or other jurisdiction
of incorporation)

81-5166048
(I.R.S. Employer
Identification Number)

1050 Crown Pointe Parkway, Suite 720, Atlanta, GA 30338
(Address of principal executive offices)
(678) 869-5116
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

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

As of **May 13, 2024** **August 09, 2024** the registrant had **1,839,028** **1,904,028** shares of common stock, no par value, outstanding.

Regional Health Properties, Inc.

Form 10-Q

Table of Contents

| | Page Number |
|--|----------------|
| Part I. FINANCIAL INFORMATION | |
| Item 1. Financial Statements (unaudited) | 3 |
| Consolidated Balance Sheets as of March 31, 2024 June 30, 2024 and December 31, 2023 | 3 |
| Consolidated Statements of Operations for the three and six and months ended March 31, 2024 June 30, 2024 and 2023 | 4 |
| Consolidated Statements of Stockholders' Equity (Deficit) for the three and six and months ended March 31, 2024 June 30, 2024 and 2023 | 5 |
| Consolidated Statements of Cash Flows for the three six months ended March 31, 2024 June 30, 2024 and 2023 | 6 |
| Notes to Consolidated Financial Statements | 8 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 23 25 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 30 34 |
| Item 4. Controls and Procedures | 30 34 |
| Part II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 30 34 |
| Item 1A. Risk Factors | 30 34 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 30 35 |
| Item 3. Defaults upon Senior Securities | 31 35 |
| Item 4. Mine Safety Disclosures | 31 35 |
| Item 5. Other Information | 31 36 |
| Item 6. Exhibits | 31 36 |
| Signatures | 33 38 |

Part I. Financial Information

Item 1. Financial Statements

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in 000's)

| | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| | (Unaudited) | |
| <u>ASSETS</u> | | |
| Property and equipment, net | \$ 44,885 | \$ 45,337 |
| Cash | 752 | 953 |
| Restricted cash | 3,223 | 3,231 |
| Accounts receivable, net of allowances of \$2,056 and \$2,040 | 1,464 | 1,403 |
| Prepaid expenses and other | 410 | 609 |
| Notes receivable | 1,034 | 1,044 |
| Intangible assets - bed licenses | 2,471 | 2,471 |
| Intangible assets - lease rights, net | 83 | 87 |
| Right-of-use operating lease assets | 2,455 | 2,556 |
| Goodwill | 1,585 | 1,585 |
| Lease deposits and other deposits | 4 | 4 |
| Straight-line rent receivable | 2,859 | 2,901 |
| Total assets | \$ 61,225 | \$ 62,181 |
| <u>LIABILITIES AND EQUITY (DEFICIT)</u> | | |
| Senior debt, net | \$ 43,500 | \$ 43,855 |
| Bonds, net | 5,993 | 5,991 |
| Other debt, net | 516 | 889 |
| Accounts payable | 3,106 | 2,493 |
| Accrued expenses | 4,240 | 4,060 |
| Operating lease obligation | 2,807 | 2,917 |
| Other liabilities | 1,797 | 1,791 |
| Total liabilities | 61,959 | 61,996 |
| Stockholders' equity (deficit): | | |
| Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,850 shares issued and 1,839 shares outstanding at March 31, 2024 and December 31, 2023 | 63,102 | 63,059 |
| Preferred stock, no par value; 5,000 shares authorized (including amounts authorized for Series A and Series B); shares issued and outstanding designated as follows: | | |
| Preferred stock, Series A, no par value; 560 shares authorized, issued and outstanding at March 31, 2024 and December 31, 2023, with a redemption amount \$426 at March 31, 2024 and December 31, 2023 | 426 | 426 |
| Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at March 31, 2024 and December 31, 2023, with a redemption amount \$18,602 at March 31, 2024 and December 31, 2023 | 18,602 | 18,602 |
| Accumulated deficit | (82,864) | (81,902) |
| Total stockholders' equity (deficit) | (734) | 185 |
| Total liabilities and stockholders' equity (deficit) | \$ 61,225 | \$ 62,181 |

| | June 30, 2024 | December 31, 2023 |
|---|---------------|-------------------|
| | (Unaudited) | |
| <u>ASSETS</u> | | |
| Property and equipment, net | \$ 39,866 | \$ 40,398 |
| Asset held for sale, net | 4,851 | 4,939 |
| Cash | 679 | 953 |
| Restricted cash | 2,895 | 3,231 |
| Accounts receivable, net of allowances of \$2,082 and \$2,040 | 1,817 | 1,403 |
| Prepaid expenses and other | 894 | 609 |
| Notes receivable | 1,020 | 1,044 |
| Intangible assets - bed licenses | 2,471 | 2,471 |
| Intangible assets - lease rights, net | 77 | 87 |

| | | |
|---|------------------|------------------|
| Right-of-use operating lease assets | 2,352 | 2,556 |
| Goodwill | 1,585 | 1,585 |
| Lease deposits and other deposits | 4 | 4 |
| Straight-line rent receivable | 2,809 | 2,901 |
| Total assets | <u>\$ 61,320</u> | <u>\$ 62,181</u> |
| <u>LIABILITIES AND EQUITY (DEFICIT)</u> | | |
| Senior debt, net | \$ 39,796 | \$ 40,401 |
| Debt related to asset held for sale, net | 3,388 | 3,454 |
| Bonds, net | 5,848 | 5,991 |
| Other debt, net | 1,213 | 889 |
| Accounts payable | 3,615 | 2,493 |
| Accrued expenses | 4,323 | 4,060 |
| Operating lease obligation | 2,693 | 2,917 |
| Other liabilities | 1,861 | 1,791 |
| Total liabilities | <u>62,737</u> | <u>61,996</u> |
| Stockholders' (deficit) equity: | | |
| Common stock and additional paid-in capital, no par value; 55,000 shares authorized; 1,915 shares issued and 1,904 shares outstanding at June 30, 2024; and 1,850 shares issued and 1,839 shares outstanding at December 31, 2023 | 63,125 | 63,059 |
| Preferred stock, no par value; 5,000 shares authorized (including amounts authorized for Series A and Series B); shares issued and outstanding designated as follows: | | |
| Preferred stock, Series A, no par value; 560 shares authorized, issued and outstanding at June 30, 2024 and December 31, 2023, with a redemption amount \$426 at June 30, 2024 and December 31, 2023 | 426 | 426 |
| Preferred stock, Series B, no par value; 2,812 shares authorized; 2,252 shares issued and outstanding at June 30, 2024 and December 31, 2023, with a redemption amount \$18,602 at June 30, 2024 and December 31, 2023 | 18,602 | 18,602 |
| Accumulated deficit | (83,570) | (81,902) |
| Total stockholders' (deficit) equity | <u>(1,417)</u> | <u>185</u> |
| Total liabilities and stockholders' equity (deficit) | <u>\$ 61,320</u> | <u>\$ 62,181</u> |

See accompanying notes to unaudited consolidated financial statements.

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in '000's) '000's, except share and earnings per share amounts)

(Unaudited)

| | Three Months Ended March 31, | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-----------------------|------------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Revenues: | | | | | | |
| Patient care revenues | \$ 2,309 | \$ 1,916 | \$ 2,525 | \$ 2,526 | \$ 4,834 | \$ 4,442 |
| Rental revenues | 1,818 | 1,708 | 1,800 | 1,722 | 3,617 | 3,430 |
| Management fees | — | 278 | — | 247 | — | 525 |
| Other revenues | — | 4 | — | 103 | — | 107 |
| Total revenues | <u>4,127</u> | <u>3,906</u> | <u>4,325</u> | <u>4,598</u> | <u>8,451</u> | <u>8,504</u> |
| Expenses: | | | | | | |

| | | | | | | |
|--|-----------|------------|------------|-----------|------------|------------|
| Patient care expense | 2,101 | 2,321 | 2,183 | 1,969 | 4,283 | 4,290 |
| Facility rent expense | 149 | 149 | 149 | 149 | 297 | 297 |
| Cost of management fees | — | 141 | — | 146 | — | 286 |
| Depreciation and amortization | 511 | 510 | 514 | 702 | 1,025 | 1,212 |
| General and administrative expense | 1,632 | 1,531 | 1,229 | 1,422 | 2,860 | 2,954 |
| Doubtful accounts expense | 28 | 16 | | | | |
| Credit loss expense | 36 | 24 | 65 | 40 | | |
| Total expenses | 4,421 | 4,668 | 4,111 | 4,412 | 8,530 | 9,079 |
| Loss from operations | (294) | (762) | | | | |
| Income (loss) from operations | 214 | 186 | (79) | (575) | | |
| Other expense: | | | | | | |
| Interest expense, net | 674 | 680 | 669 | 679 | 1,344 | 1,359 |
| Other (income) expense, net | (6) | 550 | | | | |
| Other expense, net | 251 | 192 | 245 | 742 | | |
| Total other expense, net | 668 | 1,230 | 920 | 871 | 1,589 | 2,101 |
| Net loss | (962) | (1,992) | \$ (706) | \$ (685) | \$ (1,668) | \$ (2,676) |
| Preferred stock dividends - undeclared | — | (2,249) | | | | |
| Net loss attributable to Regional Health Properties, Inc. common stockholders | \$ (962) | \$ (4,241) | | | | |
| Net loss per share of common stock attributable to Regional Health Properties, Inc. | | | | | | |
| Basic and Diluted | \$ (0.52) | \$ (2.28) | | | | |
| Preferred stock dividends-gain on extinguishment | — | 43,395 | — | 43,395 | | |
| Net income (loss) attributable to Regional Health Properties, Inc. common stockholders | \$ (706) | \$ 42,710 | \$ (1,668) | \$ 40,719 | | |
| Net income (loss) per share of common stock attributable to Regional Health Properties, Inc. | | | | | | |
| Basic: | \$ (0.38) | \$ 22.68 | \$ (0.91) | \$ 21.74 | | |
| Diluted: | \$ (0.38) | \$ 22.68 | \$ (0.91) | \$ 21.73 | | |
| Weighted average shares of common stock outstanding: | | | | | | |
| Basic and Diluted | 1,839 | 1,862 | | | | |
| Basic: | 1,846,885 | 1,883,028 | 1,842,957 | 1,872,636 | | |
| Diluted: | 1,846,885 | 1,883,253 | 1,842,957 | 1,873,489 | | |

See accompanying notes to unaudited consolidated financial statements.

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

| | Shares of Common Stock | Shares of Preferred Stock A | Shares of Preferred Stock B | Shares of Treasury Stock | Common Stock and Additional Capital | Preferred Stock A, no par value | Preferred Stock B, no par value | Accumulated Deficit | Total | Shares of Common Stock Outstanding | Shares of Preferred Stock A | Shares of Preferred Stock B | Shares of Treasury Stock | Common Stock and Additional Capital | Preferred Stock A, no par value | Preferred Stock B, no par value | Accumulated Deficit | Total |
|----------------------------|------------------------|-----------------------------|-----------------------------|--------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------|--------|------------------------------------|-----------------------------|-----------------------------|--------------------------|-------------------------------------|---------------------------------|---------------------------------|---------------------|-------|
| Balance, December 31, 2023 | 1,839 | 560 | 2,252 | (11) | \$ 63,059 | \$ 426 | \$ 18,602 | \$ (81,902) | \$ 185 | | | | | | | | | |

| | | | | | | | | | | | |
|---------------------------|-------|-----|-------|------|-----------|--------|-----------|-------------|------------|-----------|------|
| Balances, | | | | | | | | | | | |
| January 1, 2024 | 1,839 | 560 | 2,252 | (11) | \$ 63,059 | \$ 426 | \$ 18,602 | \$ (81,902) | \$ 185 | | |
| Stock-based compensation | — | — | — | — | 43 | — | — | — | 43 | — | — |
| Net loss | — | — | — | — | — | — | — | (962) | (962) | — | — |
| Balances, | | | | | | | | | | | |
| March 31, 2024 | 1,839 | 560 | 2,252 | (11) | \$ 63,102 | \$ 426 | \$ 18,602 | \$ (82,864) | \$ (734) | 1,839 | 560 |
| Stock-based compensation | — | — | — | — | 23 | — | — | — | 23 | 2,252 | (11) |
| Restricted stock issuance | 65 | — | — | — | — | — | — | — | — | \$ 63,102 | \$ |
| Net loss | — | — | — | — | — | — | — | (706) | (706) | | |
| Balances, June 30, 2024 | 1,904 | 560 | 2,252 | (11) | \$ 63,125 | \$ 426 | \$ 18,602 | \$ (83,570) | \$ (1,417) | | |

| | Shares of Common Stock | Shares of Preferred Stock A | Shares of Preferred Stock B | Shares of Treasury Stock | Common Stock and Additional Paid-in Capital | Preferred Stock A, no par value | Preferred Stock B, no par value | Accumulated Deficit | Total |
|-----------------------------|------------------------------|-----------------------------------|-----------------------------------|--------------------------------|---|---------------------------------------|---------------------------------------|------------------------|----------|
| Balances, December 31, 2022 | 1,784 | 2,812 | — | (9) | \$ 62,702 | \$ 62,423 | \$ — | \$ (121,409) | \$ 3,716 |
| Restricted stock issuance | 99 | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | 81 | — | — | — | 81 |
| Net Loss | — | — | — | — | — | — | — | (1,992) | (1,992) |
| Balances, March 31, 2023 | 1,883 | 2,812 | — | (9) | \$ 62,783 | \$ 62,423 | \$ — | \$ (123,401) | \$ 1,805 |

| | Shares of Common Stock Outstanding | Shares of Preferred Stock A | Shares of Preferred Stock B | Shares of Treasury Stock | Common Stock and Additional Paid-in Capital | Preferred Stock A, no par value | Preferred Stock B, no par value | Accumul ated Deficit | Total |
|--|---|-----------------------------------|-----------------------------------|--------------------------------|---|--|--|----------------------------|----------|
| Balances, January 1, 2023 | | | | | | | | (121,40 | |
| | 1,784 | 2,812 | — | (9) | \$ 62,702 | \$ 62,423 | \$ — | \$ 9) | \$ 3,716 |
| Stock-based compensation | — | — | — | — | 81 | — | — | — | 81 |
| Restricted stock issuance | 99 | — | — | — | — | — | — | — | — |
| Net loss | — | — | — | — | — | — | — | (1,992) | (1,992) |
| Balances, March 31, 2023 | 1,883 | 2,812 | — | (9) | \$ 62,783 | \$ 62,423 | \$ — | \$ 1) | \$ 1,805 |
| Extinguishment of Series A Preferred Stock | — | (2,252) | — | — | — | (61,997) | — | — | (61,997) |
| Exchange of Series A to Series B | — | — | 2,252 | — | — | — | 18,602 | 43,395 | 7 |
| Stock-based compensation | — | — | — | — | 155 | — | — | — | 155 |
| Forfeitures of stock-based awards | — | — | — | (2) | — | — | — | — | — |
| Net loss | — | — | — | — | — | — | — | (685) | (685) |
| Balances, June 30, 2023 | 1,883 | 560 | 2,252 | (11) | \$ 62,938 | \$ 426 | \$ 18,602 | \$ (80,691) | \$ 1,275 |

See accompanying notes to unaudited consolidated financial statements.

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000's)

(Unaudited)

| | Three Months Ended March 31, | | Six Months Ended June 30, | |
|---|------------------------------|------------|---------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cash flows from operating activities: | | | | |
| Net loss | \$ (962) | \$ (1,992) | \$ (1,668) | \$ (2,676) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 511 | 510 | 1,025 | 1,212 |
| Stock-based compensation expense | 43 | 81 | 66 | 236 |
| Rent expense less than cash paid | (9) | (4) | (20) | (11) |
| Rent revenue in excess of cash received | 121 | 26 | (263) | (236) |
| Amortization of deferred financing costs, debt discounts and premiums | 25 | 19 | 37 | 37 |
| Bad debt expense | 28 | 16 | 65 | 40 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (168) | 3,357 | (123) | 3,512 |
| Prepaid expenses and other assets | 209 | 546 | 530 | 797 |
| Accounts payable and accrued expenses | 793 | (107) | 1,383 | (460) |
| Other liabilities | 6 | 145 | 70 | 504 |
| Net cash provided by operating activities | 597 | 2,597 | 1,102 | 2,955 |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment | (55) | (2) | (395) | (854) |
| Net cash used in investing activities | (55) | (2) | (395) | (854) |
| Cash flows from financing activities: | | | | |
| Payment of senior debt | (378) | (322) | (688) | (624) |
| Payment of other debt | (373) | (363) | (612) | (504) |
| Debt extinguishment and issuance costs | (17) | (17) | | |
| Net cash used in financing activities | (751) | (685) | (1,317) | (1,145) |
| Net change in cash and restricted cash | (209) | 1,910 | (610) | 956 |
| Cash and restricted cash, beginning | 4,184 | 3,909 | 4,184 | 3,909 |
| Cash and restricted cash, ending | \$ 3,975 | \$ 5,819 | \$ 3,574 | \$ 4,865 |

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in 000's)

(Unaudited)

| Three Months Ended March 31, | | Six Months Ended June 30, | |
|------------------------------|------|---------------------------|------|
| 2024 | 2023 | 2024 | 2023 |

| | | | | |
|---|----|-----|----|--------|
| Supplemental disclosure of cash flow information: | | | | |
| Cash interest paid | \$ | 677 | \$ | 650 |
| | | | \$ | 1,355 |
| | | | \$ | 1,312 |
| Supplemental disclosure of non-cash activities: | | | | |
| Vendor-financed insurance | \$ | 712 | \$ | 962 |
| Exchange of preferred stock Series A to Series B | \$ | — | \$ | 18,602 |
| Gain on extinguishment of preferred stock | \$ | — | \$ | 43,395 |
| Cavalier Management | \$ | 78 | \$ | — |

See accompanying notes to unaudited consolidated financial statements.

7

REGIONAL HEALTH PROPERTIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, June 30, 2024

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Regional Health Properties, Inc.'s (the "Company" or "Regional Health") predecessor was incorporated in Ohio on August 14, 1991, under the name Passport Retirement, Inc. In 1995, Passport Retirement, Inc. acquired substantially all of the assets and liabilities of AdCare Health Systems, Inc. and changed its name to AdCare Health Systems, Inc. ("AdCare"). AdCare completed its initial public offering in November 2006, relocated its executive offices and accounting operations to Georgia in 2012, and changed its state of incorporation from Ohio to Georgia in December 2013. Regional Health Properties, Inc. is a self-managed real estate investment company that invests primarily in real estate purposed for long-term care and senior housing. The Company's business primarily consists of leasing such facilities to third-party tenants, which operate the facilities. The Company has two primary reporting segments: (i) Real Estate, which consists of the leasing and subleasing of long-term care and senior living facilities to third-party tenants and (ii) Healthcare Services segment, which consists of the operation of the Meadowood and Glenvue facilities. Effective August 3, 2023, the Company's 12.5% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Stock") is quoted on the OTC Markets Group, Inc.'s OTCQB Venture Market under the symbol "RHEPB".

Basis of Presentation

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States ("U.S." of America ("GAAP") generally accepted accounting principles ("GAAP") in accordance for interim financial reporting and with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), instructions to Form 10-Q and Rule 8-03 of Article 8 of Regulation S-X. The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the 2023 audited consolidated financial statements and notes thereto, which are included in the 2023 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on April 1, 2024.

Use of Estimates

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

Reclassifications

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

Revenue Recognition and Allowances

Patient Care Revenue. ASC Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*, requires a company to recognize revenue when the company transfers control of promised goods and services to a customer. Revenue is recognized in an amount that reflects the consideration to which a company expects to receive in exchange for such goods and services. Revenue from our Healthcare Services business segment is derived from services rendered to patients in the Meadowood and Glenvue facilities. The Company receives payments from the following sources for services rendered in our facilities: (i) the federal government under the Medicare program administered by CMS; the Centers for Medicare and Medicaid Services ("CMS"); (ii) state governments under their respective Medicaid and similar programs; (iii) commercial insurers; and (iv)

individual patients and clients. The vast majority (greater than 90%) of the revenue the Company has recognized is from government sources. The Company determines the transaction price based on established billing rates reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and other price concessions. Contractual adjustments and discounts are based on contractual agreements, discount policies and historical experience. **The Company recognizes revenue at the amount that reflects the consideration the Company expects to receive in exchange for the services provided.** These amounts are due from residents or third-party payors and include variable consideration for retroactive adjustments from estimated reimbursements, if any, under reimbursement programs. Performance obligations, such as providing room and board, wound care, intravenous drug therapy, physical therapy, and quality of life activities amongst others, are determined based on the

8

nature of the services provided are determined based

8

on the nature of the services provided. Estimated uncollectible amounts due from patients are generally considered implicit price concessions that are a direct reduction to net patient care revenues.

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

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

Allowances. The Company assesses the collectability of its rent receivables, including straight-line rent receivables and working capital loans to tenants. The Company bases its assessment of the collectability of rent receivables and working capital loans to tenants on several factors, including payment history, the financial strength of the tenant and any guarantors, the value of the underlying collateral, and current economic conditions. If the Company's evaluation of these factors indicates it is probable that the Company will be unable to receive the rent payments or payments on a working capital loan, then the Company provides a reserve against the recognized straight-line rent receivable asset or working capital loan for the portion that we estimate may not be recovered. Payments received on impaired loans are applied against the allowance. If the Company changes its assumptions or estimates regarding the collectability of future rent payments required by a lease or required from a working capital loan to a tenant, then the Company may adjust its reserve to increase or reduce the rental revenue or interest revenue from working capital loans to tenants recognized in the period the Company makes such change in its assumptions or estimates. See Note 67 – *Leases*. The Company has reserved for approximately 1.5% of our patient care receivables based on the historic industry standards and continues to assess the adequacy of such reserve.

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

| (Amounts in 000's) | March 31, | December 31, | | |
|----------------------|-----------|--------------|---------------|-------------------|
| | 2024 | 2023 | June 30, 2024 | December 31, 2023 |
| Gross receivables | | | | |
| Real Estate Services | \$ 656 | \$ 693 | \$ 1,015 | \$ 693 |
| Healthcare Services | 2,864 | 2,750 | 2,884 | 2,750 |
| Subtotal | 3,520 | 3,443 | 3,899 | 3,443 |

| | | | | |
|---------------------------------------|----------|----------|----------|----------|
| Allowance | | | | |
| Real Estate Services | — | — | — | — |
| Healthcare Services | (2,056) | (2,040) | (2,082) | (2,040) |
| Subtotal | (2,056) | (2,040) | (2,082) | (2,040) |
| Accounts receivable, net of allowance | \$ 1,464 | \$ 1,403 | \$ 1,817 | \$ 1,403 |

Assets Held for Sale and Discontinued Operations

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

9

debt related to assets held for sale or sold during the period are classified as debt related to assets held for sale for the current and prior periods presented in the accompanying consolidated financial statements.

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

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

Prepaid Expenses and Other

As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company had approximately \$0.4 0.9 million and \$0.6 million , respectively, in prepaid expenses and other; the \$0.2 0.3 million decrease increase is related to insurance for the Meadowood and Glenvue facility operations, while the other amounts are predominantly for directors' and officers' insurance, NYSE American annual fees, and mortgage insurance premiums.

9

Accounts Payable

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

| (Amounts in 000's) | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|------------------------|-------------------|----------------------|---------------|-------------------|
| Accounts payable | | | | |
| Accounts Payable | | | | |
| Real Estate Services | \$ 1,410 | \$ 751 | \$ 1,862 | \$ 751 |
| Healthcare Services | 1,696 | 1,742 | 1,753 | 1,742 |
| Total Accounts payable | \$ 3,106 | \$ 2,493 | | |

| | | | | |
|------------------------|----|-------|----|-------|
| Total Accounts Payable | \$ | 3,615 | \$ | 2,493 |
|------------------------|----|-------|----|-------|

Other Liabilities

As of March 31, June 30, 2024 and December 31, 2023, the Company had approximately \$1.8 1.9 million and \$1.8 million, respectively in Other liabilities, consisting of security lease deposits and sublease improvement funds.

Other Expense, net

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

Leases and Leasehold Improvements

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

The Company assesses any new contracts or modification of contracts in accordance with ASC 842, Leases, to determine the existence of a lease and its classification. We are reporting revenues and expenses for real estate taxes and insurance where the lessee has not made those payments directly to a third party in accordance with their respective leases with us.

Insurance

We maintain general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles we believe are appropriate, based on the nature and risks of our business, historical experience, availability, and industry standards, including for the operations at the Glenvue and Meadowood facilities. Our current policies provide for deductibles for each claim and contain various exclusions from coverage. The Company has self-insured against professional and general liability claims related to its healthcare operations that were discontinued during 2014 and 2015 in connection with its transition

10

from an owner and operator of healthcare properties to a healthcare property holding and leasing company (the "Transition"). For further information, see Note 11 12 – Commitments and Contingencies, and Note 12 – Commitments and Contingencies, to the consolidated financial statements for the year ended December 31, 2023 for more information. The Company evaluates quarterly the adequacy of its self-insurance reserve based on a number of factors, including: (i) the number of actions pending and the relief sought; (ii) analyses provided by defense counsel, medical experts or other information which comes to light during discovery; (iii) the legal fees and other expenses anticipated to be incurred in defending the actions; (iv) the status and likely success of any mediation or settlement discussions, including estimated settlement amounts and legal fees and other expenses anticipated to be incurred in such settlement, as applicable; and (v) the venues in which the actions have been filed or will be adjudicated. The Company believes that most of the professional and general liability actions are defensible and intends to defend them through final judgment unless settlement is more advantageous to the Company. Accordingly, the self-insurance reserve reflects the Company's estimate of settlement amounts for the pending actions, if applicable, and legal costs of settling or litigating the pending actions, as applicable. Because the self-insurance reserve is based on estimates, the amount of the self-insurance reserve may not be sufficient to cover the settlement amounts actually incurred in settling the pending actions, or the legal costs actually incurred in settling or litigating the pending actions. See Note 7 8 – Accrued Expenses. In addition, the Company maintains certain other insurance programs, including commercial general liability, property, casualty, directors' and officers' liability, crime, and employment practices liability.

10

Net Loss Per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the respective period. Diluted earnings per share is similar to basic net loss per share except that the net loss is adjusted by the impact of the weighted-average number of shares of

common stock outstanding including potentially dilutive securities (such as options, warrants and non-vested common stock) when such securities are not anti-dilutive. Potentially dilutive securities from options, warrants and unvested restricted shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all options and warrants with exercise prices exceeding the average market value are used to repurchase common stock at market value. The incremental shares remaining after the proceeds are exhausted represent the potentially dilutive effect of the securities.

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

| (Share amounts in 000's) | March 31, | | June 30, | |
|--------------------------------|-----------|------|----------|------|
| | 2024 | 2023 | 2024 | 2023 |
| Stock options | 33 | 13 | 33 | 13 |
| Warrants - employee | 32 | 34 | 32 | 32 |
| Warrants - non employee | — | 1 | — | 1 |
| Total anti-dilutive securities | 65 | 48 | 65 | 46 |

The weighted average contractual terms in years for these securities as of March 31, 2024 June 30, 2024, with no intrinsic value, are 6.6 6.4 years for the stock options and 0.8 0.5 years for the warrants.

Recently Adopted Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements (Topic 842)* amendments, which requires entities to determine whether related party arrangements between entities under common control are leases. The amendments also address the accounting treatment of leasehold improvements associated with common control leases. They require the lessee to amortize leasehold improvements over the useful life of the improvements to the common control group, regardless of the lease term, as long as the lessee controls the use of the underlying asset. If the lessee no longer controls the use of the asset, the leasehold improvements are accounted for as a transfer between entities under common control through an adjustment to equity. These improvements are also subject to impairment guidance in Topic 360, Property, Plant, and Equipment. The amendment is effective for public entities beginning after December 15, 2023. The Company adopted ASU 2023-01 effective January 1, 2024. The adoption of ASU-2023-01 did not have a material impact on the Company's consolidated financial statements.

New Accounting Pronouncements Issued But Not Yet Effective

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires a public company to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. A public company with a single reportable segment is required to apply the

11

disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-07.

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

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

11

NOTE 2. LIQUIDITY

Overview

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

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, **cash flows from investing** and debt refinancing during the twelve months following the date of this filing. **The Company has committed to a plan to sell the Mt. Trace Property to increase cash available for operations and future investments.** At **March 31, 2024 June 30, 2024**, the Company had **\$0.8 0.7** million in unrestricted cash and **\$1.5 1.8** million of net accounts receivable, mainly consisting of patient accounts receivable and rent receivables.

During the **three six** months ended **March 31, 2024 June 30, 2024**, the Company's cash provided by operating activities was **\$0.6 1.1** million primarily due to the timing of accounts payable and accrued expense payments. The Company is seeking collection of the past due rent. In addition, management is working to expedite the time it takes to collect and receive aged patient receivables. Cash flow from operations in the future will be based on the operational performance of the facilities under the company's management, Glenvue and Meadowood, **as well as continued uncertainty of the COVID-19 pandemic and its impact on the Company's business, financial condition and results of operations. Meadowood.**

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

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

On June 30, 2023, the Company closed the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Company's 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") for newly issued shares of the Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of **March 31, 2024 June 30, 2024**, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note **9 10** – *Common and Preferred Stock*.

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

Costs associated with these efforts have been expensed as incurred in "Other expense, net" and **were \$0.6 million for the three months ended March 31, 2023, and there were no expenses incurred for the three six months ended March 31, 2024 June 30, 2024 and there were \$0.5 million for the six months ended June 30, 2023.**

12

Series A Preferred Dividend Suspension

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

12

Debt

As of March 31, 2024 June 30, 2024, the Company had \$50.0 50.2 million in indebtedness, net of \$1.0 0.9 million deferred financing costs and \$0.1 million in unamortized discounts. The Company anticipates net principal repayments of approximately \$1.7 2.4 million during the next twelve-month period, approximately \$1.5 1.6 million of routine debt service amortization, and a \$0.1 0.6 million of insurance financing amortization, and \$0.2 million payment of bond debt.

Debt Covenant Compliance

At March 31, 2024 June 30, 2024, the Company was in compliance with the various financial and administrative covenants related to all of under the Company's outstanding credit facilities except for related instruments with the exception of a noticed default under one immaterial non-compliance. When management learned of USDA loan. The Company is working with the non-compliance, USDA lender to get back into compliance with the non-compliance was cured after the balance sheet date. loan documents.

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

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

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

13

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

NOTE 3. CASH AND RESTRICTED CASH

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

| (Amounts in 000's) | March 31, | December 31, | | |
|---|-----------|--------------|---------------|-------------------|
| | 2024 | 2023 | June 30, 2024 | December 31, 2023 |
| Cash | \$ 752 | \$ 953 | \$ 679 | \$ 953 |
| Restricted cash: | | | | |
| Cash collateral | 159 | 159 | \$ 57 | \$ 159 |
| HUD and other replacement reserves | 2,126 | 2,125 | 2,055 | 2,125 |
| Escrow deposits | 621 | 630 | 466 | 630 |
| Restricted investments for debt obligations | 317 | 317 | 317 | 317 |
| Total restricted cash | 3,223 | 3,231 | 2,895 | 3,231 |
| Total cash and restricted cash | \$ 3,975 | \$ 4,184 | \$ 3,574 | \$ 4,184 |

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

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

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

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

13

NOTE 4. PROPERTY AND EQUIPMENT

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

| (Amounts in 000's) | Estimated Useful Lives (Years) | March 31, 2024 | December 31, 2023 | Estimated Useful Lives (Years) | June 30, 2024 | December 31, 2023 |
|--------------------------------|--------------------------------------|-------------------|----------------------|--------------------------------------|---------------|-------------------|
| | | | | | | |
| Buildings and improvements | 5-40 | \$ 64,466 | \$ 64,447 | 5-40 | \$ 59,914 | \$ 59,508 |
| Equipment and computer related | 2-10 | 1,095 | 1,187 | 2-10 | 1,124 | 1,187 |
| Land ⁽¹⁾ | — | 2,774 | 2,774 | — | 2,774 | 2,774 |
| Property and equipment | | 68,335 | 68,408 | | 63,812 | 63,469 |
| Less: accumulated depreciation | | (23,450) | (23,071) | | (23,946) | (23,071) |
| Property and equipment, net | | \$ 44,885 | \$ 45,337 | | \$ 39,866 | \$ 40,398 |

⁽¹⁾ Includes \$0.1 million of land improvements with an average estimated useful remaining life of approximately 6.1 4.5 years as of March 31, 2024 June 30, 2024.

The following table summarizes total depreciation and amortization expense three and six and months ended March 31, 2024 June 30, 2024 and 2023:

| (Amounts in 000's) | Three Months Ended March 31, | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------|--------|-----------------------------|--------|---------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Depreciation | \$ 403 | \$ 400 | \$ 406 | \$ 593 | \$ 809 | \$ 993 |
| Amortization | 108 | 110 | 108 | 109 | 216 | 219 |
| Total depreciation and amortization expense | \$ 511 | \$ 510 | \$ 514 | \$ 702 | \$ 1,025 | \$ 1,212 |

14

NOTE 5. ASSETS HELD FOR SALE

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

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

NOTE 6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and Goodwill consist of the following:

| (Amounts in 000's) | Bed licenses (included in property and equipment) ⁽¹⁾ | | | | | Bed licenses (included in property and equipment) ⁽¹⁾ | | | | |
|-----------------------------|---|-----------------|--------|-------------------------|----------|---|-----------------|--------|-------------------------|----------|
| | Bed Licenses - Separable ⁽²⁾ | Lease Rights | Total | Goodwill ⁽²⁾ | | Bed Licenses - Separable ⁽²⁾ | Lease Rights | Total | Goodwill ⁽²⁾ | |
| Balances, December 31, 2023 | | | | | | | | | | |
| Gross | \$ 14,276 | \$ 2,471 | \$ 176 | \$ 16,923 | \$ 1,585 | \$ 14,276 | \$ 2,471 | \$ 176 | \$ 16,923 | \$ 1,585 |
| Accumulated amortization | (4,997) | — | (89) | (5,086) | — | (4,997) | — | (89) | (5,086) | — |
| Net carrying amount | \$ 9,279 | \$ 2,471 | \$ 87 | \$ 11,837 | \$ 1,585 | \$ 9,279 | \$ 2,471 | \$ 87 | \$ 11,837 | \$ 1,585 |
| Balances, March 31, 2024 | | | | | | | | | | |
| Balances, June 30, 2024 | | | | | | | | | | |
| Gross | \$ 14,276 | \$ 2,471 | \$ 176 | \$ 16,923 | \$ 1,585 | \$ 14,276 | \$ 2,471 | \$ 176 | \$ 16,923 | \$ 1,585 |
| Accumulated amortization | (5,101) | — | (93) | (5,194) | — | (5,203) | — | (99) | (5,302) | — |
| Net carrying amount | \$ 9,175 | \$ 2,471 | \$ 83 | \$ 11,729 | \$ 1,585 | \$ 9,073 | \$ 2,471 | \$ 77 | \$ 11,621 | \$ 1,585 |

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

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

The following table summarizes amortization expense for the three and six and months ended March 31, 2024 June 30, 2024 and 2023:

| (Amounts in 000's) | Three Months Ended March 31, | |
|----------------------------|------------------------------|--------|
| | 2024 | 2023 |
| Bed licenses | \$ 104 | \$ 104 |
| Lease rights | 4 | 6 |
| Total amortization expense | \$ 108 | \$ 110 |

14

| (Amounts in 000's) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|----------------------------|-----------------------------|--------|---------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 |
| Bed licenses | \$ 102 | \$ 103 | \$ 206 | \$ 207 |
| Lease rights | 6 | 6 | 10 | 12 |
| Total amortization expense | \$ 108 | \$ 109 | \$ 216 | \$ 219 |

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

| (Amounts in 000's) | Bed Licenses | Lease Rights | Bed Licenses | Lease Rights |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| 2024 | \$ 311 | \$ 14 | | |
| 2024 (6 months remaining) | \$ 207 | \$ 9 | | |
| 2025 | 414 | 18 | 414 | 18 |
| 2026 | 414 | 18 | 414 | 18 |
| 2027 | 414 | 18 | 414 | 18 |
| 2028 | 414 | 15 | 414 | 14 |
| Thereafter | 7,208 | - | 7,210 | — |
| Total expected amortization expense | \$ 9,175 | \$ 83 | \$ 9,073 | \$ 77 |

15

NOTE 6.7. LEASES

Operating Leases

As of March 31, 2024 June 30, 2024 and December 31, 2023, the Company leases one Skilled Nursing Facility ("SNF") in Covington, Ohio under a non-cancelable lease, which has rent escalation clauses and provisions for payments of real estate taxes, insurance, and maintenance costs. The remaining lease term for the Covington facility is approximately 4.7 4.8 years as of March 31, 2024 June 30, 2024. The Company subleases the Covington facility to a third party.

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

As of March 31, 2024 June 30, 2024, the Company is in compliance with all operating lease financial covenants except for one non-compliance. When management learned of the non-compliance, the non-compliance was cured after the balance sheet date. covenants.

Future Minimum Lease Payments

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

| (Amounts in 000's) | Future rental payments | Accretion of lease liability ⁽¹⁾ | Operating lease obligation | Future rental payments | Accretion of lease liability ⁽¹⁾ | Operating lease obligation |
|---------------------------|------------------------------|--|----------------------------------|------------------------------|--|----------------------------------|
| 2024 | \$ 510 | \$ (16) | \$ 494 | | | |
| 2024 (6 months remaining) | \$ 341 | \$ (8) | \$ 333 | | | |
| 2025 | 672 | (66) | 606 | 672 | (53) | 619 |
| 2026 | 658 | (109) | 549 | 658 | (98) | 560 |
| 2027 | 671 | (155) | 516 | 671 | (144) | 527 |
| 2028 | 685 | (198) | 487 | 685 | (188) | 497 |
| Thereafter | 230 | (75) | 155 | 230 | (73) | 157 |
| Total | \$ 3,426 | \$ (619) | \$ 2,807 | \$ 3,257 | \$ (564) | \$ 2,693 |

⁽¹⁾ Weighted average discount rate 7.98%.

Facilities Lessor

As of March 31, 2024 June 30, 2024, the Company was the lessor of 9 of its 11 owned facilities, and the sublessor of one facility. These leases are triple net basis leases, meaning that the lessee (i.e., the third-party tenant of the property) is obligated for all costs of operating the property, including insurance, taxes and facility maintenance, as well as the lease or sublease payments to the Company. The weighted average remaining lease term for our 10 owned and subleased out facilities is approximately 5.3 5.0 years.

15

Future Minimum Lease Receivables

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

| | (Amounts in 000's) | (Amounts in 000's) |
|---------------------------|-----------------------|-----------------------|
| 2024 | \$ 4,948 | |
| 2024 (6 months remaining) | \$ 3,306 | |
| 2025 | 6,696 | 6,696 |
| 2026 | 6,801 | 6,801 |

| | | |
|------------|------------------|------------------|
| 2027 | 6,909 | 6,909 |
| 2028 | 6,758 | 6,758 |
| Thereafter | 8,227 | 8,227 |
| Total | <u>\$ 40,339</u> | <u>\$ 38,697</u> |

For further details regarding the Company's leased and subleased facilities to third-party operators, including a full summary of the Company's leases to third-parties and which comprise the future minimum lease receivables of the Company, see Note 6 -

16

Leases and Leasing Transactions in Part I, Item 1, Financial Statements and Supplementary Data, included in the Annual Report.

NOTE 7.8. ACCRUED EXPENSES

Accrued expenses consist of the following:

| (Amounts in 000's) | March 31, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
|---|-------------------|----------------------|-----------------|-------------------|
| Accrued employee benefits and payroll-related | \$ 365 | \$ 255 | \$ 294 | \$ 255 |
| Real estate and other taxes ⁽¹⁾ | 3,055 | 3,077 | 3,202 | 3,077 |
| Self-insured reserve | — | 61 | 68 | 61 |
| Accrued interest | 223 | 225 | 180 | 225 |
| Unearned rental revenue | — | 98 | | |
| Insurance escrow | 116 | 98 | 136 | — |
| Other accrued expenses ⁽²⁾ | 481 | 344 | 443 | 344 |
| Total accrued expenses | <u>\$ 4,240</u> | <u>\$ 4,060</u> | <u>\$ 4,323</u> | <u>\$ 4,060</u> |

⁽¹⁾ March 31, June 30, 2024 includes approximately \$0.7 million of bed taxes in arrears related to the Wellington Transition in 2020 as well as \$2.0 2.1 million related to our own dates of operation under the Healthcare Services segment and approximately \$0.4 million property tax accrual for the Real Estate segment. December 31, 2023 includes approximately \$0.7 million of bed taxes in arrears related to the Wellington Transition in 2020 as well as \$1.9 million related to our own dates of operation under the Healthcare Services segment and approximately \$0.5 million property tax accrual for the twelve months ended December 31, 2023 for the Real Estate segment.

⁽²⁾ As of March 31, 2024 June 30, 2024 and December 31, 2023, the remaining escheatment liabilities for discontinued operations are \$0.3 million and are included in other accrued expenses.

16

NOTE 8. NOTES PAYABLE 9. SENIOR DEBT AND OTHER DEBT

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

Notes payable Senior Debt and other debt consists of the following:

| (Amounts in 000's) | March 31, | December 31, | December 31, | |
|---|-----------|--------------|---------------|-----------|
| | 2024 | 2023 | June 30, 2024 | 2023 |
| Senior debt—guaranteed by HUD | \$ 28,774 | \$ 28,979 | \$ 28,566 | \$ 28,979 |
| Senior debt—guaranteed by USDA ⁽¹⁾ | 7,186 | 7,259 | 7,113 | 7,259 |
| Senior debt—guaranteed by SBA ⁽²⁾ | 552 | 557 | 547 | 557 |
| Senior debt—bonds | 6,117 | 6,117 | 5,970 | 6,117 |
| Senior debt—other mortgage indebtedness | 7,913 | 8,001 | 7,866 | 8,001 |
| Other debt | 516 | 889 | 1,213 | 889 |
| Subtotal | 51,058 | 51,802 | 51,275 | 51,802 |
| Deferred financing costs | (937) | (954) | (920) | (954) |
| Unamortized discount on bonds | (112) | (113) | (110) | (113) |
| Notes payable and other debt | \$ 50,009 | \$ 50,735 | | |
| Senior debt and other debt | \$ 50,245 | \$ 50,735 | | |

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

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

17

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

| (Amounts in 000's) | | | | | | | | | | | | |
|---|------------------|------------|------------------------------|-------------------|-------------|-----------|------------------|-------------------|------------------|----------------------|-----------|-----------|
| Facility | Lender | Maturity | Interest Rate ⁽¹⁾ | December | | Lender | Maturity | Interest Rate (1) | | | | |
| | | | | March 31, 2024 | 31, 2023 | | | | June 30, 2024 | December 31, 2023 | | |
| Senior debt - guaranteed by HUD ⁽²⁾ | | | | | | | | | | | | |
| The Pavilion Care Center | Newpoint Capital | 12/01/2039 | Fixed | 3.97 % | \$ 792 | \$ 801 | Newpoint Capital | 12/01/2039 | Fixed | 3.97 % | \$ 783 | \$ 801 |
| Hearth and Care of Greenfield | Newpoint Capital | 8/01/2050 | Fixed | 3.97 % | 1,899 | 1,909 | Newpoint Capital | 8/01/2050 | Fixed | 3.97 % | 1,889 | 1,909 |
| Woodland Manor | Newpoint Capital | 11/01/2052 | Fixed | 3.97 % | 4,868 | 4,891 | Newpoint Capital | 11/01/2052 | Fixed | 3.97 % | 4,845 | 4,891 |
| Glenvue | Newpoint Capital | 10/01/2044 | Fixed | 3.75 % | 7,021 | 7,077 | Newpoint Capital | 10/01/2044 | Fixed | 3.75 % | 6,964 | 7,077 |
| Autumn Breeze | KeyBank | 01/01/2045 | Fixed | 3.65 % | 6,106 | 6,154 | KeyBank | 01/01/2045 | Fixed | 3.65 % | 6,056 | 6,154 |
| Georgetown | Newpoint Capital | 10/01/2046 | Fixed | 2.98 % | 3,096 | 3,120 | Newpoint Capital | 10/01/2046 | Fixed | 2.98 % | 3,072 | 3,120 |
| Sumter Valley | KeyBank | 01/01/2047 | Fixed | 3.70 % | 4,992 | 5,027 | KeyBank | 01/01/2047 | Fixed | 3.70 % | 4,957 | 5,027 |
| Total | | | | | \$ 28,774 | \$ 28,979 | | | | | \$ 28,566 | \$ 28,979 |
| Senior debt - guaranteed by USDA ⁽³⁾ | | | | | | | | | | | | |
| Mountain Trace ⁽⁴⁾ | Community B&T | 12/24/2036 | Prime + 1.75% | 10.25 % | 3,505 | 3,539 | Community B&T | 12/24/2036 | Prime + 1.75% | 10.25 % | \$ 3,470 | \$ 3,539 |
| Southland | Cadence Bank, NA | 07/27/2036 | Prime + 1.50% | 10.00 % | 3,681 | 3,720 | Cadence Bank, NA | 07/27/2036 | Prime + 1.50% | 10.00 % | 3,643 | 3,720 |
| Total | | | | | \$ 7,186 | \$ 7,259 | | | | | \$ 7,113 | \$ 7,259 |
| Senior debt - guaranteed by SBA | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|---|-----------------------|------------|-------|---------|--------|-----------------|----------|------------|-------|---------|--------|--------|
| Southland ⁽⁴⁾ ⁽⁵⁾ | Cadence Bank, Prime + | | | | | Cadence Prime + | | | | | | |
| | NA | 07/27/2036 | 2.25% | 10.75 % | 552 | 557 | Bank, NA | 07/27/2036 | 2.25% | 10.75 % | 547 | \$ 557 |
| Total | | | | | \$ 552 | \$ 557 | | | | | \$ 547 | \$ 557 |

⁽¹⁾ Represents interest rates as of **March 31, 2024** **June 30, 2024** as adjusted for interest rate floor limitations, if applicable. The rates exclude amortization of deferred financing costs which are approximately **0.16** **0.13**% per annum.

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

17

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

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

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

(Amounts in 000's)

| (Amounts in 000's) | | | | | | | | | | |
|---------------------|----------------------|------------|---------------|-----------|--------------|----------------------|------------|---------------|----------|----------|
| | | | Interest Rate | March 31, | December 31, | | | Interest Rate | June 30, | December |
| Facility | Lender | Maturity | (1) | 2024 | 2023 | Lender | Maturity | (1) | 2024 | 31, 2023 |
| Senior debt - bonds | | | | | | | | | | |
| Eaglewood Bonds | City of Springfield, | | 7.65 % | | | City of Springfield, | | 7.65 % | | |
| Series A | Ohio | 05/01/2042 | Fixed | \$ 6,117 | \$ 6,117 | Ohio | 05/01/2042 | Fixed | \$ 5,970 | \$ 6,117 |

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

(Amounts in 000's)

| (Amounts in 000's) | | | | | | |
|---|--------------------------|------------|------------------------------|--------|-------------------|----------------------|
| Facility | Lender | Maturity | Interest Rate ⁽¹⁾ | | March 31, 2024 | December 31, 2023 |
| Senior debt - other mortgage indebtedness | | | | | | |
| Meadowood ⁽²⁾ | Exchange Bank of Alabama | 10/01/2026 | Fixed | 4.50 % | \$ 3,196 | \$ 3,237 |
| Coosa ⁽³⁾ | Exchange Bank of Alabama | 10/10/2026 | Fixed | 3.95 % | 4,717 | 4,764 |
| Total | | | | | \$ 7,913 | \$ 8,001 |

18

(Amounts in 000's)

| (Amounts in 000's) | | | | | | |
|---|--------------------------|------------|-------------------|--------|---------------|-------------------|
| Facility | Lender | Maturity | Interest Rate (1) | | June 30, 2024 | December 31, 2023 |
| Senior debt - other mortgage indebtedness | | | | | | |
| Meadowood (2) | Exchange Bank of Alabama | 10/01/2026 | Fixed | 4.50 % | \$ 3,195 | \$ 3,237 |
| Coosa (3) | Exchange Bank of Alabama | 10/10/2026 | Fixed | 3.95 % | 4,671 | 4,764 |
| Total | | | | | \$ 7,866 | \$ 8,001 |

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

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

(3) The Coosa Credit Facility, guaranteed by Regional Health Properties, Inc., includes customary terms, including events of default with an associated annual 5% default interest rate, and is secured by the Coosa Facility and the assets of Meadowood. Upon the occurrence of certain events of default, the lenders may terminate the Coosa Credit Facility and the Meadowood Credit Facility, and all amounts due under both credit facilities will become immediately due and payable. The Coosa Credit Facility has prepayment penalties of 5% in the 1st year, 4% in the 2nd year and 1% thereafter.

| (Amounts in 000's) | | | | | | | | | | |
|--|------------|---------------|-----------|--------|--------------|--------------|----------|---------------|---------------|-------------------|
| Lender | Maturity | Interest Rate | March 31, | | December 31, | | Maturity | Interest Rate | June 30, 2024 | December 31, 2023 |
| | | | 2024 | 2023 | 2024 | 2023 | | | | |
| Other debt | | | | | | | | | | |
| First Insurance Funding ⁽¹⁾ | 3/1/2024 | Fixed | 3.19 % | \$ — | \$ 369 | Various 2024 | Fixed | 7.75 % | \$ 640 | \$ 369 |
| Key Bank ⁽²⁾ | 08/25/2025 | Fixed | 0.00 % | 495 | 495 | 08/25/2025 | Fixed | 0.00 % | 495 | 495 |
| Marlin Capital Solutions | 06/1/2027 | Fixed | 5.00 % | 21 | 25 | 06/1/2027 | Fixed | 5.00 % | 18 | 25 |
| Cavalier Management | 3/1/2025 | Fixed | 6.00 % | 60 | — | | | | | |
| Total | | | | \$ 516 | \$ 889 | | | | \$ 1,213 | \$ 889 |

(1) Annual Insurance financing primarily for the Company's directors and officers insurance.

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

Debt Covenant Compliance

As of **March 31, 2024** **June 30, 2024**, the Company had **16** **17** credit related instruments outstanding that include various financial and administrative covenant requirements. Covenant requirements include, but are not limited to, fixed charge coverage ratios, debt service coverage ratios, minimum earnings before interest, taxes, depreciation, and amortization or earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs, and current ratios. Certain financial covenant requirements are based on consolidated financial measurements whereas others are based on measurements at the subsidiary level (i.e., facility, multiple facilities or a combination of subsidiaries). The subsidiary level requirements are as follows: (i) financial covenants measured against subsidiaries of the Company; and (ii) financial covenants measured against third-party operator performance. Some covenants are based on annual financial metric measurements, whereas others are based on monthly and quarterly financial metric measurements. The Company routinely tracks and monitors its compliance with its covenant requirements.

18

As of **March 31, 2024** **June 30, 2024**, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments **except for with the exception of a noticed default under one immaterial non-compliance. When management learned of USDA loan. The Company is working with the non-compliance, USDA lender to get back into compliance with the non-compliance was cured after the balance sheet date, loan documents.**

Scheduled Maturities

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

| For the Twelve Months Ended December 31, | (Amounts in 000's) |
|--|--------------------|
| 2024 (9 months remaining) | \$ 1,297 |
| 2025 | 2,265 |
| 2026 | 8,741 |
| 2027 | 1,560 |
| 2028 | 1,657 |
| Thereafter | 35,538 |
| Subtotal | \$ 51,058 |
| Less: unamortized discounts | (112) |
| Less: deferred financing costs, net | (937) |
| Total notes and other debt | \$ 50,009 |

19

| For the Twelve Months Ended December 31, | (Amounts in 000's) | |
|--|--------------------|--------|
| 2024 (6 months remaining) | \$ | 1,189 |
| 2025 | | 2,503 |
| 2026 | | 8,829 |
| 2027 | | 1,560 |
| 2028 | | 1,657 |
| Thereafter | | 35,537 |
| Subtotal | \$ | 51,275 |
| Less: unamortized discounts | | (110) |
| Less: deferred financing costs, net | | (920) |
| Total notes and other debt | \$ | 50,245 |

NOTE 9, 10. COMMON AND PREFERRED STOCK

Common Stock

As of **March 31, 2024** **June 30, 2024**, the Company had 55,000,000 shares of Common Stock authorized and **1,849,908** **1,914,908** shares issued and **1,839,028** **1,904,028** shares outstanding. There were no dividends declared or paid on the common stock during the three **and six** months ended **March 31, 2024** **June 30, 2024** and 2023.

Preferred Stock

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

Series A Preferred Stock

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

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

On June 30, 2023, in connection with the closing of the Exchange Offer, 2,252,272 shares of Series A Preferred Stock were retired and exchanged for 2,252,272 shares of Series B Preferred Stock. There were no dividends declared or paid on the Series A Preferred Stock for the six months ended June 30, 2024.

As of **March 31, 2024** **June 30, 2024**, the Company had 559,263 shares of Series A Preferred Stock issued and outstanding. There **were**

are no dividends **declared or paid on the** associated with our Series A Preferred Stock **for the three months ended March 31, 2024 and 2023.** **effective June 27, 2023.**

Series B Preferred Stock

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

case with respect to payment of dividends and amounts upon the occurrence of a liquidation event, (iii) dividend rate is 12.5% per annum of the liquidation preference of the Series B Preferred Stock in effect on the first calendar day of the applicable dividend period, (iv) initial dividend period will commence July 1, 2027, (v) liquidation preference is initially be \$10.00 per share and will increase over time, pursuant to the terms set forth in the Charter, to \$25.00 per share upon the fourth anniversary date of the original issuance date, provided that once there are 200,000 or fewer shares of the Series B Preferred Stock outstanding, the liquidation preference will be reduced to \$5.00 per share; and (vi) the Company must redeem, repurchase or otherwise acquire certain amount of shares of Series B Preferred Stock through the fourth anniversary of the original date of issuance as provided in the Charter. The fair value of the Series B Preferred Stock was \$8.26 per share based on a probability-weighted average of the expected return method. As of **March 31, 2024** **June 30, 2024**, the Company had 2,252,272 shares of Series B Preferred Stock issued and outstanding. There were no dividends declared or paid on the Series B Preferred Stock for the three **and six** months ended **March 31, 2024**, **June 30, 2024** and **2023**.

NOTE 10, 11. STOCK BASED COMPENSATION

Stock Incentive Plans

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

Our 2023 Plan replaced the Regional Health Properties, Inc. 2020 Equity Incentive Plan (the "2020 Plan"). Outstanding awards under the 2020 Plan will continue to be governed by the terms of the 2020 Plan until exercised, expired or otherwise terminated or canceled, but no further equity awards will be granted under the 2020 Plan.

19

As of **March 31, 2024** **June 30, 2024**, the number of securities remaining available for future issuance under the 2023 Plan is **201,000** **136,000**.

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

| (Amounts in 000's) | Three Months Ended March 31, | | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------|-------|-----------------------------|--------|---------------------------|--------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Employee compensation: | | | | | | |
| Stock compensation expense | \$ 43 | \$ 81 | \$ 23 | \$ 155 | \$ 66 | \$ 236 |
| Forfeitures of stock based awards | — | — | — | — | | |
| Total employee stock-based compensation expense | \$ 43 | \$ 81 | \$ 23 | \$ 155 | \$ 66 | \$ 236 |

Restricted Stock

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

| | Three Months Ended March 31, 2024 | | Three Months Ended June 30, 2024 | | Six Months Ended June 30, 2024 | |
|-----------------------------|-----------------------------------|---|----------------------------------|---|--------------------------------|---|
| | Number of Shares (000's) | Weighted Avg. Grant Date (per Share) Fair Value | Number of Shares (000's) | Weighted Avg. Grant Date (per Share) Fair Value | Number of Shares (000's) | Weighted Avg. Grant Date (per Share) Fair Value |
| Unvested, December 31, 2023 | 80 | \$ 5.27 | 80 | \$ 5.27 | | |
| Granted | 65 | \$ 2.18 | | | | |
| Vested | (43) | \$ 6.67 | (43) | \$ 6.67 | | |
| Unvested, March 31, 2024 | 37 | \$ 3.61 | | | | |
| Unvested, June 30, 2024 | 102 | \$ 2.70 | | | | |

There were 65,000 restricted stock awards were granted for three during the six months ended March 31, 2024 June 30, 2024, which will vest in three equal annual installments starting on June 19, 2025. The remaining unvested shares at March 31, 2024 June 30, 2024 will vest over the next 1.8 2.4 years with \$119 243 thousand in compensation expense recognized over this period.

Common Stock Options

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

| | Number of Shares (000's) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (000's) | | Number of Shares (000's) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (000's) |
|--|-----------------------------|--|---|---|--|-----------------------------|--|---|---|
| Outstanding, December 31, 2023 | 33 | \$ 14.84 | 6.9 | \$ — | | 33 | \$ 14.84 | 6.9 | \$ — |
| Granted | 24 | \$ 2.03 | | | | 24 | \$ 2.03 | | |
| Outstanding, March 31, 2024 | 57 | \$ 9.41 | 8.0 | \$ 10.1 | | | | | |
| Outstanding and Vested, March 31, 2024 | 44 | \$ 11.55 | 7.4 | \$ 4.7 | | | | | |
| Outstanding, June 30, 2024 | 57 | \$ 9.41 | 7.7 | \$ 1.0 | | | | | |
| Outstanding and Vested, June 30, 2024 | 44 | \$ 11.55 | 7.2 | \$ — | | | | | |

A stock option to purchase 24,000 shares of common stock was granted under our 2023 Plan to an employee with an exercise price of \$2.03 in January 2024. The weighted average fair value of the option granted was \$1.76 and was estimated using the Black-Scholes option-pricing model with the following assumptions: (i) expected term of 5.27 years, (ii) risk free interest rate of 3.81%, (iii) dividend yield of 0.0%, and (iv) expected volatility of 127.14%. The remaining unvested shares at March 31, 2024 June 30, 2024 will vest over the next 0.8 0.5 years with \$17 11 thousand in compensation expense recognized over this period.

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

| | Stock Options Outstanding | | | | Stock Options Exercisable | |
|----------------|-----------------------------|---|--|--|-----------------------------|--|
| | Number of Shares (000's) | Weighted Average Remaining Contractual Term (in years) | Weighted Average Exercise Price | | Number of Shares (000's) | Weighted Average Exercise Price |
| Exercise Price | | | | | | |
| \$2.03-\$3.32 | 48 | 9.3 | \$ 2.68 | | 35 | \$ 2.91 |
| \$46.80 | 9 | 0.7 | \$ 46.80 | | 9 | \$ 46.80 |
| Total | 57 | 8.0 | \$ 9.41 | | 44 | \$ 11.55 |

| | Stock Options Outstanding | | | | Stock Options Exercisable | |
|----------------|-----------------------------|---|--|--|-----------------------------|--|
| | Number of Shares (000's) | Weighted Average Remaining Contractual Term (in years) | Weighted Average Exercise Price | | Number of Shares (000's) | Weighted Average Exercise Price |
| Exercise Price | | | | | | |
| \$2.03-\$3.32 | 48 | 9.3 | \$ 2.68 | | 35 | \$ 2.91 |
| \$46.80 | 9 | 0.7 | \$ 46.80 | | 9 | \$ 46.80 |
| Total | 57 | 8.0 | \$ 9.41 | | 44 | \$ 11.55 |

| Exercise Price | Number of Shares (000's) | Weighted Average Remaining Contractual Term (in years) | Weighted Average Exercise Price | Vested, June 30, 2024 | Weighted Average Exercise Price |
|-----------------|-----------------------------|---|--|-----------------------|--|
| \$2.03 - \$3.32 | 48 | 9.0 | \$ 2.68 | 35 | \$ 2.91 |
| \$46.80 | 9 | 0.5 | \$ 46.80 | 9 | \$ 46.80 |
| Total | 57 | 7.7 | \$ 9.41 | 44 | \$ 11.55 |

Common Stock Warrants

The following summarizes the Company's warrant activity for the **three** **six** months ended **March 31, 2024** **June 30, 2024**:

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

| | Number of Shares (000's) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in 000's) |
|---------------------------------------|-----------------------------|--|---|---|
| Outstanding, December 31, 2023 | 32 | \$ 52.50 | 1.0 | \$ — |
| Granted | — | \$ — | | |
| Expired | — | \$ — | | |
| Outstanding, June 30, 2024 | 32 | \$ 52.50 | 0.5 | \$ — |
| Outstanding and Vested, June 30, 2024 | 32 | \$ 52.50 | 0.5 | \$ — |

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

NOTE 11, 12. COMMITMENTS AND CONTINGENCIES

Regulatory Matters

Laws and regulations governing federal Medicare and state Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from certain governmental programs. As of **March**

31, 2024 June 30, 2024, all of the Company's facilities operated by Regional or leased and subleased to third-party operators are certified by CMS and are operational. See Note 5 7
- Leases.

Legal Matters

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

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

Professional and General Liability Claims

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

As of March 31, 2024 June 30, 2024, the Company has been named in three lawsuits pertaining to facilities it transitioned operations to other entities as a lessor in 2015. Even though the residents were not part of our dates of service as the operator of the buildings, the lawsuits claim the Company knew the new operator had a history of providing poor patient care and therefore should not have leased or sold the premises to the new operator. We do not believe there is any basis in law or fact to hold the previous operator/ lessor liable, and as a result management has concluded that the likelihood of a material adverse result is should be

21

remote. Despite our confidence in our legal position, we have to acknowledge that jurors sometimes follow sympathy rather than the law. One of the three cases is scheduled to go to trial in November 2024.

NOTE 12, 13. SEGMENT RESULTS

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

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

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

| (Amounts in 000's) | Three Months Ended March 31, | | | Three Months Ended March 31, | | |
|-----------------------|------------------------------|---------------------|----------|------------------------------|---------------------|----------|
| | 2024 | 2024 | 2024 | 2023 | 2023 | 2023 |
| | Real Estate Services | Healthcare Services | Total | Real Estate Services | Healthcare Services | Total |
| Revenues: | | | | | | |
| Patient care revenues | \$ — | \$ 2,309 | \$ 2,309 | \$ — | \$ 1,916 | \$ 1,916 |
| Rental revenues | 1,818 | — | 1,818 | 1,708 | — | 1,708 |
| Management fees | — | — | — | 278 | — | 278 |
| Other revenues | — | — | — | 4 | — | 4 |
| Total revenues | 1,818 | 2,309 | 4,127 | 1,990 | 1,916 | 3,906 |
| Expenses: | | | | | | |

| | | | | | | |
|------------------------------------|----------|----------|----------|----------|------------|------------|
| Patient care expense | — | 2,101 | 2,101 | — | 2,321 | 2,321 |
| Facility rent expense | 149 | - | 149 | 149 | - | 149 |
| Cost of management fees | — | — | — | 141 | — | 141 |
| Depreciation and amortization | 386 | 125 | 511 | 387 | 123 | 510 |
| General and administrative expense | 1,266 | 366 | 1,632 | 1,181 | 350 | 1,531 |
| Doubtful accounts expense | — | 28 | 28 | — | 16 | 16 |
| Total expenses | 1,801 | 2,620 | 4,421 | 1,858 | 2,810 | 4,668 |
| Income (loss) from operations | 17 | (311) | (294) | 132 | (894) | (762) |
| Other expense: | | | | | | |
| Interest expense, net | 570 | 104 | 674 | 571 | 109 | 680 |
| Other (income) expense, net | (22) | 16 | (6) | 332 | 218 | 550 |
| Total other expense, net | 548 | 120 | 668 | 903 | 327 | 1,230 |
| Net loss | \$ (531) | \$ (431) | \$ (962) | \$ (771) | \$ (1,221) | \$ (1,992) |

23

| | Three Months Ended June 30, | | | Three Months Ended June 30, | | | Six Months Ended June 30, | | | Six Months Ended June 30, | | |
|------------------------------------|-----------------------------|------------|----------|-----------------------------|------------|----------|---------------------------|-----------|----------|---------------------------|------------|------------|
| | 2024 | 2024 | 2024 | 2023 | 2023 | 2023 | 2024 | 2024 | 2024 | 2023 | 2023 | 2023 |
| | Real Estate | Healthcare | | Real | Healthcare | | Real Estate | Healthcar | | Real | Healthcare | |
| (Amounts in 000's) | Services | Services | Total | Estate | Services | Total | Services | Services | Total | Estate | Services | Total |
| Revenues: | | | | | | | | | | | | |
| Patient care revenues | \$ — | \$ 2,525 | \$ 2,525 | \$ — | \$ 2,526 | \$ 2,526 | \$ — | \$ 4,834 | \$ 4,834 | \$ — | \$ 4,442 | \$ 4,442 |
| Rental revenues | 1,800 | — | 1,800 | 1,722 | — | 1,722 | 3,617 | — | 3,617 | 3,430 | — | 3,430 |
| Management fees | — | — | — | 247 | — | 247 | — | — | — | 525 | — | 525 |
| Other revenues | — | — | — | 103 | — | 103 | — | — | — | 107 | — | 107 |
| Total revenues | 1,800 | 2,525 | 4,325 | 2,072 | 2,526 | 4,598 | 3,617 | 4,834 | 8,451 | 4,062 | 4,442 | 8,504 |
| Expenses: | | | | | | | | | | | | |
| Patient care expense | — | 2,183 | 2,183 | — | 1,969 | 1,969 | — | 4,283 | 4,283 | — | 4,290 | 4,290 |
| Facility rent expense | 149 | — | 149 | 149 | — | 149 | 297 | — | 297 | 162 | 135 | 297 |
| Cost of management fees | — | — | — | — | 146 | 146 | — | — | — | — | 286 | 286 |
| Depreciation and amortization | 384 | 130 | 514 | 579 | 123 | 702 | 770 | 255 | 1,025 | 965 | 247 | 1,212 |
| General and administrative expense | 871 | 358 | 1,229 | 1,266 | 156 | 1,422 | 2,136 | 724 | 2,860 | 2,587 | 367 | 2,954 |
| Credit loss expense | — | 36 | 36 | — | 24 | 24 | — | 65 | 65 | — | 40 | 40 |
| Total expenses | 1,404 | 2,707 | 4,111 | 1,994 | 2,418 | 4,412 | 3,203 | 5,327 | 8,530 | 3,714 | 5,365 | 9,079 |
| Income (loss) from operations | 396 | (182) | 214 | 78 | 108 | 186 | 414 | (493) | (79) | 348 | (923) | (575) |
| Other expense: | | | | | | | | | | | | |
| Interest expense, net | 566 | 103 | 669 | 570 | 109 | 679 | 1,137 | 207 | 1,344 | 1,141 | 218 | 1,359 |
| Other expense, net | 86 | 165 | 251 | 192 | — | 192 | 64 | 181 | 245 | 524 | 218 | 742 |
| Total other expense, net | 652 | 268 | 920 | 762 | 109 | 871 | 1,201 | 388 | 1,589 | 1,665 | 436 | 2,101 |
| Net loss | | | | | | | | | (1,66 | | | |
| | \$ (256) | \$ (450) | \$ (706) | \$ (684) | \$ (1) | \$ (685) | \$ (787) | \$ (881) | \$ 8) | \$ (1,317) | \$ (1,359) | \$ (2,676) |

Total assets for the Real Estate Services segment and Healthcare Services segment were \$48.0 48.5 million and \$13.2 12.8 million, respectively, as of March 31, 2024 June 30, 2024.

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

NOTE 13, 14. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through the date the consolidated financial statements were issued and filed with the SEC.

22 24

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

Forward Looking Statements

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

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

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

Overview

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

While the Company is a self-managed real estate investment company, the Company, when business conditions require, may undertake portfolio stabilization measures, such as operating a previously leased facility. For more information see "Recent Developments" below.

Real Estate Portfolio

As of March 31, 2024 June 30, 2024, we had investments of approximately \$67.2 million \$67.5 million in eleven health care real estate properties and one leased property. We currently own eleven properties, consisting of nine skilled nursing facilities and two multi-service facilities. Nine facilities are pursuant to triple-net leases, one is managed by an external manager, and one is managed internally by the Company. The Company has one leased facility that is subleased pursuant to a triple-net lease.

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

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

23 25

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

Portfolio

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

| <u>Location</u> | <u>Skilled Nursing Facilities</u> | <u>Multi Service Properties</u> | <u>Total Properties</u> | <u>Skilled Nursing Facilities</u> | <u>Multi Service Properties</u> | <u>Total Properties</u> |
|------------------------|-----------------------------------|---------------------------------|-------------------------|-----------------------------------|---------------------------------|-------------------------|
| Alabama ^(a) | 1 | 1 | 2 | | | |
| Alabama ⁽¹⁾ | 1 | 1 | 2 | | | |
| Georgia | 3 | - | 3 | 3 | - | 3 |
| North Carolina | 1 | - | 1 | 1 | - | 1 |
| Ohio ^(b) | 2 | 1 | 3 | | | |
| Ohio ⁽²⁾ | 2 | 1 | 3 | | | |
| South Carolina | 2 | - | 2 | 2 | - | 2 |
| | 9 | 2 | 11 | 9 | 2 | 11 |
| <u>Location</u> | <u>Skilled Nursing Beds/Units</u> | <u>Multi Service Beds/Units</u> | <u>Total Beds/Units</u> | <u>Skilled Nursing Beds/Units</u> | <u>Multi Service Beds/Units</u> | <u>Total Beds/Units</u> |
| Alabama ^(a) | 124 | 90 | 214 | | | |
| Alabama ⁽¹⁾ | 124 | 90 | 214 | | | |
| Georgia | 395 | - | 395 | 395 | - | 395 |
| North Carolina | 106 | - | 106 | 106 | - | 106 |
| Ohio ^(b) | 112 | 194 | 306 | | | |
| Ohio ⁽²⁾ | 112 | 194 | 306 | | | |
| South Carolina | 180 | - | 180 | 180 | - | 180 |
| | 917 | 284 | 1,201 | 917 | 284 | 1,201 |
| <u>Location</u> | <u>Skilled Nursing Investment</u> | <u>Multi Service Investment</u> | <u>Total Investment</u> | <u>Skilled Nursing Investment</u> | <u>Multi Service Investment</u> | <u>Total Investment</u> |
| Alabama ^(a) | \$ 9,613,199 | \$ 4,989,912 | \$ 14,603,111 | | | |
| Alabama ⁽¹⁾ | \$ 9,613,199 | \$ 5,074,855 | \$ 14,688,054 | | | |
| Georgia | 20,884,723 | - | 20,884,723 | 21,097,975 | - | 21,097,975 |
| North Carolina | 7,224,953 | - | 7,224,953 | 7,224,953 | - | 7,224,953 |
| Ohio ^(b) | 4,079,965 | 10,714,214 | 14,794,179 | | | |
| Ohio ⁽²⁾ | 4,079,965 | 10,714,214 | 14,794,179 | | | |
| South Carolina | 9,733,024 | - | 9,733,024 | 9,733,024 | - | 9,733,024 |
| | \$ 51,535,863 | \$ 15,704,126 | \$ 67,239,990 | \$ 51,749,115 | \$ 15,789,070 | \$ 67,538,185 |

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

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

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

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

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

24 26

For a more discussion of the above information, see Note 6.7 - Leases to the consolidated financial statements included in Part I, Item 1 herein. Additionally, see "Portfolio of Healthcare Investments" included in Part I, Item 1 "Business" in the Annual Report.

Portfolio Occupancy Rates

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

| Operating Metric | For the Twelve Months Ended | | | | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 |
|------------------|-----------------------------|--------------------|-------------------|----------------|--------------------|-------------------|----------------|---------------|
| | June 30, 2023 | September 30, 2023 | December 31, 2023 | March 31, 2024 | | | | |
| Occupancy (%) | 66.2% | 66.2% | 65.7% | 65.7% | 66.7% | 66.2% | 66.2% | 66.1% |

Lease Expiration

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

| | Licensed Beds | | | Annual Lease Revenue | | | Licensed Beds | | | Annual Lease Revenue ⁽²⁾ | |
|------------|----------------------|-------|---------|-----------------------|-------------|----|----------------------|--------|-------------|-------------------------------------|-------------|
| | Number of Facilities | Count | Percent | Amount (\$) | | | Number of Facilities | Count | Percent (%) | Amount (\$) | |
| | | | | '000's ⁽¹⁾ | Percent (%) | | | | | '000's ⁽¹⁾ | Percent (%) |
| 2024 | 1 | 126 | 9.8% | 516 | 7.5 % | 1 | 126 | 12.0 % | 516 | 7.5 % | |
| 2025 | 0 | 0 | 0.0% | - | 0.0% | 0 | - | 0.0% | - | 0.0% | |
| 2026 | 0 | 0 | 0.0% | - | 0.0% | 0 | - | 0.0% | - | 0.0% | |
| 2027 | 0 | 0 | 0.0% | - | 0.0% | 0 | - | 0.0% | - | 0.0% | |
| 2028 | 5 | 405 | 31.6% | 2,761 | 39.9% | 5 | 405 | 38.6% | 2,761 | 39.9% | |
| 2029 | 1 | 106 | 8.3% | 538 | 7.8% | 1 | 106 | 10.1% | 538 | 7.8% | |
| 2030 | 2 | 233 | 18.2% | 2,103 | 30.4% | 2 | 233 | 22.2% | 2,103 | 30.4% | |
| Thereafter | 2 | 413 | 32.2% | 995 | 14.4% | 2 | 180 | 17.1% | 995 | 14.4% | |
| Total | 11 | 1,283 | 100.0% | 6,913 | 100.0% | 11 | 1,050 | 100.0% | 6,913 | 100.0% | |

⁽¹⁾ Straight-line rent.

25 27

Results of Operations

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

| (Amounts in 000's) | Three Months Ended March 31, | | | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|------------------------------------|------------------------------|------------|----------------|-----------------------------|----------|----------------|---------------------------|------------|----------------|
| | 2024 | 2023 | Percent Change | 2024 | 2023 | Percent Change | 2024 | 2023 | Percent Change |
| Revenues: | | | | | | | | | |
| Patient care revenues | \$ 2,309 | \$ 1,916 | 20.5% | \$ 2,525 | \$ 2,526 | (0.0)% | \$ 4,834 | \$ 4,442 | 8.8% |
| Rental revenues | 1,818 | 1,708 | 6.4% | 1,800 | 1,722 | 4.5% | 3,617 | 3,430 | 5.5% |
| Management fees | — | 278 | (100.0)% | — | 247 | (100.0)% | — | 525 | (100.0)% |
| Other revenues | — | 4 | (100.0)% | — | 103 | (100.0)% | — | 107 | (100.0)% |
| Total revenues | 4,127 | 3,906 | 5.7% | 4,325 | 4,598 | (5.9)% | 8,451 | 8,504 | (0.6)% |
| Expenses: | | | | | | | | | |
| Patient care expense | 2,101 | 2,321 | (9.5)% | 2,183 | 1,969 | 10.9% | 4,283 | 4,290 | (0.2)% |
| Facility rent expense | 149 | 149 | — | 149 | 149 | — | 297 | 297 | — |
| Cost of management fees | — | 141 | (100.0)% | — | 146 | (100.0)% | — | 286 | (100.0)% |
| Depreciation and amortization | 511 | 510 | 0.2% | 514 | 702 | (26.8)% | 1,025 | 1,212 | (15.4)% |
| General and administrative expense | 1,632 | 1,531 | 6.6% | 1,229 | 1,422 | (13.6)% | 2,860 | 2,954 | (3.2)% |
| Doubtful accounts expense | 28 | 16 | 75.0% | | | | | | |
| Credit loss expense (recovery) | 36 | 24 | 50.0% | 65 | 40 | 62.5% | | | |
| Total expenses | 4,421 | 4,668 | (5.3)% | 4,111 | 4,412 | (6.8)% | 8,530 | 9,079 | (6.0)% |
| Loss from operations | (294) | (762) | (61.4)% | | | | | | |
| Income (Loss) from operations | 214 | 186 | 15.1% | (79) | (575) | (86.3)% | | | |
| Other expense: | | | | | | | | | |
| Interest expense, net | 674 | 680 | (0.9)% | 669 | 679 | (1.5)% | 1,344 | 1,359 | (1.1)% |
| Other (income) expense, net | (6) | 550 | (101.1)% | | | | | | |
| Other expense, net | 251 | 192 | 30.7% | 245 | 742 | (67.0)% | | | |
| Total other expense, net | 668 | 1,230 | (45.7)% | 920 | 871 | 5.6% | 1,589 | 2,101 | (24.4)% |
| Net loss | \$ (962) | \$ (1,992) | (51.7)% | \$ (706) | \$ (685) | 3.1% | \$ (1,668) | \$ (2,676) | (37.7)% |

Three Months Ended March 31, 2024 June 30, 2024 and 2023

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and the Glenvue Facilities, were \$2.3 million \$2.5 million for the three months ended March 31, 2024 June 30, 2024, compared with \$2.5 million for the same period in 2023.

Rental revenues—Rental revenue for our Real Estate Services segment increased by approximately \$0.1 million to \$1.9 million \$1.8 million for the three months ended June 30, 2024, compared with \$1.7 million for the same period in 2023. The 20.5% 4.5% increase is primarily due to the extension of the Greenfield lease and the increase in rent from the Springfield ALF facility.

Patient care expense—Patient care expense was \$2.2 million for the three months ended June 30, 2024 compared with \$2.0 million for the same period in 2023. The current period expense increase of \$0.2 million was primarily due to increased staffing costs at the Meadowood and Glenvue facilities.

Facility rent expense—Facility rent was \$0.1 million for the three months ended June 30, 2024, compared with \$0.1 million for the same period in 2023.

Depreciation and amortization—Depreciation and amortization was \$0.5 million for the three months ended June 30, 2024, compared with \$0.7 million for the same period in 2023.

General and administrative expenses—General and administrative expenses were \$1.2 million for the three months ended June 30, 2024, compared with \$1.4 million for the same period in 2023. The difference is primarily from reduced corporate salaries resulting from fewer corporate employees and lower legal fees.

28

| (Amounts in 000's) | Three Months Ended June 30, | | Percent Change |
|--------------------------------------|-----------------------------|----------|----------------|
| | 2024 | 2023 | |
| General and administrative expenses: | | | |
| Real Estate Services | \$ 871 | \$ 1,266 | (31.2)% |
| Healthcare Services | 358 | 156 | 129.5 % |
| Total | \$ 1,229 | \$ 1,422 | (13.6)% |

Credit loss expense—Credit loss expense primarily represents reserves taken against patient Accounts Receivable at the Glenvue facility for the three months ended June 30, 2024 and for the same period in 2023.

Other expense, net—Other expense, net increased by approximately \$0.1 million to \$0.3 million for the three months ended June 30, 2024, compared with \$0.2 million for the three months ended June 30, 2023. The difference is primarily due to legacy facility related expenses.

Six Months Ended June 30, 2024 and 2023

Patient care revenues—Patient care revenues for the Healthcare Services segment, as a result of the Company operating the Meadowood and the Glenvue Facilities, were \$4.8 million for the six months ended June 30, 2024, compared with \$4.4 million for the same period in 2023. The 8.8% increase is primarily due to the change in the Medicaid reimbursement rate paid for the Glenvue facility.

Rental revenues—Rental revenue for our Real Estate Services segment increased by approximately \$0.1 million \$0.2 million to \$1.8 million \$3.6 million for the three six months ended March 31, 2024 June 30, 2024, compared with \$1.7 million \$3.4 million for the same period in 2023. The 6.4% 5.5% increase is primarily due to the extension of the Greenfield lease and the increase in rent from the Southland facility.

Patient care expense—Patient care expense was \$2.1 million flat year over year with \$4.3 million for the three six months ended March 31, 2024 June 30, 2024, compared with \$2.3 million \$4.3 million for the same period in 2023. The current period expense decrease of \$0.2 million was primarily due to cost containment at the Glenvue and Meadowood facilities.

Facility rent expense—Facility rent was \$0.1 million flat year over year with \$0.3 million for the three six months ended March 31, 2024 June 30, 2024, which was compared with \$0.3 million for the same amount for the three months ended March 31, 2023, period in 2023.

Depreciation and amortization—Depreciation and amortization was \$0.5 million mostly flat year over year with \$1.0 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$0.5 million with \$1.2 million for the same period in 2023.

General and administrative expenses—General and administrative expenses were \$1.6 million \$2.9 million for the three six months ended March 31, 2024 June 30, 2024, compared with \$1.5 million \$3.0 million for the same period in 2023. The difference is primarily from the 2023 allocation of costs from general and administrative expense to cost of management fees, fees and a reduction of corporate overhead.

26

| (Amounts in 000's) | Six Months Ended June 30, | | Percent Change |
|--------------------------------------|---------------------------|------|----------------|
| | 2024 | 2023 | |
| General and administrative expenses: | | | |

| | | | | | |
|----------------------|----|-------|----|-------|---------|
| Real Estate Services | \$ | 2,136 | \$ | 2,587 | (17.4)% |
| Healthcare Services | | 724 | | 367 | 97.3% |
| Total | \$ | 2,860 | \$ | 2,954 | (3.2)% |

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

Doubtful accounts Credit loss expense—**Doubtful accounts Credit loss** expense primarily represents reserves taken against patient Accounts Receivable at the Glenvue facility for the **three six** months ended **March 31, 2024** **June 30, 2024** and for the same period in 2023.

Other (income) expense, net—Other expense, net decreased by approximately **\$0.6 million**, **\$0.5 million** to **\$0.0 million** **\$0.2 million** for the **three six** months ended **March 31, 2024** **June 30, 2024**, compared to **\$0.6 million** with **\$0.7 million** for the **three months ended March 31, 2023** same period in 2023. The prior year expenses were related to professional and legal services incurred for the preferred **exchange**, **exchange** and **legacy facility related expenses**.

NON-GAAP Financial Measures

29

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

| REGIONAL HEALTH PROPERTIES, INC. | | | | |
|---|-----------------------------|----------|---------------------------|------------|
| RECONCILIATION OF NET(LOSS) INCOME TO NON-GAAP FINANCIAL MEASURES | | | | |
| (in thousands) | | | | |
| (Unaudited) | | | | |
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| Net loss | \$ (706) | \$ (685) | \$ (1,668) | \$ (2,676) |
| Depreciation and amortization | 514 | 702 | 1,025 | 1,212 |
| Interest expense, net | 669 | 679 | 1,344 | 1,359 |
| Other expense, net | 0 | 0 | (18) | 0 |
| Amortization of employee stock compensation | 24 | 155 | 66 | 235 |
| EBITDA | 501 | 851 | 749 | 130 |
| Bad debt - increase in provision | 36 | 24 | 65 | 49 |
| Gain from write-off of liabilities and other credit balances from discontinued operations | 165 | (31) | 177 | (31) |
| Expenses related to preferred stock recapitalization | — | 312 | — | 673 |
| Other one-time costs | 80 | 1 | 140 | 264 |

| | | | | |
|---|---------------|---------------|-----------------|-----------------|
| Project costs | 25 | 89 | 65 | 168 |
| Tail insurance on legacy facilities | 79 | 127 | 152 | 255 |
| One-time income adjustment - quality incentive program ⁽¹⁾ | (147) | (453) | (98) | (403) |
| Adjusted EBITDA from operations | \$ 739 | \$ 920 | \$ 1,250 | \$ 1,105 |

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

Liquidity and Capital Resources

Overview

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

Management anticipates access to several sources of liquidity, including cash on hand, cash flows from operations, cash flows from investing and debt refinancing during the twelve months following the date of this filing. The Company has committed to a plan to sell the Mt. Trace Property to increase cash available for operations and future investments. At March 31, 2024 June 30, 2024, the Company had \$0.8 million \$0.7 million in unrestricted cash and 1.5 million 1.8 million of net accounts receivable, mainly consisting of patient accounts receivable and rent receivables.

During the three six months ended March 31, 2024 June 30, 2024, the Company's net cash provided by operating activities was \$0.6 million \$1.1 million mainly due to the timing of accounts payable and accrued expense payments. Management anticipates collecting a portion of the past due rent after the filing date and is currently negotiating various methods to collect the remaining unpaid rent and notes receivable.

30

As of March 31, 2024 June 30, 2024, Regional recorded an estimated allowance of \$2.1 million against a gross accounts receivable of \$3.5 million \$3.9 million.

As of March 31, 2024 June 30, 2024, the Company had \$50.0 million \$50.2 million in indebtedness, net of 1.0 million \$1.0 million deferred financing, and unamortized discounts. The Company anticipates net principal repayments of approximately \$1.7 million \$2.4 million during the next twelve-month period, approximately \$1.5 million \$1.6 million of routine debt service amortization, \$0.6 million of insurance financing amortization, and a \$0.1 million \$0.2 million payment of bond debt.

Series A Preferred Stock Exchange Offer

On June 30, 2023, the Company closed the Company's offer to exchange (the "Exchange Offer") any and all outstanding shares of the Company's 10.875% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Stock") for newly issued shares of the Company's Series B Preferred Stock. In connection with the completion of the Exchange Offer and the implementation of the Series A Charter Amendments and the Series B Charter Amendments, the liquidation preference of the Series A Preferred Stock was reduced, accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and future dividends on the Series A Preferred Stock were eliminated. As a result, \$50.4 million in accumulated and unpaid dividends on the Series A Preferred Stock were eliminated and, as of March 31, 2024 June 30, 2024, there are no accumulated and unpaid dividends on the Series A Preferred Stock. For further information regarding the Exchange Offer, Series A Charter Amendments and Series B Charter Amendments, see Note 9 – Common and Preferred Stock. As of June 30, 2024, the Company has not redeemed any Series B Preferred Stock.

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

27

Costs associated with these efforts have been expensed as incurred in "Other expense, net" and were \$0.6 million for the three months ended March 31, 2023, and there were no expenses incurred for the three six months ended March 31, 2024 June 30, 2024 and there were \$0.5 million for the six months ended June 30, 2023.

Series A Preferred Dividend Suspension

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

Debt Covenant Compliance

As of March 31, 2024 June 30, 2024, the Company was in compliance with the various financial and administrative covenants under the Company's outstanding credit related instruments except for with the exception of a noticed default under one immaterial non-compliance. When management learned of USDA loan. The Company is working with the non-compliance, USDA lender to get back into compliance with the non-compliance was cured after the balance sheet date, loan documents.

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

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

31

current funds available, forecasted future cash flows, the Company's obligations due over the next twelve months, and the Company's recurring business operating expenses.

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

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

Cash Flows

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

| (Amounts in 000's) | Three Months Ended March 31, | | Six Months Ended June 30, | |
|---|------------------------------|----------|---------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Net cash provided by operating activities | \$ 597 | \$ 2,597 | \$ 1,102 | \$ 2,955 |
| Net cash used in investing activities | (55) | (2) | (395) | (854) |
| Net cash used in financing activities | (751) | (685) | (1,317) | (1,145) |
| Net change in cash and restricted cash | (209) | 1,910 | (610) | 956 |
| Cash and restricted cash at beginning of period | 4,184 | 3,909 | 4,184 | 3,909 |
| Cash and restricted cash, ending | \$ 3,975 | \$ 5,819 | \$ 3,574 | \$ 4,865 |

Three Six Months Ended March 31, 2024 June 30, 2024

Net cash provided by operating activities—was approximately \$0.6 million \$1.1 million. The positive cash flow from operating activities was mainly due to the timing of working capital accounts.

28

Net cash used in investing activities—was approximately \$55.0 thousand \$0.4 million. This capital expenditure was primarily for leasehold improvements.

Net cash used in financing activities—was approximately \$0.8 million \$1.3 million. The cash was used to make routine payments totaling \$0.4 million \$0.7 million for our Senior senior debt obligations, \$0.4 million \$0.6 million for other debt.

Three Six Months Ended March 31, 2023 June 30, 2023

Net cash provided by operating activities—was approximately \$2.6 million \$3.0 million. The positive cash flow from operating activities were largely due to collection of the ERTC. ERTC, collection of patient care receivables, and rent receivables.

Net cash used in investing activities—was approximately \$2.0 thousand. This \$0.9 million. The negative cash flow was mainly from reclassified capital expenditure was for computer hardware, software, expenditures, new equipment, and finished capital expense projects.

Net cash used in financing activities—was approximately \$0.7 million \$1.1 million. The cash was used to make routine payments totaling \$0.3 million \$1.1 million for our Senior senior debt obligations, \$0.4 million for other debt. obligations.

Off-Balance Sheet Arrangements

Guarantee

The Company subleased five facilities located in Ohio to the Aspire Sublessees, formerly affiliated with MSTC Development Inc., pursuant to the Aspire Subleases, whereby the Aspire Sublessees took possession of, and commenced operating, the Aspire Facilities as subtenant. The Company agreed to indemnify Aspire against any and all liabilities imposed on them as arising from the former operator, capped at \$8.0 million. The Company has assessed the fair value of the indemnity agreements as not material to the financial statements at March 31, 2024 June 30, 2024. For further information see Note 6 7 – Leases, to the consolidated financial statements included in Part I, Item 1 herein and also and Note 6 – Leases included in Part II, Item 8 of the Annual Report.

Critical Accounting Policies

32

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

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

29 33

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Senior Vice President (principal financial officer), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and Senior Vice President, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report (the "Evaluation Date"). Based on such evaluation, our management has concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

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

Part II. Other Information

Item 1. Legal Proceedings.

The Company is a defendant in various legal actions and administrative proceedings arising in the ordinary course of business, including claims that the services the Company provided during the time it operated skilled nursing facilities resulted in injury or death to patients. Although the Company settles cases from time to time when settlement can be achieved on a reasonable basis, the Company vigorously defends any matter in which it believes the claims lack merit and the Company has a reasonable chance to prevail at trial or in arbitration. Litigation is inherently unpredictable. There is no assurance that the outcomes of these matters will not have a material adverse effect on the Company's financial condition. Although arising in the ordinary course of the Company's business, certain of these matters are described in "Note 11 12 - Commitments and Contingencies".

Item 1A. Risk Factors.

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

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

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

We and the healthcare operators leasing our properties depend on the healthcare industry and are susceptible to risks associated with healthcare reform. Legislative proposals are introduced each year that would introduce major changes in the healthcare system, both nationally and at the state level. For example, we believe that efforts may be made to,

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

Our tenants are subject to extensive federal, state and local laws and regulations affecting the healthcare industry that include those relating to, among other things, licensure, conduct of operations, ownership of facilities, addition of facilities and equipment, allowable costs, services, prices for services, qualified beneficiaries, quality of care, patient rights and insurance, fraudulent or abusive behavior, labor and employment issues and financial and other arrangements that may be entered into by healthcare providers. See "Government Regulation" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on April 1, 2024, for more information. If our tenants or operators fail to comply with the laws, regulations and other requirements applicable to their businesses and the operation of our properties, they could become ineligible to receive reimbursement from governmental and private third-party payor programs, face bans on admissions of new patients or residents, suffer civil or criminal penalties or be required to make significant operational changes. The cost to comply with these laws, regulations and other requirements results in increased costs of doing business for our tenants and operators. If our tenants are unable to offset these increased costs, the operating results and financial condition of our tenants will be adversely impacted and they may be unable to satisfy their rent obligations to us.

We believe that additional resources may be dedicated to regulatory enforcement, which could further increase our tenants' costs of doing business and negatively impact their ability to pay their rent obligations to us. Changes in enforcement policies by federal and state governments have also resulted in a significant increase in inspection rates, citations of regulatory deficiencies and sanctions, including terminations from Medicare and Medicaid programs, bars on Medicare and Medicaid payments for new admissions, civil monetary penalties and criminal penalties. Our tenants and operators could be forced to expend considerable resources responding to an investigation, lawsuit or other enforcement action under applicable laws or regulations. Additionally, if our tenants' residents do not have insurance, it could adversely impact the tenants' ability to satisfy their obligation to us.

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

30

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

35

Item 5. Other Information.

NYSE American Listing

On May 10, 2023, we received a letter from the NYSE American notifying us that we were not in compliance with Section 1003(a)(ii) of the NYSE American Company Guide. As a result, we became subject to the procedures and requirements of Section 1009 of the NYSE American Company Guide. On June 9, 2023, we submitted a plan to the NYSE

American advising of actions we have taken or will take to regain compliance with the continued listing standards by November 10, 2024. On June 29, 2023, we received a letter from the NYSE American notifying us that we were not in compliance with Section 1003(a)(i) of the NYSE Company Guide. On August 1, 2023, we received a letter (the "Acceptance Letter") from the NYSE American notifying us that the compliance plan has been accepted. The NYSE American has granted the Company a plan period through November 10, 2024 to regain compliance with the continued listing standards. We have been advised that if we do not make progress consistent with the plan or we fail to regain compliance by the deadline, then the NYSE American may commence delisting procedures.

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

Trading Arrangement

During the **first second** quarter of 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408(c) of Regulation S-K of the Securities Act of 1933, as amended).

Item 6. Exhibits.

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

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

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

31 36

EXHIBIT INDEX

| Exhibit No. | Description | Method of Filing |
|-------------|---|--|
| 3.1 | Amended and Restated Articles of Incorporation of Regional Health Properties, Inc., effective July 3, 2023 | Incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on July 6, 2023 |
| 3.2 | Amended and Restated Bylaws of Regional Health Properties, Inc., effective September 21, 2017 | Incorporated by reference to Exhibit 3.3 of the Registrant's Current Report on Form 8-K12B filed on October 10, 2017 |
| 3.2(a) | Amendment No. 1 to Amended and Restated Bylaws of Regional Health Properties, Inc., effective June 27, 2023 | Incorporated by reference to Exhibit 3.6 of the Registrant's Post-Effective Amendment No. 1 to Registration Statement on Form S-4 (Reg. No. 333-269750) filed on June 28, 2023 |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act | Filed herewith |
| 31.2 | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act | Filed herewith |
| 32.1 | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act | Filed herewith |
| 32.2 | Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act | Filed herewith |

| | | |
|---------|--|----------------|
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. | Filed herewith |
| 101.SCH | Inline XBRL Taxonomy Extension Schema | Filed herewith |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) | |

* Identifies a management contract or compensatory plan or arrangement.

32 37

SIGNATURES

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

| | | |
|-------|--|---|
| | REGIONAL HEALTH PROPERTIES, INC. (Registrant) | |
| Date: | <u>May 15, August 13, 2024</u> | <u>/s/ Brent Morrison</u> Brent Morrison Chairman, Chief Executive Officer and Director (Principal Executive Officer) |
| Date: | <u>May 15, August 13, 2024</u> | <u>/s/ Paul O'Sullivan</u> Paul O'Sullivan Senior Vice President (Principal Financial Officer) |

33 38

Exhibit 31.1

CERTIFICATIONS

- I, Brent Morrison, certify that:
- I have reviewed this quarterly report on Form 10-Q of Regional Health Properties, Inc.;
 - 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 circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 - 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;
 - 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(f) and 15d-15(f)) for the registrant and have:
 - Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that 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 the report is being prepared;
 - Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance that financial statements are prepared in accordance with generally accepted accounting principles and that the registrant is aware of any significant deficiencies or 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 and process financial transactions and related disclosures.

assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

May 15, August 13, 2024

By /s/ Brent Morrison

Chief Executive Officer and President

Exhibit 31.2

CERTIFICATIONS

I, Paul O'Sullivan, certify that:

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

May 15, August 13, 2024

By /s/ Paul O' Sullivan

Chief Principal Officer and Senior Vice President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

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

May 15, August 13, 2024

By: /s/ Brent Morrison

Brent Morrison

Chief Executive Officer and President

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

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

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May 15, August 13, 2024

By: /s/ Paul O'Sullivan

Paul O'Sullivan

Chief Principal Officer and Senior Vice President

DISCLAIMER

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