CareTrust REIT, Inc.
Form 10-K
February 13, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-36181
CareTrust REIT, Inc.
(Exact name of registrant as specified in its charter)

Maryland	46-3999490
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
905 Calle Amanecer, Suite 300, San Clemente, CA	92673
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (949) 542-3130
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $0.01 per share)	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
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 the definitions of "large accelerated filer," "accelerated

filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	o
		Emerging growth company	o

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $1.3 billion.

As of February 11, 2019, there were 88,846,942 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2019 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of fiscal year 2018, are incorporated by reference into Part III of this Report.

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STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Those forward-looking statements include all statements that are not historical statements of fact and those regarding our intent, belief or expectations, including, but not limited to, statements regarding: future financing plans, business strategies, growth prospects and operating and financial performance; expectations regarding the making of distributions and the payment of dividends; and compliance with and changes in governmental regulations.

Words such as “anticipate(s),” “expect(s),” “intend(s),” “plan(s),” “believe(s),” “may,” “will,” “would,” “could,” “should,” “se similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management’s current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to: (i) the ability and willingness of our tenants to meet and/or perform their obligations under the triple-net leases we have entered into with them and the ability and willingness of Ensign Group, Inc. (“Ensign”) to meet and/or perform its other contractual arrangements that it entered into with us in connection with the Spin-Off (as hereinafter defined) and any of its obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities; (ii) the ability of our tenants to comply with laws, rules and regulations in the operation of the properties we lease to them; (iii) the ability and willingness of our tenants, including Ensign, to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant; (iv) the availability of and the ability to identify suitable acquisition opportunities and the ability to acquire and lease the respective properties on favorable terms; (v) the ability to generate sufficient cash flows to service our outstanding indebtedness; (vi) access to debt and equity capital markets; (vii) fluctuating interest rates; (viii) the ability to retain our key management personnel; (ix) the ability to maintain our status as a real estate investment trust (“REIT”); (x) changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs; (xi) other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and (xii) any additional factors included in this report, including in the section entitled “Risk Factors” in Item 1A of this report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (“SEC”), including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Forward-looking statements speak only as of the date of this report. Except in the normal course of our public disclosure obligations, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any statement is based.

TENANT INFORMATION

This Annual Report on Form 10-K includes information regarding certain of our tenants that lease properties from us, some of which are not subject to SEC reporting requirements. Ensign is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. You are encouraged to review Ensign’s publicly available filings, which can be found at the SEC’s website at www.sec.gov.

The information related to our tenants contained or referred to in this Annual Report on Form 10-K was provided to us by such tenants or, in the case of Ensign, derived from SEC filings made by Ensign or other publicly available information. We have not verified this information through an independent investigation or otherwise. We have no reason to believe that this information is inaccurate in any material respect, but we cannot provide any assurance of its accuracy. We are providing this data for informational purposes only.

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PART I

All references in this report to "CareTrust REIT," the "Company," "we," "us" or "our" mean CareTrust REIT, Inc. together wit its consolidated subsidiaries. Unless the context suggests otherwise, references to "CareTrust REIT, Inc." mean the parent company without its subsidiaries.

ITEM 1. Business

Our Company

CareTrust REIT is a self-administered, publicly-traded REIT engaged in the ownership, acquisition, development and leasing of seniors housing and healthcare-related properties. CareTrust REIT was formed on October 29, 2013 as a wholly owned subsidiary of Ensign with the intent to hold substantially all of Ensign's real estate business, and became a separate and independent publicly-traded company on June 1, 2014 following the pro rata distribution of the outstanding shares of CareTrust REIT common stock to Ensign's stockholders (the "Spin-Off"). As of December 31, 2018, CareTrust REIT's real estate portfolio consisted of 194 skilled nursing facilities ("SNFs"), multi-service campuses, assisted living facilities ("ALFs") and independent living facilities ("ILFs"). Of these properties, 92 are leased to Ensign on a triple-net basis under multiple long-term leases (each, an "Ensign Master Lease" and, collectively, the "Ensign Master Leases") that have cross default provisions and are all guaranteed by Ensign. As of December 31, 2018, the 92 facilities leased to Ensign had a total of 9,801 beds and units and are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington and the 102 remaining leased facilities had a total of 9,285 beds and units and are located in California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Montana, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia and Wisconsin. We also own and operate three ILFs which had a total of 264 units located in Texas and Utah. As of December 31, 2018, the Company also had other real estate investments consisting of $5.7 million for two preferred equity investments and a mortgage loan receivable of $12.3 million.

From January 1, 2018 through February 13, 2019, we acquired fourteen SNFs and three multi-service campuses and provided a term loan secured by first mortgages on five SNFs for approximately $177.7 million, which includes actual and estimated capitalized acquisition costs and a $1.4 million commitment to fund revenue-producing capital expenditures over the next 24 months on one newly acquired multi-service campus. These acquisitions are expected to generate initial annual cash revenues of approximately $14.8 million and an initial blended yield of approximately 8.9%.

On January 27, 2019, we entered into a Membership Interest Purchase Agreement ("MIPA") to acquire from BME Texas Holdings, LLC, in a single transaction, 100% of the membership interests in twelve separate, newly-formed special-purpose limited liability companies (the "SPEs"), each of which will own at closing a single real estate asset. The real estate assets include ten operating skilled nursing facilities and two operating skilled nursing/seniors housing campuses, primarily located in the southeastern United States. The aggregate purchase price for the acquisition is approximately $211.0 million, exclusive of transaction costs. See Management's Discussion and Analysis - Recent Investments for additional information.

We operate as a REIT that invests in income-producing healthcare-related properties. We generate revenues primarily by leasing healthcare-related properties to healthcare operators in triple-net lease arrangements, under which the tenant is solely responsible for the costs related to the property (including property taxes, insurance, and maintenance and repair costs). We conduct and manage our business as one operating segment for internal reporting and internal decision making purposes. We expect to grow our portfolio, which primarily consists of SNFs, multi-service campuses, ALFs and ILFs, by pursuing opportunities to acquire additional properties that will be leased to a diverse group of local, regional and national healthcare providers, which may include Ensign, as well as senior housing operators and related businesses. We also anticipate diversifying our portfolio over time, including by acquiring properties in different geographic markets, and in different asset classes.

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify for taxation as a REIT. We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held through CTR Partnership, L.P. (the "Operating Partnership"). The Operating Partnership is managed by CareTrust REIT's wholly owned subsidiary,

CareTrust GP, LLC, which is the sole general partner of the Operating Partnership. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

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Our Industry

The skilled nursing industry has evolved to meet the growing demand for post-acute and custodial healthcare services generated by an aging population, increasing life expectancies and the trend toward shifting of patient care to lower cost settings. We believe this evolution has led to a number of favorable improvements in the industry, as described below:

- Shift of Patient Care to Lower Cost Alternatives. The growth of the senior population in the United States continues to increase healthcare costs. In response, federal and state governments have adopted cost-containment measures that encourage the treatment of patients in more cost-effective settings such as SNFs, for which the staffing requirements and associated costs are often significantly lower than acute care hospitals, inpatient rehabilitation facilities and other post-acute care settings. As a result, SNFs are generally serving a larger population of higher-acuity patients than in the past.
- Significant Acquisition and Consolidation Opportunities. The skilled nursing industry is large and highly fragmented, characterized predominantly by numerous local and regional providers. We believe this fragmentation provides significant acquisition and consolidation opportunities for us.
- Widening Supply and Demand Imbalance. The number of SNFs has declined modestly over the past several years. According to the American Health Care Association, the nursing home industry was comprised of approximately 15,700 facilities as of December 2016, as compared with over 16,700 facilities as of December 2000. We expect that the supply and demand balance in the skilled nursing industry will continue to improve due to the shift of patient care to lower cost settings, an aging population and increasing life expectancies.
- Increased Demand Driven by Aging Populations and Increased Life Expectancy. As life expectancy continues to increase in the United States and seniors account for a higher percentage of the total U.S. population, we believe the overall demand for skilled nursing services will increase. At present, the primary market demographic for skilled nursing services is individuals age 75 and older. According to the 2012 U.S. Census, there were over 41.5 million people in the United States in 2012 that were over 65 years old. The 2012 U.S. Census estimates this group is one of the fastest growing segments of the United States population and is expected to more than double between 2000 and 2030. According to the Centers for Medicare & Medicaid Services, nursing home expenditures are projected to grow from approximately $156 billion in 2014 to approximately $274 billion in 2024, representing a compounded annual growth rate of 5.3%. We believe that these trends will support an increasing demand for skilled nursing services, which in turn will likely support an increasing demand for our properties.

Portfolio Summary

We have a geographically diverse portfolio of properties, consisting of the following types:

- Skilled Nursing Facilities. SNFs are licensed healthcare facilities that provide restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Treatment programs include physical, occupational, speech, respiratory and other therapies, including sub-acute clinical protocols such as wound care and intravenous drug treatment. Charges for these services are generally paid from a combination of government reimbursement and private sources. As of December 31, 2018, our portfolio included 158 SNFs, 18 of which include assisted or independent living operations which we refer to as multi-service campuses.
- Assisted Living Facilities. ALFs are licensed healthcare facilities that provide personal care services, support and housing for those who need help with activities of daily living, such as bathing, eating and dressing, yet require limited medical care. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room setting and other activities sought by residents. These facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments. Certain ALFs may offer higher levels of personal assistance for residents requiring memory care as a result of Alzheimer’s disease or other forms of dementia. Levels of personal assistance are based in part on local regulations. As of December 31, 2018, our portfolio included 35 ALFs, some of which also contain independent living units.
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Independent Living Facilities. ILFs, also known as retirement communities or senior apartments, are not healthcare facilities. The facilities typically consist of entirely self-contained apartments, complete with their own kitchens, baths and individual living spaces, as well as parking for tenant vehicles. They are most often rented unfurnished, and generally can be personalized by the tenants, typically an individual or a couple over the age of 55. These facilities offer various services and amenities such as laundry, housekeeping, dining options/meal plans, exercise and wellness programs, transportation, social, cultural and recreational activities, on-site security and

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emergency response programs. As of December 31, 2018, our portfolio of four ILFs includes one that is operated by Ensign and three that are operated by us.

Our portfolio of SNFs, ALFs and ILFs is broadly diversified by geographic location throughout the United States, with concentrations in Texas, California, and Ohio.

Significant Master Leases

We have leased 92 of our properties to subsidiaries of Ensign pursuant to the Ensign Master Leases, which consist of eight triple-net leases, each with its own pool of properties, that have varying maturities and diversity in both property type and geography. The Ensign Master Leases provide for initial terms in excess of ten years with staggered expiration dates and no purchase options. At the option of Ensign, each Ensign Master Lease may be extended for up to either two or three five year renewal terms beyond the initial term and, if elected, the renewal will be effective for all of the leased property then subject to the Ensign Master Lease. The rent is a fixed component that was initially set near the time of the Spin-Off. The annual revenues from the Ensign Master Leases were $56.0 million during each of the first two years of the Ensign Master Leases. As of December 31, 2018, the annualized revenues from the Ensign Master Leases were $59.1 million. The Ensign Master Leases are guaranteed by Ensign.

Because we lease many of our properties to Ensign, it represents a substantial portion of our revenues, and its financial condition and ability and willingness to (i) satisfy its obligations under the Ensign Master Leases and (ii) renew those leases upon expiration of the initial base terms thereof, significantly impacts our revenues and our ability to service our indebtedness and to make distributions to our stockholders. There can be no assurance that Ensign has sufficient assets, income and access to financing to enable it to satisfy its obligations under the Ensign Master Leases, and any inability or unwillingness on its part to do so would have a material adverse effect on our business, financial condition, results of operations and liquidity, on our ability to service our indebtedness and other obligations and on our ability to pay dividends to our stockholders, as required for us to qualify, and maintain our status, as a REIT. We also cannot assure you that Ensign will elect to renew its lease arrangements with us upon expiration of the initial base terms or any renewal terms thereof or, if such leases are not renewed, that we can reposition the affected properties on the same or better terms. See “Risk Factors - Risks Related to Our Business - We are dependent on Ensign and other healthcare operators to make payments to us under leases, and an event that materially and adversely affects their business, financial position or results of operations could materially and adversely affect our business, financial position or results of operations.”

We monitor the creditworthiness of our tenants by evaluating the ability of the tenants to meet their lease obligations to us based on the tenants’ financial performance, including the evaluation of any guarantees of tenant lease obligations. The primary basis for our evaluation of the credit quality of our tenants (and more specifically the tenants’ ability to pay their rent obligations to us) is the tenants’ lease coverage ratios. These coverage ratios include (i) earnings before interest, income taxes, depreciation, amortization and rent (“EBITDAR”) to rent coverage, and (ii) earnings before interest, income taxes, depreciation, amortization, rent and management fees (“EBITDARM”) to rent coverage. We utilize a standardized 5% management fee when we calculate lease coverage ratios. We obtain various financial and operational information from our tenants each month and review this information in conjunction with the above-described coverage metrics to determine trends and the operational and financial impact of the environment in the industry (including the impact of government reimbursement) and the management of the tenant’s operations. These metrics help us identify potential areas of concern relative to our tenants’ credit quality and ultimately the tenants’ ability to generate sufficient liquidity to meet its obligations, including its obligation to continue to pay the rent due to us.

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Properties by Type:

The following table displays the geographic distribution of our facilities by property type and the related number of beds and units available for occupancy by asset class, as of December 31, 2018. The number of beds or units that are operational may be less than the official licensed capacity.

	Total(1)		SNFs		Multi-Service Campuses		ALFs and ILFs(1)	
State	Properties	Beds/Units	Facilities	Beds	Campuses	Beds/Units	Facilities	Beds/Units
TX	34	4,145	27	3,386	2	357	5	402
CA	26	3,130	19	2,201	4	654	3	275
OH	16	1,484	12	949	4	535	—	—
ID	15	1,241	14	1172	1	69	—	—
IA	15	986	13	815	2	171	—	—
UT	12	1,306	9	907	1	272	2	127
WA	12	1,015	11	913	—	—	1	102
AZ	10	1,327	7	799	1	262	2	266
MI	10	669	6	480	—	—	4	189
IL	7	644	7	644	—	—	—	—
CO	7	770	5	517	—	—	2	253
NE	5	366	3	220	2	146	—	—
VA	5	251	—	—	—	—	5	251
FL	4	404	—	—	—	—	4	404
NV	3	304	1	92	—	—	2	212
WI	3	206	—	—	—	—	3	206
NC	2	100	—	—	—	—	2	100
MN	2	62	—	—	—	—	2	62
IN	1	162	—	—	—	—	1	162
NM	1	136	1	136	—	—	—	—
MD	1	120	—	—	—	—	1	120
ND	1	110	1	110	—	—	—	—
GA	1	105	1	105	—	—	—	—
MT	1	100	1	100	—	—	—	—
SD	1	99	1	99	—	—	—	—
WV	1	55	—	—	1	55	—	—
OR	1	53	1.00	53.00	—	—	—	—
Total	197	19,350	140	13,698	18	2,521	39	3,131

(1) ALFs and ILFs include ALFs or ILFs, or a combination of the two, operated by our tenants and three ILFs operated by us.

Occupancy by Property Type:

The following table displays occupancy by property type for each of the years ended December 31, 2018, 2017 and 2016. Percentage occupancy in the below table is computed by dividing the average daily number of beds occupied by the total number of beds available for use during the periods indicated (beds of acquired facilities are included in the computation following the date of acquisition only).

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	Year Ended December 31,		
Property Type	2018	2017	2016
Facilities Leased to Tenants: (1)			
SNFs	77 %	78 %	78 %
Multi-Service Campuses	77 %	79 %	77 %
ALFs and ILFs	84 %	82 %	85 %
Facilities Operated by CareTrust REIT:			
ILFs	83 %	80 %	76 %

(1) Financial data were derived solely from information provided by our tenants without independent verification by us. The leased facility financial performance data is presented one quarter in arrears.

Property Type - Rental Income:

The following tables display the annual rental income and total beds/units for each property type leased to third-party tenants for the years ended December 31, 2018 and 2017.

	For the Year Ended December 31, 2018		
Property Type	Rental Income (in thousands)	Percent of Total	Total Beds/ Units
SNFs	$102,555	73 %	13,698
Multi-Service Campuses	15,543	11 %	2,521
ALFs and ILFs	21,975	16 %	2,867
Total	$140,073	100 %	19,086

	For the Year Ended December 31, 2017		
Property Type	Rental Income (in thousands)	Percent of Total	Total Beds/ Units
SNFs	$82,550	70 %	12,716
Multi-Service Campuses	15,228	13 %	2,264
ALFs and ILFs	19,855	17 %	3,084
Total	$117,633	100 %	18,064

Geographic Concentration - Rental Income:

The following table displays the geographic distribution of annual rental income for properties leased to third-party tenants for the years ended December 31, 2018 and 2017.

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State	For the Year Ended December 31, 2018 Rental Income (in thousands)	Percent of Total		For the Year Ended December 31, 2017 Rental Income (in thousands)	Percent of Total	
CA	$26,897	19	%	$20,896	18	%
TX	26,567	19	%	24,072	20	%
OH	17,300	12	%	17,928	15	%
ID	10,770	8	%	6,963	6	%
AZ	9,125	7	%	8,916	8	%
WA	6,353	5	%	5,272	4	%
UT	6,125	4	%	5,965	5	%
MI	6,004	4	%	2,774	2	%
IA	5,805	4	%	5,471	5	%
CO	4,192	3	%	4,039	3	%
IL	3,792	3	%	2,653	2	%
VA	3,137	2	%	1,856	2	%
WI	2,850	2	%	2,539	2	%
FL	1,527	1	%	1,061	1	%
NE	1,396	1	%	1,360	1	%
MN	1,275	1	%	892	1	%
NC	1,069	1	%	1,044	1	%
NM	1,046	1	%	662	1	%
NV	1,038	1	%	1,010	1	%
IN	937	1	%	803	1	%
GA	880	1	%	818	1	%
MD	535	—	%	459	—	%
MT	495	—	%	—	—	%
SD	395	—	%	—	—	%
OR	368	—	%	180	—	%
WV	115	—	%	—	—	%
ND	80	—	%	—	—	%
Total	$140,073	100	%	$117,633	100	%

ILFs Operated by CareTrust REIT:

The following table displays the geographic distribution of ILFs operated by CareTrust REIT and the related number of operational units available for occupancy as of December 31, 2018. The following table also displays the average monthly revenue per occupied unit for the years ended December 31, 2018 and 2017.

State	Facilities	Units	For the Year Ended December 31, 2018 Average Monthly Revenue Per Occupied Unit(1)	For the Year Ended December 31, 2017 Average Monthly Revenue Per Occupied Unit(1)
TX	2	207	$ 1,236	$ 1,236
UT	1	57	1,268	1,337
Total	3	264	1,244	1,263

(1) Average monthly revenue per occupied unit is equivalent to average effective rent per unit, as we do not offer tenants free rent or other concessions.

We view our ownership and operation of the three ILFs as complementary to our real estate business. Our goal is to provide enhanced focus on their operations to improve their financial and operating performance. The three ILFs that we own and operate as of December 31, 2018 are:

- Lakeland Hills Independent Living, located in Dallas, Texas, with 168 units;
- The Cottages at Golden Acres, located in Dallas, Texas, with 39 units; and

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- The Apartments at St. Joseph Villa, located in Salt Lake City, Utah, with 57 units.

Investment and Financing Policies

Our investment objectives are to increase cash flow, provide quarterly cash dividends, maximize the value of our properties and acquire properties with cash flow growth potential. We intend to invest primarily in SNFs and seniors housing, including ALFs and ILFs, as well as medical office buildings, long-term acute care hospitals and inpatient rehabilitation facilities. Our properties are located in 27 states and we intend to continue to acquire properties in other states throughout the United States. Although our portfolio currently consists primarily of owned real property, future investments may include first mortgages, mezzanine debt and other securities issued by, or joint ventures with, REITs or other entities that own real estate consistent with our investment objectives.

Our Competitive Strengths

We believe that our ability to acquire, integrate and improve facilities is a direct result of the following key competitive strengths:

Geographically Diverse Property Portfolio. Our properties are located in 27 different states, with concentrations in Texas, California and Ohio. The properties in any one state do not account for more than 21% of our total beds and units as of December 31, 2018. We believe this geographic diversification will limit the effect of changes in any one market on our overall performance.

Long-Term, Triple-Net Lease Structure. All of our properties (except for the three ILFs that we own and operate) are leased to our tenants under long-term, triple-net leases, pursuant to which the operators are responsible for all facility maintenance and repair, insurance required in connection with the leased properties and the business conducted on the leased properties, taxes levied on or with respect to the leased properties and all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties.

Financially Secure Primary Tenant. Ensign is an established provider of healthcare services with strong financial performance and accounted for 41% of our 2018 revenues, exclusive of tenant reimbursements. Ensign is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. Ensign's publicly available filings can be found at the SEC's website at www.sec.gov.

Ability to Identify Talented Operators. We have purchased 108 properties since the Spin-Off through December 31, 2018 and have increased total rental revenue from $41.2 million for the year ended December 31, 2013, the last full fiscal year prior to the Spin-Off, to $140.1 million for the year ended December 31, 2018, which has resulted in a reduction in Ensign's share of our rental revenues from approximately 100% for the year ended December 31, 2013 to approximately 41% for the year ended December 31, 2018, in each case exclusive of tenant reimbursements. As a result of our management team's operating experience and network of relationships and insight, we believe that we are able to identify and pursue working relationships with qualified local, regional and national healthcare providers and seniors housing operators. We expect to continue our disciplined focus on pursuing investment opportunities, primarily with respect to stabilized assets but also some strategic investment in new and/or improving properties, while seeking dedicated and engaged operators who possess local market knowledge, have solid operating records and emphasize quality services and outcomes. We intend to support these operators by providing strategic capital for facility acquisition, upkeep and modernization. Our management team's experience gives us a key competitive advantage in objectively evaluating an operator's financial position, care and service programs, operating efficiencies and likely business prospects.

Experienced Management Team. Gregory K. Stapley, our President and Chief Executive Officer, has extensive experience in the real estate and healthcare industries. Mr. Stapley has more than 30 years of experience in the acquisition, development and disposition of real estate including healthcare facilities and office, retail and industrial properties, including nearly 15 years at Ensign where he was instrumental in assembling the portfolio that we now lease back to Ensign. Our Chief Financial Officer, William M. Wagner, has more than 25 years of accounting and finance experience, primarily in real estate, including more than 14 years of experience working extensively for REITs. Most notably, he worked for both Nationwide Health Properties, Inc., a healthcare REIT, and Sunstone Hotel Investors, Inc., a lodging REIT, serving as Senior Vice President and Chief Accounting Officer of each company prior

to joining us as our Chief Financial Officer. David M. Sedgwick, our Chief Operating Officer, is a licensed nursing home administrator with more than 13 years of experience in skilled nursing operations, including turnaround operations, and trained over 100 Ensign nursing home administrators while he was Ensign's Chief Human Capital Officer. Mark Lamb, our Chief Investment Officer, is a licensed nursing home administrator with more

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than six years serving as administrator of healthcare facilities for Plum Healthcare and North American Healthcare, Inc. and more than seven years serving in acquisition and portfolio management capacities for various entities. Our executives have years of public company experience, including experience accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

Flexible UPREIT Structure. We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held through the Operating Partnership. Conducting business through the Operating Partnership will allow us flexibility in the manner in which we structure the acquisition of properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in exchange for limited partnership units, which provides property owners the opportunity to defer the tax consequences that would otherwise arise from a sale of their real properties and other assets to us. As a result, this structure allows us to acquire assets in a more efficient manner and may allow us to acquire assets that the owner would otherwise be unwilling to sell because of tax considerations.

Business Strategies

Our primary goal is to create long-term stockholder value through the payment of consistent cash dividends and the growth of our asset base. To achieve this goal, we intend to pursue a business strategy focused on opportunistic acquisitions and property diversification. We also intend to further develop our relationships with tenants and healthcare providers with a goal to progressively expand the mixture of tenants managing and operating our properties.

The key components of our business strategies include:

Diversify Asset Portfolio. We diversify through the acquisition of new and existing facilities from third parties and the expansion and upgrade of current facilities and strategically investing in new developments with options to acquire the developments at stabilization. We employ what we believe to be a disciplined, opportunistic acquisition strategy with a focus on the acquisition of skilled nursing, assisted living and independent living facilities, as well as medical office buildings, long-term acute care hospitals and inpatient rehabilitation facilities. As we acquire additional properties, we expect to further diversify by geography, asset class and tenant within the healthcare and healthcare-related sectors.

Maintain Balance Sheet Strength and Liquidity. We maintain a capital structure that provides the resources and flexibility to support the growth of our business. We intend to maintain a mix of credit facility debt and unsecured debt which, together with our anticipated ability to complete future equity financings, including issuances of our common stock under an at-the-market equity program, we expect will fund the growth of our property portfolio.

Develop New Tenant Relationships. We cultivate new relationships with tenants and healthcare providers in order to expand the mix of tenants operating our properties and, in doing so, to reduce our dependence on Ensign. We expect that this objective will be achieved over time as part of our overall strategy to acquire new properties and further diversify our portfolio of healthcare properties.

Provide Capital to Underserved Operators. We believe there is a significant opportunity to be a capital source to healthcare operators, through the acquisition and leasing of healthcare properties to them that are consistent with our investment and financing strategy at appropriate risk-adjusted rates of return, which, due to size and other considerations, are not a focus for larger healthcare REITs. We pursue acquisitions and strategic opportunities that meet our investing and financing strategy and that are attractively priced, including funding development of properties through preferred equity or construction loans and thereafter entering into sale and leaseback arrangements with such developers as well as other secured term financing and mezzanine lending. We utilize our management team’s operating experience, network of relationships and industry insight to identify both large and small quality operators in need of capital funding for future growth. In appropriate circumstances, we may negotiate with operators to acquire individual healthcare properties from those operators and then lease those properties back to the operators pursuant to long-term triple-net leases.

Fund Strategic Capital Improvements. We support operators by providing capital to them for a variety of purposes, including capital expenditures and facility modernization. We expect to structure these investments as either lease amendments that produce additional rents or as loans that are repaid by operators during the applicable lease term.

Pursue Strategic Development Opportunities. We work with operators and developers to identify strategic development opportunities. These opportunities may involve replacing or renovating facilities that may have become less competitive. We also identify new development opportunities that present attractive risk-adjusted returns. We may provide funding to the developer of a property in conjunction with entering into a sale leaseback transaction or an option to enter into a sale leaseback transaction for the property.

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Competition

We compete for real property investments with other REITs, investment companies, private equity and hedge fund investors, sovereign funds, pension funds, healthcare operators, lenders and other institutional investors. Some of these competitors are significantly larger and have greater financial resources and lower costs of capital than us. Increased competition will make it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. Our ability to compete is also impacted by national and local economic trends, availability of investment alternatives, availability and cost of capital, construction and renovation costs, existing laws and regulations, new legislation and population trends.

In addition, revenues from our properties are dependent on the ability of our tenants and operators to compete with other healthcare operators. Healthcare operators compete on a local and regional basis for residents and patients and their ability to successfully attract and retain residents and patients depends on key factors such as the number of facilities in the local market, the types of services available, the quality of care, reputation, age and appearance of each facility and the cost of care in each locality. Private, federal and state payment programs and the effect of other laws and regulations may also have a significant impact on the ability of our tenants and operators to compete successfully for residents and patients at the properties.

Employees

We employ approximately 57 employees (including our executive officers), none of whom is subject to a collective bargaining agreement.

Government Regulation, Licensing and Enforcement

Overview

As operators of healthcare facilities, Ensign and other tenants of our healthcare properties are typically subject to extensive and complex federal, state and local healthcare laws and regulations relating to fraud and abuse practices, government reimbursement, licensure and certificate of need and similar laws governing the operation of healthcare facilities, and we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud, waste and abuse, cost control, healthcare management and provision of services, among others. These regulations are wide-ranging and can subject our tenants to civil, criminal and administrative sanctions. Affected tenants may find it increasingly difficult to comply with this complex and evolving regulatory environment because of a relative lack of guidance in many areas as certain of our healthcare properties are subject to oversight from several government agencies and the laws may vary from one jurisdiction to another. Changes in laws and regulations and reimbursement enforcement activity and regulatory non-compliance by our tenants could have a significant effect on their operations and financial condition, which in turn may adversely affect us, as detailed below and set forth under “Risk Factors - Risks Related to Our Business.”

The following is a discussion of certain laws and regulations generally applicable to operators of our healthcare facilities and, in certain cases, to us.

Fraud and Abuse Enforcement

There are various extremely complex federal and state laws and regulations governing healthcare providers’ relationships and arrangements and prohibiting fraudulent and abusive practices by such providers. These laws include, but are not limited to, (i) federal and state false claims acts, which, among other things, prohibit providers from filing false claims or making false statements to receive payment from Medicare, Medicaid or other federal or state healthcare programs, (ii) federal and state anti-kickback and fee-splitting statutes, including the Medicare and Medicaid anti-kickback statute, which prohibit the payment or receipt of remuneration to induce referrals or recommendations of healthcare items or services, (iii) federal and state physician self-referral laws (commonly referred to as the “Stark Law”), which generally prohibit referrals by physicians to entities with which the physician or an immediate family member has a financial relationship, (iv) the federal Civil Monetary Penalties Law, which prohibits, among other things, the knowing presentation of a false or fraudulent claim for certain healthcare services and (v) federal and state privacy laws, including the privacy and security rules contained in the Health Insurance Portability and Accountability Act of 1996, which provide for the privacy and security of personal health information.

Violations of healthcare fraud and abuse laws carry civil, criminal and administrative sanctions, including punitive sanctions, monetary penalties, imprisonment, denial of Medicare and Medicaid reimbursement and potential exclusion from Medicare, Medicaid or other federal or state healthcare programs. These laws are enforced by a variety of federal, state and local agencies and can also be enforced by private litigants through, among other things, federal and state false claims acts, which allow private litigants to bring qui tam or "whistleblower" actions. Ensign and our other tenants are (and many of our future tenants are expected to be)

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subject to these laws, and some of them may in the future become the subject of governmental enforcement actions if they fail to comply with applicable laws.

Reimbursement

Sources of revenue for Ensign and our other tenants include (and for our future tenants is expected to include), among other sources, governmental healthcare programs, such as the federal Medicare program and state Medicaid programs, and non-governmental payors, such as insurance carriers and health maintenance organizations. As federal and state governments focus on healthcare reform initiatives, and as the federal government and many states face significant budget deficits, efforts to reduce costs by these payors will likely continue, which may result in reduced or slower growth in reimbursement for certain services provided by Ensign and our other tenants.

Increased Government Oversight of Skilled Nursing Facilities

Section 1150B of the Social Security Act requires employees of federally funded long-term care facilities to immediately report any reasonable suspicion of a crime committed against a resident of that facility. Those reports must be submitted to at least one law enforcement agency and the applicable Centers for Medicare & Medicaid Services ("CMS") Survey Agency. Covered individuals who fail to report under Section 1150B are subject to various penalties, including civil monetary penalties of up to $300,000 and possible exclusion from participation in any Federal health care program. Medicare regulations require SNFs to establish and implement written policies to ensure the reporting of crimes that occur in federally funded SNFs in accordance with Section 1150B.

In August 2017, the U.S. Department of Health & Human Services ("HHS") Office of Inspector General ("OIG") issued a preliminary report regarding quality of care concerns by operators of SNFs. In its report, the OIG determined that CMS has inadequate procedures in place to ensure that incidents of potential abuse or neglect of Medicare beneficiaries residing in SNFs are identified and reported. The report was issued in connection with the OIG's ongoing review of potential abuse and neglect of Medicare beneficiaries residing in SNFs.

As a result of the OIG report, CMS enforcement activity against SNF operators may increase, especially with regard to the reporting of potential abuse or neglect of SNF residents. If any of our tenants or their employees are found to have violated any applicable reporting requirements, they may become subject to penalties or other sanctions.

Healthcare Licensure and Certificate of Need

Our healthcare facilities are subject to extensive federal, state and local licensure, certification and inspection laws and regulations. In addition, various licenses and permits are required to dispense narcotics, operate pharmacies, handle radioactive materials and operate equipment. Many states require certain healthcare providers to obtain a certificate of need, which requires prior approval for the construction, expansion and closure of certain healthcare facilities. The approval process related to state certificate of need laws may impact some of our tenants' abilities to expand or change their businesses.

Americans with Disabilities Act (the "ADA")

Although most of our properties are not required to comply with the ADA because of certain "grandfather" provisions in the law, some of our properties must comply with the ADA and similar state or local laws to the extent that such properties are "public accommodations," as defined in those statutes. These laws may require removal of barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Under our triple-net lease structure, our tenants would generally be responsible for additional costs that may be required to make our facilities ADA-compliant. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants.

Environmental Matters

A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect healthcare facility operations. These complex federal and state statutes, and their enforcement, involve a myriad of regulations, many of which involve strict liability on the part of the potential offender. Some of these federal and state statutes may directly impact us. Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property, such as us, may be liable for the costs of removal or remediation of hazardous or toxic

substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). The cost of any required remediation, removal, fines or

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personal or property damages and the owner's liability therefore could exceed or impair the value of the property and/or the assets of the owner. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenues. See "Risk Factors - Risks Related to Our Business - Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments."

REIT Qualification

We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. Our qualification as a REIT will depend upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code of 1986, as amended (the "Code"), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels to our stockholders and the concentration of ownership of our capital stock. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT under the Code and that our manner of operation has and will enable us to continue to meet the requirements for qualification and taxation as a REIT.

The Operating Partnership

We own substantially all of our assets and properties and conduct our operations through the Operating Partnership. We believe that conducting business through the Operating Partnership provides flexibility with respect to the manner in which we structure the acquisition of properties. In particular, an UPREIT structure enables us to acquire additional properties from sellers in tax deferred transactions. In these transactions, the seller would typically contribute its assets to the Operating Partnership in exchange for units of limited partnership interest in the Operating Partnership ("OP Units"). Holders of OP Units will have the right, after a 12-month holding period, to require the Operating Partnership to redeem any or all of such OP Units for cash based upon the fair market value of an equivalent number of shares of CareTrust REIT's common stock at the time of the redemption. Alternatively, we may elect to acquire those OP Units in exchange for shares of our common stock on a one-for-one basis. The number of shares of common stock used to determine the redemption value of OP Units, and the number of shares issuable in exchange for OP Units, is subject to adjustment in the event of stock splits, stock dividends, distributions of warrants or stock rights, specified extraordinary distributions and similar events. The Operating Partnership is managed by our wholly owned subsidiary, CareTrust GP, LLC, which is the sole general partner of the Operating Partnership and owns one percent of its outstanding partnership interests. As of December 31, 2018, CareTrust REIT is the only limited partner of the Operating Partnership, owning 99% of its outstanding partnership interests, and we have not issued OP Units to any other party.

The benefits of our UPREIT structure include the following:

- Access to capital. We believe the UPREIT structure provides us with access to capital for refinancing and growth. Because an UPREIT structure includes a partnership as well as a corporation, we can access the markets through the Operating Partnership issuing equity or debt as well as the corporation issuing capital stock or debt securities. Sources of capital include possible future issuances of debt or equity through public offerings or private placements.
- Growth. The UPREIT structure allows stockholders, through their ownership of common stock, and the limited partners, through their ownership of OP Units, an opportunity to participate in future investments we may make in additional properties.
- Tax deferral. The UPREIT structure provides property owners who transfer their real properties to the Operating Partnership in exchange for OP Units the opportunity to defer the tax consequences that otherwise would arise from a sale of their real properties and other assets to us or to a third party. As a result, this structure allows us to acquire assets in a more efficient manner and may allow us to acquire assets that the owner would otherwise be unwilling to sell because of tax considerations.

Insurance

We maintain, or require in our leases, including the Ensign Master Leases, that our tenants maintain all applicable lines of insurance on our properties and their operations. The amount and scope of insurance coverage provided by our policies and the policies maintained by our tenants is customary for similarly situated companies in our industry.

However, we cannot assure you that our tenants will maintain the required insurance coverages, and the failure by any of them to do so could have a material adverse effect on us. We also cannot assure you that we will continue to require the same levels of insurance coverage under our leases, including the Ensign Master Leases, that such insurance will be available at a reasonable cost in the future or that the insurance coverage provided will fully cover all losses on our properties upon the occurrence of a catastrophic event, nor can we assure you of the future financial viability of the insurers.

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Available Information

We file annual, quarterly and current reports, proxy statements and other information with SEC. The SEC maintains an internet site that contains these reports, and other information about issuers, like us, which file electronically with the SEC. The address of that site is http://www.sec.gov. We make available our reports on Form 10-K, 10-Q, and 8-K (as well as all amendments to these reports), and other information, free of charge, at the Investor Relations section of our website at www.caretrustreit.com. The information found on, or otherwise accessible through, our website is not incorporated by reference into, nor does it form a part of, this report or any other document that we file with the SEC.

ITEM 1A. Risk Factors

Risks Related to Our Business

We are dependent on Ensign and other healthcare operators to make payments to us under leases, and an event that materially and adversely affects their business, financial position or results of operations could materially and adversely affect our business, financial position or results of operations.

As of December 31, 2018, Ensign represents $59.1 million or 41%, of our rental revenues, on an annualized run-rate basis. Additionally, because each master lease is a triple-net lease, we depend on our tenants to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with these leased properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their business. There can be no assurance that Ensign or our other tenants will have sufficient assets, income and access to financing to enable them to satisfy their payment or indemnification obligations under their leases with us. In addition, any failure by a tenant to effectively conduct its operations or to maintain and improve our properties could adversely affect its business reputation and its ability to attract and retain residents in our properties. The inability or unwillingness of Ensign to meet its rent obligations under its leases could materially adversely affect our business, financial position or results of operations, including our ability to pay dividends to our stockholders as required to maintain our status as a REIT. The inability of Ensign to satisfy its other obligations under its leases, such as the payment of insurance, taxes and utilities, could materially and adversely affect the condition of the leased properties as well as Ensign's business, financial position and results of operations. For these reasons, if Ensign were to experience a material and adverse effect on its business, financial position or results of operations, our business, financial position or results of operations could also be materially and adversely affected.

Due to our dependence on rental payments from Ensign for a substantial portion of our revenues, we may be limited in our ability to enforce our rights under, or to terminate, Ensign's leases. Failure by Ensign to comply with the terms of its leases or to comply with federal and state healthcare laws and regulations to which the leased properties are subject could require us to find another lessee for such leased property and there could be a decrease in or cessation of rental payments. In such event, we may be unable to locate a suitable lessee at similar rental rates or at all, which would have the effect of reducing our rental revenues.

The impact of healthcare reform legislation on us and our tenants cannot accurately be predicted.

Ensign and other healthcare operators to which we lease properties are dependent on the healthcare industry and may be susceptible to the risks associated with healthcare reform. Because all of our properties are used as healthcare properties, we are impacted by the risks associated with healthcare reform. Legislative proposals are introduced or proposed in Congress and in some state legislatures each year that would affect major changes in the healthcare system, either nationally or at the state level. We cannot accurately predict whether any future legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on our tenants and, thus, our business. In March 2010, President Obama signed the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Affordable Care Act") into law. The passage of the Affordable Care Act resulted in comprehensive reform legislation that expanded healthcare coverage to millions of uninsured people and provided for significant changes to the U.S. healthcare system over several years. In May 2017, members of the House of Representatives approved legislation to repeal portions of the Affordable Care Act, which legislation was submitted to

the Senate for approval. On July 25, 2017, the Senate rejected a complete repeal; however, on December 22, 2017, the Tax Cuts and Jobs Act was enacted and signed into law, one part of which repealed the "individual mandate" introduced by the Affordable Care Act starting in 2019. Furthermore, on October 12, 2017, President Trump signed an Executive Order, the purpose of which was to, among other things, (i) cut healthcare cost-sharing reduction subsidies, (ii) allow more small businesses to join together to purchase insurance coverage,

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(iii) extend short-term coverage policies, and (iv) expand employers' ability to provide workers cash to buy coverage elsewhere. At this time, it is uncertain whether any additional healthcare reform legislation will ultimately become law and we cannot predict the ultimate content, timing or effect of any healthcare reform legislation or the impact of potential legislation on our business. If our tenants' patients do not have insurance, it could adversely impact the tenants' ability to pay rent and operate a practice.

Other legislative changes have been proposed and adopted since the Affordable Care Act was enacted, which also may impact our business. For instance, on April 1, 2014, President Obama signed the Protecting Access to Medicare Act of 2014, which, among other things, requires the CMS to measure, track, and publish readmission rates of SNFs by 2017 and implement a value-based purchasing program for SNFs (the "SNF VBP Program"), which commenced October 1, 2018. The SNF VBP Program increases Medicare reimbursement rates for SNFs that achieve certain levels of quality performance measures developed by CMS, relative to other facilities. The value-based payments authorized by the SNF VBP Program funded by reducing Medicare payment for all SNFs by 2% and redistributing up to 70% of those funds to high-performing SNFs. However, there is no assurance that payments made by CMS as a result of the SNF VBP Program will be sufficient to cover a facility's costs. If Medicare reimbursement provided to our healthcare tenants is reduced under the SNF VBP Program, that reduction may have an adverse impact on the ability of our tenants to meet their obligations to us.

Additionally, on November 16, 2015, CMS issued the final rule for a new mandatory Comprehensive Care for Joint Replacement ("CJR") model focusing on coordinated, patient-centered care. Under this model, the hospital in which the hip or knee replacement takes place is accountable for the costs and quality of care from the time of the surgery through 90 days after, or an "episode" of care. This model initially covered 67 geographic areas throughout the country and most hospitals in those regions are required to participate. Following the implementation of the CJR program, the Medicare revenues of our SNF-operating tenants related to lower extremity joint replacement hospital discharges could be increased or decreased in those geographic areas identified by CMS for mandatory participation in the bundled payment program. If Medicare reimbursement provided to our healthcare tenants is reduced under the CJR model, that reduction may have an adverse impact on the ability of our tenants to meet their obligations to us.

Tenants that fail to comply with the requirements of, or changes to, governmental reimbursement programs, such as Medicare or Medicaid, may cease to operate or be unable to meet their financial and other contractual obligations to us.

Ensign and other healthcare operators to which we lease properties are subject to complex federal, state and local laws and regulations relating to governmental healthcare reimbursement programs. See "Business - Government Regulation, Licensing and Enforcement - Overview." As a result, Ensign and other tenants are subject to the following risks, among others:

- statutory and regulatory changes;
- retroactive rate adjustments;
- recovery of program overpayments or set-offs;
- administrative rulings;
- policy interpretations;
- payment or other delays by fiscal intermediaries or carriers;
- government funding restrictions (at a program level or with respect to specific facilities); and
- interruption or delays in payments due to any ongoing governmental investigations and audits.

Healthcare reimbursement will likely continue to be a significant focus for federal and state authorities in their efforts to control costs. We cannot make any assessment as to the ultimate timing or the effect that any future legislative reforms may have on our tenants' costs of doing business and on the amount of reimbursement by government and other third-party payors. More generally, and because of the dynamic nature of the legislative and regulatory environment for health care products and services, and in light of existing federal budgetary concerns, we cannot predict the impact that broad-based, far-reaching legislative or regulatory changes could have on the U.S. economy, our business or that of our operators and tenants. The failure of Ensign or any of our operators and other tenants to comply with these laws, requirements and regulations could materially and adversely affect their ability to meet their

financial and contractual obligations to us.

Finally, government investigations and enforcement actions brought against the health care industry have increased dramatically over the past several years and are expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of the False Claims Act.

The False Claims Act provides that any person who “knowingly presents, or causes to be presented” a “false or fraudulent claim for payment or approval” to the U.S. government, or its agents and contractors, is liable for a civil penalty ranging from $5,500 to $11,000 per claim, plus three times the amount of damages sustained by the government. Under the

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False Claims Act's so-called "reverse false claims," liability also could arise for "using" a false record or statement to "conceal," "avoid" or "decrease" an "obligation" (which can include the retention of an overpayment) "to pay or transmit money or property to the Government." The False Claims Act also empowers and provides incentives to private citizens (commonly referred to as qui tam relator or whistleblower) to file suit on the government's behalf. The qui tam relator's share of the recovery can be between 15% and 25% in cases in which the government intervenes, and 25% to 30% in cases in which the government does not intervene. Notably, the Affordable Care Act amended certain jurisdictional bars to the False Claims Act, effectively narrowing the "public disclosure bar" (which generally requires that a whistleblower suit not be based on publicly disclosed information) and expanding the "original source" exception (which generally permits a whistleblower suit based on publicly disclosed information if the whistleblower is the original source of that publicly disclosed information), thus potentially broadening the field of potential whistleblowers.

Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act may be violated by mere negligence or recklessness in the submission of information to the government even without any intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability.

The costs for an operator of a health care property associated with both defending such enforcement actions and the undertakings in settling these actions can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

Tenants that fail to structure their facility contractual relationships in light of anti-kickback statutes and self-referral laws expose themselves to significant risk that could result in their inability to meet their financial and other contractual obligations to us.

In addition to reimbursement, operators of healthcare facilities must exercise extreme care in structuring their contractual relationships with vendors, physicians and other healthcare providers who provide goods and services to healthcare facilities, in particular, the anti-kickback statutes and self-referral laws, noted below.

Federal "Fraud and Abuse" Laws and Regulations. The Medicare and Medicaid anti-fraud and abuse amendments to the Social Security Act (the "Anti-Kickback Law") make it a felony, subject to certain exceptions, to engage in illegal remuneration arrangements with vendors, physicians and other health care providers for the referral of Medicare beneficiaries or Medicaid recipients. When a violation occurs, the government may proceed criminally or civilly. If the government proceeds criminally, a violation is a felony and may result in imprisonment for up to five years, fines of up to $25,000 and mandatory exclusion from participation in all federal health care programs. If the government proceeds civilly, it may impose a civil monetary penalty of $50,000 per violation and an assessment of not more than three times the total amount of remuneration involved, and it may exclude the parties from participation in all federal health care programs. Many states have enacted similar laws to, and in some cases broader than the Anti-Kickback Law. Exclusion from these programs would have a material adverse effect on the operations and financial condition of Ensign or any of our other healthcare operators.

The scope of prohibited payments in the Anti-Kickback Law is broad. The U. S. Department of Health and Human Services has published regulations which describe certain "safe harbor" arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. An arrangement that fits squarely into a safe harbor is immune from prosecution under the Anti-Kickback Statute. The safe harbors described in the regulations are narrow and do not cover a wide range of economic relationships which many SNFs, physicians and other health care providers consider to be legitimate business arrangements not prohibited by the statute. Because the regulations describe safe harbors and do not purport to describe comprehensively all lawful or unlawful economic arrangements or other relationships between health care providers and referral sources, health care providers having these arrangements or relationships may be required to alter them in order to ensure compliance with the Anti-Kickback Law.

Restrictions on Referrals. The federal physician self-referral law and its implementing regulations (commonly referred to as the "Stark Law") prohibits providers of "designated health services" from billing Medicare or Medicaid if the patient is referred by a physician (or his/her immediate family member) with a financial relationship with the entity, unless an

exception applies. “Designated health services” include clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The Stark Law also prohibits the furnishing entity from

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submitting a claim for reimbursement or otherwise billing Medicare or any other person or entity for improperly referred designated health services.

An entity that submits a claim for reimbursement in violation of the Stark Law must refund any amounts collected and may be: (1) subject to a civil penalty of up to $15,000 for each self-referred service; and (2) excluded from participation in federal health care programs. In addition, a physician or entity that has participated in a "scheme" to circumvent the operation of the Stark Law is subject to a civil penalty of up to $100,000 and possible exclusion from participation in federal health care programs.

CMS has established a voluntary self-disclosure program under which health care facilities and other entities may report Stark violations and seek a reduction in potential refund obligations. However, the program is relatively new and therefore it is difficult to determine at this time whether it will provide significant monetary relief to health care facilities that discover inadvertent Stark Law violations.

The costs of an operator of a health care property for any non-compliance with the Anti-Kickback Law and Stark Laws can be substantial and could have a material adverse effect on the ability of an operator to meet its obligations to us.

Tenants that fail to adhere to HIPAA and the HITECH Act's privacy and security requirements expose themselves to significant risk that could result in their inability to meet their financial and other contractual obligations to us.

Potentially significant legal exposure exists for healthcare operators under state and federal laws which govern the use and disclosure of confidential patient health information and patients' rights to access and amend their own health information. The Administrative Simplification Requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") established national standards to facilitate the electronic exchange of Protected Health Information ("PHI") and to maintain the privacy and security of the PHI. These standards have a major effect on healthcare providers which transmit PHI in electronic form in connection with HIPAA standard transactions (e.g., health care claims). In particular, HIPAA established standards governing: (1) electronic transactions and code sets; (2) privacy; (3) security; and (4) national identifiers. Failure of our operators to comply could result in criminal and civil penalties, which could have a material adverse effect on the ability of our tenants to meet their obligations to us.

Title XIII of the Affordable Care Act, otherwise known as the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), provides for an investment of almost $20 billion in public monies for the development of a nationwide health information technology ("HIT") infrastructure. The HIT infrastructure is intended to improve health care quality, reduce costs and facilitate access to certain information. The HITECH Act also expands the scope and application of the administrative simplification provisions of HIPAA, and its implementing regulations, (i) imposing a written notice obligation upon covered entities for security breaches involving "unsecured" PHI, (ii) expanding the scope of a provider's electronic health record disclosure tracking obligations, (iii) substantially limiting the ability of health care providers to sell PHI without patient authorization, (iv) increasing penalties for violations, and (v) providing for enforcement of violations by state attorneys general. While the effects of the HITECH Act cannot be predicted at this time, the obligations imposed thereunder could have a material adverse effect on the financial condition of our operators, which could have a material adverse effect on the ability of our tenants to meet their obligations to us.

Tenants that fail to comply with federal, state and local licensure, certification and inspection laws and regulations may cease to operate our healthcare facilities or be unable to meet their financial and other contractual obligations to us.

The healthcare operators to which we lease properties are subject to extensive federal, state, local and industry-related licensure, certification and inspection laws, regulations and standards. Our tenants' failure to comply with any of these laws, regulations or standards could result in loss or restriction of license, loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal and state healthcare programs, or closure of the facility. For example, operations at our properties may require a license, registration, certificate of need, provider agreement or certification. Failure of any tenant to obtain, or the loss or restrictions on any required license, registration, certificate of need, provider agreement or certification would prevent a facility from operating in the manner intended by such tenant. Additionally, failure of our tenants to generally comply with applicable laws and regulations could adversely affect facilities owned by us, result in adverse publicity and loss of reputation, and

therefore could materially and adversely affect us. See “Business - Government Regulation, Licensing and Enforcement - Healthcare Licensure and Certificate of Need.”

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Our tenants depend on reimbursement from government and other third-party payors; reimbursement rates from such payors may be reduced, which could cause our tenants' revenues to decline and could affect their ability to meet their obligations to us.

The federal government and a number of states are currently managing budget deficits, which may put pressure on Congress and the states to decrease reimbursement rates for our tenants, with the goal of decreasing state expenditures under Medicaid programs. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in Medicaid due to unemployment and declines in family incomes. These potential reductions could be compounded by the potential for federal cost-cutting efforts that could lead to reductions in reimbursement to our tenants under both the Medicaid and Medicare programs. Potential reductions in Medicaid and Medicare reimbursement to our tenants could reduce the revenues of our tenants and their ability to meet their obligations to us.

The bankruptcy, insolvency or financial deterioration of our tenants could delay or prevent our ability to collect unpaid rents or require us to find new tenants.

We receive substantially all of our income as rent payments under leases of our properties. We have no control over the success or failure of our tenants' businesses and, at any time, any of our tenants may experience a downturn in its business that may weaken its financial condition. As a result, our tenants have in the past, and may in the future, fail to make rent payments when due or our tenants may declare bankruptcy.

Any tenant failures to make rent payments when due or tenant bankruptcies could result in the termination of the tenant's lease and could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions to our stockholders (which could adversely affect our ability to raise capital or service our indebtedness). This risk is magnified in situations where we lease multiple properties to a single tenant, such as Ensign, as a multiple property tenant failure could reduce or eliminate rental revenue from multiple properties.

If a tenant is unable to comply with the terms of its lease, we may be forced to establish reserves for unpaid amounts due to us from the tenant, move to a cash basis method of accounting for recognizing rental revenues from the tenant or otherwise modify the lease with such tenant in ways that are unfavorable to us. Alternatively, the failure of a tenant to perform under a lease could require us to declare a default, repossess the property, find a suitable replacement tenant, hire third-party managers to operate the property or sell the property. For example, during the year ended December 31, 2017, we determined to recognize Pristine Senior Living, LLC ("Pristine") rental revenues on a cash basis and established a $10.4 million reserve related to Pristine's obligation to us. After Pristine transitioned an initial seven facilities to an operator designated by us, during the year ended December 31, 2018, we entered into a subsequent agreement with Pristine to surrender the remaining facilities operated by Pristine, and transition them to operators designated by us, with a completion date of April 30, 2018. See Note 2, "Summary of Significant Accounting Policies" and Note 3, "Real Estate Investments, Net" for further information.

If a tenant is unable to comply with the terms of its lease, there is no assurance that we would be able to lease a property on substantially equivalent or better terms than the prior lease, or at all, find another qualified tenant, successfully reposition the property for other uses or sell the property on terms that are favorable to us. It may be more difficult to find a replacement tenant for a healthcare property than it would be to find a replacement tenant for a general commercial property due to the specialized nature of the business. Even if we are able to find a suitable replacement tenant for a property, transfers of operations of healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations, resulting in delays in receiving reimbursement, or a potential loss of a facility's reimbursement for a period of time, which may affect our ability to successfully transition a property.

If any lease expires or is terminated, we could be responsible for all of the operating expenses for that property until it is re-leased or sold. If we experience a significant number of un-leased properties, our operating expenses could increase significantly. Any significant increase in our operating costs may have a material adverse effect on our business, financial condition and results of operations, and our ability to make distributions to our stockholders.

If one or more of our tenants files for bankruptcy relief, the U.S. Bankruptcy Code provides that a debtor has the option to assume or reject the unexpired lease within a certain period of time. Any bankruptcy filing by or relating to one of our tenants could bar all efforts by us to collect pre-bankruptcy debts from that tenant or seize its property. A tenant bankruptcy could also delay our efforts to collect past due balances under the leases and could ultimately

preclude collection of all or a portion of these sums. It is possible that we may recover substantially less than the full value of any unsecured claims we hold, if any, which may have a material adverse effect on our business, financial condition and results of operations, and our ability

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to make distributions to our stockholders. Furthermore, dealing with a tenant's bankruptcy or other default may divert management's attention and cause us to incur substantial legal and other costs.

If we must replace any of our tenants or operators, we may have difficulty identifying replacements and we may be required to incur substantial renovation costs to make certain that our healthcare properties are suitable for other operators and tenants.

If we or our tenants terminate or do not renew the leases for our properties, we would attempt to reposition those properties with another tenant or operator. Healthcare facilities are typically highly customized and may not be easily adapted to non-healthcare-related uses. The improvements are generally required to conform a property to healthcare use, such as upgrading electrical, gas and plumbing infrastructure and security, are costly and at times tenant-specific. A new or replacement tenant to operate one or more of our healthcare facilities may require different features in a property, depending on that tenant's particular operations. If a current tenant is unable to pay rent and vacates a property, we may incur substantial expenditures to modify a property before we are able to secure another tenant. Also, if the property needs to be renovated to accommodate multiple tenants, we may incur substantial expenditures before we are able to release the space. In addition, approvals of local authorities for such modifications and/or renovations may be necessary, resulting in delays in transitioning a facility to a new tenant. These expenditures or renovations and delays could materially and adversely affect our business, financial condition or results of operations. In addition, we may fail to identify suitable replacements or enter into leases or other arrangements with new tenants or operators on a timely basis or on terms as favorable to us as our current leases, if at all.

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

Our properties are located in 27 different states, with concentrations in Texas, California and Ohio. The properties in these three states accounted for approximately 21%, 16% and 8%, respectively, of the total beds and units in our portfolio, as of December 31, 2018 and approximately 19%, 19% and 12%, respectively, of our rental income for the year ended December 31, 2018. As a result of this concentration, the conditions of local economies and real estate markets, changes in governmental rules, regulations and reimbursement rates or criteria, changes in demographics, state funding, acts of nature and other factors that may result in a decrease in demand and/or reimbursement for skilled nursing services in these states could have a disproportionately adverse effect on our tenants' revenue, costs and results of operations, which may affect their ability to meet their obligations to us.

Our facilities located in Texas are especially susceptible to natural disasters such as hurricanes, tornadoes and flooding, and our facilities located in California are particularly susceptible to natural disasters such as fires, earthquakes and mudslides. These acts of nature may cause disruption to our tenants, their employees and our facilities, which could have an adverse impact on our tenants' patients and businesses. In order to provide care for their patients, our tenants are dependent on consistent and reliable delivery of food, pharmaceuticals, utilities and other goods to our facilities, and the availability of employees to provide services at the facilities. If the delivery of goods or the ability of employees to reach our facilities is interrupted in any material respect due to a natural disaster or other reasons, it would have a significant impact on our facilities and our tenants' businesses at those facilities. Furthermore, the impact, or impending threat, of a natural disaster may require that our tenants evacuate one or more facilities, which would be costly and would involve risks, including potentially fatal risks, for the patients at such facilities. The impact of disasters and similar events is inherently uncertain. Such events could harm our tenants' patients and employees, severely damage or destroy one or more of our facilities, harm our tenants' business, reputation and financial performance, or otherwise cause our tenants' businesses to suffer in ways that we currently cannot predict.

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

We pursue acquisitions of additional properties and seek acquisitions and other strategic opportunities in the ordinary course of our business. Accordingly, we are often engaged in evaluating potential transactions and other strategic alternatives. In addition, from time to time, we engage in discussions that may result in one or more transactions. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of

any transaction, we may devote a significant amount of our management resources to such a transaction, which could negatively impact our operations. We may incur significant costs in connection with seeking acquisitions or other strategic opportunities regardless of whether the transaction is completed and in combining our operations if such a transaction is completed. In addition, there is no assurance that we will fully realize the potential benefits of any past or future acquisition or strategic transaction.

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Additionally, we have preferred equity interests in a limited number of joint ventures. Our use of joint ventures may be subject to risks that may not be present with other ownership methods. Our joint ventures may involve property development, which presents additional risks that could render a development project less profitable or not profitable at all and, under certain circumstances, may prevent completion of development activities once undertaken.

We operate in a highly competitive industry and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. Increased competition will make it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. If we cannot identify and purchase a sufficient quantity of suitable properties at favorable prices or if we are unable to finance acquisitions on commercially favorable terms, or at all, our business, financial position or results of operations could be materially and adversely affected. Furthermore, any future acquisitions may require the issuance of securities, the incurrence of debt, or assumption of contingent liabilities, each of which could materially adversely impact our business, financial condition or results of operations. Additionally, the fact that we must distribute 90% of our REIT taxable income in order to maintain our qualification as a REIT may limit our ability to rely upon rental payments from our leased properties or subsequently acquired properties in order to finance acquisitions. As a result, if debt or equity financing is not available on acceptable terms, further acquisitions might be limited or curtailed.

Transactions involving properties we might seek to acquire entail risks associated with real estate investments generally, including that the investment's performance will fail to meet expectations or that the tenant, operator or manager will underperform.

Increased competition has resulted and may further result in lower net revenues for some of our tenants and may affect their ability to meet their financial and other contractual obligations to us.

The healthcare industry is highly competitive. The occupancy levels at, and results of operations from, our facilities are dependent on our ability and the ability of our tenants to compete with other tenants and operators on a number of different levels, including the quality of care provided, reputation, the physical appearance of a facility, price, the range of services offered, family preference, alternatives for healthcare delivery, the supply of competing properties, physicians, staff, referral sources, location, and the size and demographics of the population in the surrounding area. In addition, our tenants face an increasingly competitive labor market for skilled management personnel and nurses. A shortage of nurses or other trained personnel or general inflationary pressures on wages may force tenants to enhance pay and benefits packages to compete effectively for skilled personnel, or to use more expensive contract personnel, but they be unable to offset these added costs by increasing the rates charged to residents. Any increase in labor costs and other property operating expenses or any failure by our tenants to attract and retain qualified personnel could reduce the revenues of our tenants and their ability to meet their obligations to us.

Our tenants also compete with numerous other companies providing similar healthcare services or alternatives such as home health agencies, life care at home, community-based service programs, retirement communities and convalescent centers. We cannot be certain that our tenants will be able to achieve occupancy and rate levels, or manage their expenses, in a way that will enable them to meet all of their obligations to us. Further, many competing companies may have resources and attributes that are superior to those of our tenants. They may encounter increased competition that could limit their ability to maintain or attract residents or expand their businesses or to manage their expenses, either of which could adversely affect their ability to meet their obligations to us, potentially decreasing our revenues, impairing our assets, and/or increasing our collection and dispute costs.

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

Our tenants that operate SNFs and other healthcare facilities must be licensed under applicable state law and, depending upon the type of facility, certified or approved as providers under the Medicare and/or Medicaid programs. Prior to the transfer of the operations of such healthcare properties to successor operators, the new operator generally must become licensed under state law and, in certain states, receive change of ownership approvals under certificate of need laws (which provide for a certification that the state has made a determination that a need exists for the beds located on the property) and, if applicable, file for a Medicare and Medicaid change of ownership (commonly referred

to as a CHOW). If an existing lease is terminated or expires and a new tenant is found, then any delays in the new tenant receiving regulatory approvals from the applicable federal, state or local government agencies, or the inability to receive such approvals, may prolong the period during which we are unable to collect the applicable rent.

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We may not be able to sell properties when we desire because real estate investments are relatively illiquid, which could materially and adversely affect our business, financial position or results of operations.

Real estate investments generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to changes in the real estate market. A downturn in the real estate market could materially and adversely affect the value of our properties and our ability to sell such properties for acceptable prices or on other acceptable terms. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of a property or portfolio of properties. These factors and any others that would impede our ability to respond to adverse changes in the performance of our properties could materially and adversely affect our business, financial position or results of operations.

An increase in market interest rates could increase our interest costs on existing and future debt and could adversely affect our stock price.

Certain of our existing debt obligations are variable rate obligations with interest and related payments that vary with the movement of certain indices, and in the future we may incur additional indebtedness in connection with the entry into new credit facilities or the financing of any acquisition or development activity. If interest rates increase, so could our interest costs for any new debt and our variable rate debt obligations under our New Revolving Facility and New Term Loan (each as defined below). This increased cost could make the financing of any acquisition more costly, as well as lower our current period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, an increase in interest rates could decrease the access third parties have to credit, thereby decreasing the amount they are willing to pay for our assets and consequently limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions. Further, the dividend yield on our common stock, as a percentage of the price of such common stock, will influence the price of such common stock. Thus, an increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield, which could adversely affect the market price of our common stock.

In addition, our Amended Credit Agreement (as defined below) uses LIBOR as a reference rate for our New Term Loan and New Revolving Facility, such that the interest rate applicable to such loans may, at our option, be calculated based on LIBOR. In July 2017, the U. K.'s Financial Conduct Authority, which regulates LIBOR, announced that it intends to phase out LIBOR by the end of 2021. The U.S. Federal Reserve has begun publishing a Secured Overnight Funding Rate, which is intended to replace U.S. dollar LIBOR. Plans for alternative reference rates for other currencies have also been announced. At this time, we cannot predict how markets will respond to these proposed alternative rates or the effect of any changes to LIBOR or the discontinuation of LIBOR. If LIBOR is no longer available or if our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows.

If we lose our key management personnel, we may not be able to successfully manage our business and achieve our objectives.

Our success depends in large part upon the leadership and performance of our executive management team, particularly Gregory K. Stapley and other key employees. If we lose the services of Mr. Stapley or any of our other key employees, we may not be able to successfully manage our business or achieve our business objectives.

We or our tenants may experience uninsured or underinsured losses, which could result in a significant loss of the capital we have invested in a property, decrease anticipated future revenues or cause us to incur unanticipated expense.

Our lease agreements with operators (including the Ensign Master Leases) require that the tenant maintain comprehensive liability and hazard insurance, and we maintain customary insurance for the ILFs that we own and operate. However, there are certain types of losses (including, but not limited to, losses arising from environmental conditions or of a catastrophic nature, such as earthquakes, hurricanes and floods) that may be uninsurable or not economically insurable. Insurance coverage may not be sufficient to pay the full current market value or current replacement cost of a loss. Inflation, changes in building codes and ordinances, environmental considerations, and other factors also might make it infeasible to use insurance proceeds to replace the property after such property has

been damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore the economic position with respect to such property.

If one of our properties experiences a loss that is uninsured or that exceeds policy coverage limits, we could lose the capital invested in the damaged property as well as the anticipated future cash flows from the property. If the damaged property is subject to recourse indebtedness, we could continue to be liable for the indebtedness even if the property is irreparably damaged.

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In addition, even if damage to our properties is covered by insurance, a disruption of business caused by a casualty event may result in loss of revenue for our tenants or us. Any business interruption insurance may not fully compensate them or us for such loss of revenue. If one of our tenants experiences such a loss, it may be unable to satisfy its payment obligations to us under its lease with us.

Environmental compliance costs and liabilities associated with real estate properties owned by us may materially impair the value of those investments.

Under various federal, state and local laws, ordinances and regulations, as a current or previous owner of real estate, we may be required to investigate and clean up certain hazardous or toxic substances or petroleum released at a property, and may be held liable to a governmental entity or to third parties for property damage and for investigation and cleanup costs incurred by the third parties in connection with the contamination. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and the costs it incurs in connection with the contamination. Neither we nor our tenants carry environmental insurance on our properties. Although we generally require our tenants, as operators of our healthcare properties, to indemnify us for environmental liabilities they cause, such liabilities could exceed the financial ability of the tenant to indemnify us or the value of the contaminated property. The presence of contamination or the failure to remediate contamination may materially adversely affect our ability to sell or lease the real estate or to borrow using the real estate as collateral. As the owner of a site, we may also be held liable to third parties for damages and injuries resulting from environmental contamination emanating from the site. Although we will be generally indemnified by our tenants for contamination caused by them, these indemnities may not adequately cover all environmental costs. We may also experience environmental liabilities arising from conditions not known to us.

The ownership by our chief executive officer, Gregory K. Stapley, of shares of Ensign common stock may create, or may create the appearance of, conflicts of interest.

Because of his former position with Ensign, our chief executive officer, Gregory K. Stapley, owns shares of Ensign common stock. Mr. Stapley also owns shares of our common stock. His individual holdings of shares of our common stock and Ensign common stock may be significant compared to his respective total assets. These equity interests may create, or appear to create, conflicts of interest when he is faced with decisions that may not benefit or affect CareTrust REIT and Ensign in the same manner.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology networks and systems, including the internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, and maintaining personal identifying information and tenant and lease data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of confidential tenant and customer data, including individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. In addition, due to the fast pace and unpredictability of cyber threats, long-term implementation plans designed to address cybersecurity risks become obsolete quickly. Security breaches, including physical or electronic break-ins, computer viruses, malware, works, attacks by hackers or foreign governments, disruptions from unauthorized access and tampering (including through social engineering such as phishing attacks), coordinated denial-of-service attacks, impersonation of authorized users and similar breaches, can create system disruptions, shutdowns or result in a loss of company assets or unauthorized disclosure of confidential information. The risk of security breaches has generally increased as the number, intensity and sophistication of attacks and intrusions from around the world have increased. In some cases, it may be difficult to anticipate or immediately detect such incidents and the damage they cause. In addition, our technology infrastructure and information systems are vulnerable to damage or interruption from natural disasters, power loss and telecommunications failures. Any failure to maintain proper function, security and availability of our information systems and the data maintained in those systems could interrupt our operations, damage our reputation,

subject us to liability claims or regulatory penalties and could have a materially adverse effect on our business, financial condition and results of operations.

Our assets may be subject to impairment charges.

At each reporting period, we evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance

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and legal structure. If we determine that a significant impairment has occurred, we are required to make an adjustment to the net carrying value of the asset, which could have a material adverse effect on our results of operations in the period in which the write-off occurs.

We have now, and may have in the future, exposure to contingent rent escalators

We receive revenue primarily by leasing our assets under leases that are long-term triple-net leases in which the rental rate is generally fixed with annual rent escalations, subject to certain limitations. Almost all of our leases contain escalators contingent on changes in the Consumer Price Index, subject to maximum fixed percentages. If the Consumer Price Index does not increase, our revenues may not increase. In addition, if economic conditions result in significant increases in the Consumer Price Index, but the escalations under our leases are capped, our growth and profitability also may be limited.

Risks Related to Our Status as a REIT

If we do not qualify to be taxed as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which could adversely affect our ability to raise capital or service our indebtedness.

We currently operate, and intend to continue to operate, in a manner that will allow us to continue to qualify to be taxed as a REIT for U.S. federal income tax purposes. We elected to be taxed as a REIT for U.S. federal income tax purposes beginning with our taxable year ended December 31, 2014. We received an opinion of our counsel with respect to our qualification as a REIT in connection with the Spin-Off. Investors should be aware, however, that opinions of advisors are not binding on the IRS or any court. The opinion of our counsel represents only the view of our counsel based on its review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Our counsel has no obligation to advise us or the holders of any of our securities of any subsequent change in the matters stated, represented or assumed or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of our counsel and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis, the results of which will not be monitored by our counsel. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals.

If we were to fail to qualify to be taxed as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Any resulting corporate liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of our common stock. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify to be taxed as a REIT, which could adversely affect our financial condition and results of operations.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify to be taxed as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the “Treasury”). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws, including any tax reform called for by the new presidential administration, might affect our investors or us. New legislation, Treasury regulations, administrative interpretations

or court decisions could significantly and negatively affect our ability to qualify to be taxed as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

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On December 22, 2017, the Tax Cuts and Jobs Act was enacted. The Tax Cuts and Jobs Act makes significant changes to the U.S. federal income tax rules for taxation of individuals and corporations, generally effective for taxable years beginning after December 31, 2017. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The Tax Cuts and Jobs Act makes numerous large and small changes to the tax rules that do not affect REITs directly but may affect our stockholders and may indirectly affect us.

While the changes in the Tax Cuts and Jobs Act generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code are complex and lack developed administrative guidance. As a result, the impact of certain aspects of these new rules on us and our stockholders is currently unclear. Technical corrections or other amendments to these rules, and administrative guidance interpreting the new rules, may be forthcoming at any time or may be significantly delayed. No prediction can be made regarding whether new legislation or regulation (including new tax measures) will be enacted by legislative bodies or governmental agencies, nor can we predict what consequences would result from this legislation or regulation. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment will not be modified by legislative, judicial or administrative changes, possibly with retroactive effect.

Prospective stockholders are urged to consult with their tax advisors with respect to the status of the Tax Cuts and Jobs Act and any other regulatory or administrative developments and proposals and their potential effect on investment in our stock.

We could fail to qualify to be taxed as a REIT if income we receive from our tenants is not treated as qualifying income.

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. Rents received or accrued by us from our tenants will not be treated as qualifying rent for purposes of these requirements if the leases are not respected as true leases for U.S. federal income tax purposes and are instead treated as service contracts, joint ventures or some other type of arrangement. If the leases are not respected as true leases for U.S. federal income tax purposes, we will likely fail to qualify to be taxed as a REIT.

In addition, subject to certain exceptions, rents received or accrued by us from our tenants will not be treated as qualifying rent for purposes of these requirements if we or a beneficial or constructive owner of 10% or more of our stock beneficially or constructively owns 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of all classes of stock. CareTrust REIT’s charter provides for restrictions on ownership and transfer of CareTrust REIT’s shares of stock, including restrictions on such ownership or transfer that would cause the rents received or accrued by us from our tenants to be treated as non-qualifying rent for purposes of the REIT gross income requirements. Nevertheless, there can be no assurance that such restrictions will be effective in ensuring that rents received or accrued by us from our tenants will not be treated as qualifying rent for purposes of REIT qualification requirements.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to income from “qualified dividends” payable by U.S. corporations to U.S. stockholders that are individuals, trusts and estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, under the recently enacted Tax Cuts and Jobs Act, noncorporate taxpayers may deduct up to 20% of certain qualified business income, including "qualified REIT dividends" (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends, together with the recently reduced corporate tax rate (currently, 21%), could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are

individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify to be taxed as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we

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distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

Our funds from operations are generated primarily by rents paid under leases with our tenants, including Ensign. From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions in order to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid being subject to corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state, and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. For example, we may hold some of our assets or conduct certain of our activities through one or more taxable REIT subsidiaries (each, a "TRS") or other subsidiary corporations that will be subject to U.S. federal, state, and local corporate-level income taxes as regular C corporations. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes would decrease cash available for distribution to our stockholders.

Complying with REIT requirements may cause us to forgo otherwise attractive acquisition opportunities or liquidate otherwise attractive investments.

To qualify to be taxed as a REIT for U.S. federal income tax purposes, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and "real estate assets" (as defined in the Code). The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets can be represented by securities of one or more TRSs. Further, for taxable years beginning after December 31, 2015, no more than 25% of the value of our total assets may be represented by "nonqualified publicly offered REIT debt instruments" (as defined in the Code). If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

In addition to the asset tests set forth above, to qualify to be taxed as a REIT we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Income from certain hedging transactions that we may enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute "gross income" for purposes of the 75% or 95%

gross income tests that apply to REITs, provided that certain identification requirements are met. For taxable years beginning after December 31, 2015, income from new transactions entered into to hedge the income or loss from prior hedging transactions, where the indebtedness or property which was the subject of the prior hedging transaction was extinguished or disposed of, will not constitute gross income for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying

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income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because the TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in the TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

Even if we qualify to be taxed as a REIT, we could be subject to tax on any unrealized net built-in gains in our assets held before electing to be treated as a REIT.

We own appreciated assets that were held by a C corporation and were acquired by us in a transaction in which the adjusted tax basis of the assets in our hands was determined by reference to the adjusted basis of the assets in the hands of the C corporation. If we dispose of any such appreciated assets during the five-year period following our qualification as a REIT, we will be subject to tax at the highest corporate tax rates on any gain from such assets to the extent of the excess of the fair market value of the assets on the date that we became a REIT over the adjusted tax basis of such assets on such date, which are referred to as built-in gains. We would be subject to this tax liability even if we qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. We may choose not to sell in a taxable transaction appreciated assets we might otherwise sell during the five-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, there can be no assurances that such a taxable transaction will not occur. If we sell such assets in a taxable transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time we became a REIT. The amount of tax could be significant.

Uncertainties relating to CareTrust REIT's estimate of its "earnings and profits" attributable to C-corporation taxable years may have an adverse effect on our distributable cash flow.

In order to qualify as a REIT, a REIT cannot have at the end of any REIT taxable year any undistributed earnings and profits ("E&P") that are attributable to a C-corporation taxable year. A REIT that has non-REIT accumulated earnings and profits has until the close of its first full tax year as a REIT to distribute such earnings and profits. Failure to meet this requirement would result in CareTrust REIT's disqualification as a REIT. In connection with the Company's intention to qualify as a real estate investment trust, on October 17, 2014, the Company's board of directors declared the Special Dividend to distribute the amount of accumulated E&P allocated to the Company as a result of the Spin-Off. The amount of the Special Dividend was $132.0 million, or approximately $5.88 per common share. It was paid on December 10, 2014, to stockholders of record as of October 31, 2014, in a combination of both cash and stock. The cash portion totaled $33.0 million and the stock portion totaled $99.0 million. The Company issued 8,974,249 shares of common stock in connection with the stock portion of the Special Dividend.

The determination of non-REIT earnings and profits is complicated and depends upon facts with respect to which CareTrust REIT may have had less than complete information or the application of the law governing earnings and profits, which is subject to differing interpretations, or both. Consequently, there are substantial uncertainties relating to the estimate of CareTrust REIT's non-REIT earnings and profits, and we cannot be assured that the earnings and profits distribution requirement has been met. These uncertainties include the possibility that the IRS could upon audit, as discussed above, increase the taxable income of CareTrust REIT, which would increase the non-REIT earnings and profits of CareTrust REIT. There can be no assurances that we have satisfied the requirement.

Risks Related to Our Capital Structure

We have substantial indebtedness and we have the ability to incur significant additional indebtedness.

As of February 13, 2019, we have approximately $500.0 million of indebtedness, consisting of $300.0 million representing our 5.25% Senior Notes due 2025 (the "Notes") and $200.0 million under our New Term Loan, and no borrowings outstanding under the New Revolving Facility. High levels of indebtedness may have the following important consequences to us. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, dividends, capital expenditures

and other general corporate purposes;

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- require us to maintain certain debt coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;
- make it more difficult for us to satisfy our financial obligations, including the Notes and borrowings under the Amended Credit Facility;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- expose us to increases in interest rates for our variable rate debt;
- limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;
- limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage relative to competitors that have less indebtedness;
- require us to dispose of one or more of our properties at disadvantageous prices in order to service our indebtedness or to raise funds to pay such indebtedness at maturity; and
- result in an event of default if we fail to satisfy our obligations under the Notes or our other debt or fail to comply with the financial and other restrictive covenants contained in the indenture governing the Notes or the Amended Credit Facility, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

In addition, the Amended Credit Facility and the indenture governing the Notes permit us to incur substantial additional debt, including secured debt, subject to our compliance with certain financial covenants set forth in the Amended Credit Agreement (as defined below) governing the Amended Credit Facility and the indenture governing the Notes. For example, borrowing availability under the New Revolving Facility is subject to our compliance with a consolidated leverage ratio that requires our ratio of Adjusted Consolidated Debt to Consolidated Total Asset Value (each as defined in the Amended Credit Agreement) be less than 60%. If we incur additional debt, the related risks described above could intensify.

We may be unable to service our indebtedness.

Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our future financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the international banking and capital markets. Our business may fail to generate sufficient cash flow from operations or future borrowings may be unavailable to us under the Amended Credit Facility or from other sources in an amount sufficient to enable us to service our debt, to refinance our debt or to fund our other liquidity needs. If we are unable to meet our debt obligations or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt. We may be unable to refinance any of our debt on commercially reasonable terms or at all. If we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as asset sales, equity issuances and/or negotiations with our lenders to restructure the applicable debt. The Amended Credit Facility and the indenture governing the Notes restrict, and market or business conditions may limit, our ability to take some or all of these actions. Any restructuring or refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. In addition, the Amended Credit Facility and the indenture governing the Notes permit us to incur additional debt, including secured debt, subject to the satisfaction of certain conditions.

We rely on our subsidiaries for our operating funds.

We conduct our operations through subsidiaries and depend on our subsidiaries for the funds necessary to operate and repay our debt obligations. Each of our subsidiaries is a distinct legal entity and has no obligation, contingent or otherwise, to transfer funds to us. In addition, the ability of our subsidiaries to transfer funds to us could be restricted by the terms of subsequent financings and the indenture governing the Notes.

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Covenants in our debt agreements restrict our activities and could adversely affect our business.

Our debt agreements contain various covenants that limit our ability and the ability of our subsidiaries to engage in various transactions including, as applicable:

•incurring or guaranteeing additional secured and unsecured debt;
•creating liens on our assets;
•paying dividends or making other distributions on, redeeming or repurchasing capital stock;
•making investments or other restricted payments;
•entering into transactions with affiliates;
•issuing stock of or interests in subsidiaries;
•engaging in non-healthcare related business activities;
•creating restrictions on the ability of our subsidiaries to pay distributions or other amounts to us;
•selling assets;
•effecting a consolidation or merger or selling all or substantially all of our assets;
•making acquisitions; and
•amending certain material agreements, including material leases and debt agreements.

These covenants limit our operational flexibility and could prevent us from taking advantage of business opportunities as they arise, growing our business or competing effectively. The Amended Credit Agreement requires the Company to comply with financial maintenance covenants to be tested quarterly, consisting of a maximum debt to asset value ratio, a minimum fixed charge coverage ratio, a minimum tangible net worth, a maximum cash distributions to operating income ratio, a maximum secured debt to asset value ratio, a maximum secured recourse debt to asset value ratio, a maximum unsecured debt to unencumbered properties asset value ratio, a minimum unsecured interest coverage ratio and a minimum rent coverage ratio. We are also required to maintain total unencumbered assets of at least 150% of our unsecured indebtedness under the indenture. Our ability to meet these requirements may be affected by events beyond our control, and we may not meet these requirements. We may be unable to maintain compliance with these covenants and, if we fail to do so, we may be unable to obtain waivers from the lenders or amend the covenants.

A downgrade of our credit rating could impair our ability to obtain additional debt financing on favorable terms, if at all, and significantly reduce the trading price of our common stock.

If any rating agency downgrades our credit rating, or places our rating under watch or review for possible downgrade, then it may be more difficult or expensive for us to obtain additional debt financing, and the trading price of our common stock may decline. Factors that may affect our credit rating include, among other things, our financial performance, our success in raising sufficient equity capital, adverse changes in our debt and fixed charge coverage ratios, our capital structure and level of indebtedness and pending or future changes in the regulatory framework applicable to our operators and our industry. We cannot assure that these credit agencies will not downgrade our credit rating in the future.

Risks Related To Our Common Stock

Our charter restricts the ownership and transfer of our outstanding stock, which may have the effect of delaying, deferring or preventing a transaction or change of control of our company.

In order for us to qualify to be taxed as a REIT, not more than 50% in value of our outstanding shares of stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year after our first taxable year as a REIT. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of a

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taxable year (other than our first taxable year as a REIT). Our charter, with certain exceptions, authorizes our board of directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Our charter also provides that, unless exempted by the board of directors, no person may own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or more than 9.8% in value of the outstanding shares of all classes or series of our stock. The constructive ownership rules are complex and may cause shares of stock owned directly or constructively by a group of related individuals or entities to be constructively owned by one individual or entity. These ownership limits could delay or prevent a transaction or a change in control of us that might involve a premium price for shares of our stock or otherwise be in the best interests of our stockholders. The acquisition of less than 9.8% of our outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% in value of our outstanding stock, and thus violate our charter's ownership limit. Our charter also prohibits any person from owning shares of our stock that would result in our being "closely held" under Section 856(h) of the Code or otherwise cause us to fail to qualify to be taxed as a REIT. In addition, our charter provides that (i) no person shall beneficially or constructively own shares of stock to the extent such beneficial or constructive ownership of stock would result in us failing to qualify as a "domestically controlled qualified investment entity" within the meaning of Section 897(h) of the Code, and (ii) no person shall beneficially or constructively own shares of stock to the extent such beneficial or constructive ownership would cause us to own, beneficially or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in a tenant of our real property. Any attempt to own or transfer shares of our stock in violation of these restrictions may result in the transfer being automatically void.

Maryland law and provisions in our charter and bylaws may delay or prevent takeover attempts by third parties and therefore inhibit our stockholders from realizing a premium on their stock.

Our charter and bylaws and Maryland law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover. As currently in effect, our charter and bylaws, among other things, (1) contain transfer and ownership restrictions on the percentage by number and value of outstanding shares of our stock that may be owned or acquired by any stockholder; (2) provide that stockholders are not allowed to act by non-unanimous written consent; (3) permit the board of directors, without further action of the stockholders, to amend the charter to increase or decrease the aggregate number of authorized shares or the number of shares of any class or series that we have the authority to issue; (4) permit the board of directors to classify or reclassify any unissued shares of common or preferred stock and set the preferences, rights and other terms of the classified or reclassified shares; (5) establish certain advance notice procedures for stockholder proposals, and provide procedures for the nomination of candidates for our board of directors; (6) provide that special meetings of stockholders may only be called by the Company or upon written request of stockholders entitled to be at the meeting; (7) provide that a director may only be removed by stockholders for cause and upon the vote of two-thirds of the outstanding shares of common stock; and (8) provide for supermajority approval requirements for amending or repealing certain provisions in our charter. In addition, specific anti-takeover provisions of the Maryland General Corporation Law ("MGCL") could make it more difficult for a third party to attempt a hostile takeover. These provisions include:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose special appraisal rights and special stockholder voting requirements on these combinations; and
- "control share" provisions that provide that "control shares" of our company (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

We believe these provisions protect our stockholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in our best interests. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

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The market price and trading volume of our common stock may fluctuate.

The market price of our common stock may fluctuate, depending upon many factors, some of which may be beyond our control, including, but not limited to:

•a shift in our investor base;
•our quarterly or annual earnings, or those of other comparable companies;
•actual or anticipated fluctuations in our operating results;
•our ability to obtain financing as needed, including potential future equity or debt issuances;
•changes in laws and regulations affecting our business;
•changes in accounting standards, policies, guidance, interpretations or principles;
•announcements by us or our competitors of significant investments, acquisitions or dispositions;
•the failure of securities analysts to cover our common stock;
•changes in earnings estimates by securities analysts or our ability to meet those estimates;
•the operating performance and stock price of other comparable companies;
•overall market fluctuations; and
•general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could materially and adversely affect our business and the market price of our common stock.

Under the Sarbanes-Oxley Act, we must maintain effective disclosure controls and procedures and internal control over financial reporting, which require significant resources and management oversight. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. Matters impacting our internal controls may cause us to be unable to report our financial data on a timely basis, or may cause us to restate previously issued financial data, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in the market price for our common stock and impairing our ability to raise capital.

Additionally, our independent registered public accounting firm is required pursuant to Section 404(b) of the Sarbanes-Oxley Act to attest to the effectiveness of our internal control over financial reporting on an annual basis. If we cannot maintain effective disclosure controls and procedures or internal control over financial reporting, or our independent registered public accounting firm cannot provide an unqualified attestation report on the effectiveness of our internal control over financial reporting, investor confidence and, in turn, the market price of our common stock could decline.

We cannot assure you of our ability to pay dividends in the future.

We expect to make quarterly dividend payments in cash with the annual dividend amount no less than 90% of our REIT taxable income on an annual basis, determined without regard to the dividends paid deduction and excluding any net capital gains. Our ability to pay dividends may be adversely affected by a number of factors, including the risk factors described in this

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annual report. Dividends are authorized by our board of directors and declared by us based upon a number of factors, including actual results of operations, restrictions under Maryland law or applicable debt covenants, our financial condition, our taxable income, the annual distribution requirements under the REIT provisions of the Code, our operating expenses and other factors our directors deem relevant. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash dividends or year-to-year increases in cash dividends in the future.

Furthermore, while we are required to pay dividends in order to maintain our REIT status (as described above under "Risks Related to Our Status as a REIT - REIT distribution requirements could adversely affect our ability to execute our business plan"), we may elect not to maintain our REIT status, in which case we would no longer be required to pay such dividends. Moreover, even if we do elect to maintain our REIT status, after completing various procedural steps, we may elect to comply with the applicable distribution requirements by distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively affect our business and financial condition as well as the market price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

Your ownership percentage in us may be diluted in the future.

From time to time in the future, we may issue additional shares of our common stock in connection with sales under our ATM Program (as defined below), other capital markets transactions or in connection with other transactions. In addition, pursuant to our CareTrust REIT, Inc. and CTR Partnership, L.P. Incentive Award Plan (the "Incentive Award Plan"), we expect to grant equity incentive awards to our officers, employees and directors in connection with their employment with or services provided to us. These issuances and awards may cause your percentage ownership in us to be diluted in the future and could have a dilutive effect on our earnings per share and reduce the value of our common stock.

In addition, while we have no specific plan to issue preferred stock, our charter authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, powers, privileges, preferences, including preferences over our common stock respecting dividends and distributions, terms of redemption and relative participation, optional or other rights, if any, of the shares of each such series of preferred stock and any qualifications, limitations or restrictions thereof, as our board of directors may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our headquarters are located in San Clemente, California. We lease our corporate office from an unaffiliated third party.

Except for the three ILFs that we own and operate, all of our properties are leased under long-term, triple-net leases. The following table displays the expiration of the annualized contractual cash rental revenues under our lease agreements as of December 31, 2018 by year and total investment (dollars in thousands) and, in each case, without giving effect to any renewal options:

Lease

Maturity Year	Investment	Percent of Total Investment		Rent	Percent of Total Rent	
2024	$34,415	2.4	%	$3,269	2.2	%
2026	58,157	4.0	%	6,606	4.5	%
2027	55,929	3.9	%	5,861	4.0	%
2028	79,914	5.5	%	7,969	5.5	%
2029	115,306	8.0	%	9,984	6.8	%
2030	282,898	19.5	%	25,424	17.4	%
2031	385,817	26.6	%	36,301	25.0	%
2032	210,526	14.5	%	23,537	16.1	%
2033	225,847	15.6	%	26,881	18.5	%
Total	$1,448,809	100.0	%	$145,832	100.0	%

The information set forth under “Portfolio Summary” in Item 1 of this Annual Report on Form 10-K is incorporated by reference herein.

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ITEM 3. Legal Proceedings

The Company and its subsidiaries are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of business, but none of the Company or any of its subsidiaries is, and none of their respective properties are, the subject of any material legal proceedings. Claims and lawsuits may include matters involving general or professional liability asserted against our tenants, which are the responsibility of our tenants and for which we are entitled to be indemnified by our tenants under the insurance and indemnification provisions in the applicable leases.

Pursuant to the Separation and Distribution Agreement we entered into in connection with the Spin-Off (the "Separation and Distribution Agreement"), we assumed any liability arising from or relating to legal proceedings involving the assets owned by us and agreed to indemnify Ensign (and its subsidiaries, directors, officers, employees and agents and certain other related parties) against any losses arising from or relating to such legal proceedings. In addition, pursuant to the Separation and Distribution Agreement, Ensign has agreed to indemnify us (including our subsidiaries, directors, officers, employees and agents and certain other related parties) for any liability arising from or relating to legal proceedings involving Ensign's healthcare business prior to the Spin-Off, and, pursuant to the Ensign Master Leases, Ensign or its subsidiaries have agreed to indemnify us for any liability arising from operations at the real property leased from us. Ensign is currently a party to various legal actions and administrative proceedings, including various claims arising in the ordinary course of its healthcare business, which are subject to the indemnities provided by Ensign to us. While these actions and proceedings are not believed by Ensign to be material, individually or in the aggregate, the ultimate outcome of these matters cannot be predicted. The resolution of any such legal proceedings, either individually or in the aggregate, could have a material adverse effect on Ensign's business, financial position or results of operations, which, in turn, could have a material adverse effect on our business, financial position or results of operations if Ensign or its subsidiaries are unable to meet their indemnification obligations.

ITEM 4. Mine Safety Disclosures

None.

PART II

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

Our common stock is listed on the Nasdaq Global Select Market under the symbol "CTRE."

At February 11, 2019, we had approximately 73 stockholders of record.

To maintain REIT status, we are required each year to distribute to stockholders at least 90% of our annual REIT taxable income after certain adjustments. All distributions will be made by us at the discretion of our board of directors and will depend on our financial position, results of operations, cash flows, capital requirements, debt covenants (which include limits on distributions by us), applicable law, and other factors as our board of directors deems relevant. For example, while the Notes and our Amended Credit Agreement permit us to declare and pay any dividend or make any distribution that is necessary to maintain our REIT status, those distributions are subject to certain financial tests under the indenture governing the Notes, and therefore, the amount of cash distributions we can make to our stockholders may be limited.

Distributions with respect to our common stock can be characterized for federal income tax purposes as taxable ordinary dividends, nondividend distributions or a combination thereof. Following is the characterization of our annual cash dividends on common stock:

	Year Ended December 31,	
Common Stock	2018	2017
Ordinary dividend	$0.8025	$0.6450

Non-dividend distributions	0.0175	0.0950
	$0.8200	$0.7400

Issuer Purchases of Equity Securities

We did not repurchase any shares of our common stock during the three months ended December 31, 2018.

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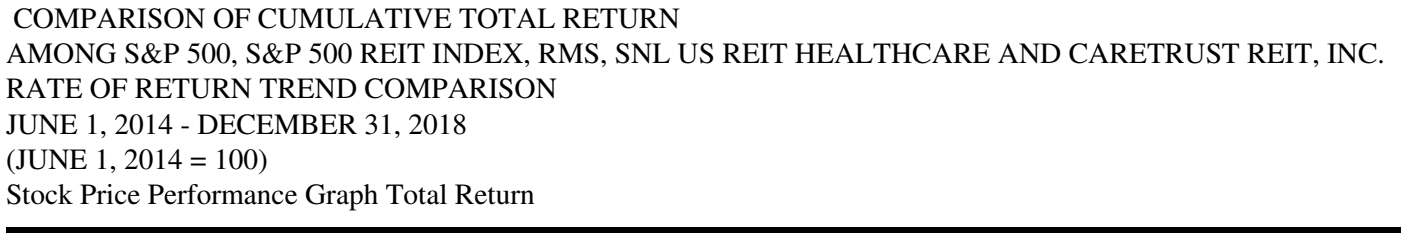
Stock Price Performance Graph

The graph below compares the cumulative total return of our common stock, the S&P 500 Index, the S&P 500 REIT Index, the RMS (MSCI U.S. REIT Total Return Index) and the SNL U.S. REIT Healthcare Index for the period from June 1, 2014 to December 31, 2018. Total cumulative return is based on a $100 investment in CareTrust REIT common stock and in each of the indices on June 1, 2014 and assumes quarterly reinvestment of dividends before consideration of income taxes. Stockholder returns over the indicated periods should not be considered indicative of future stock prices or stockholder returns.



The stock performance graph shall not be deemed soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or to the liabilities of Section 18 of the Exchange Act, nor shall it be incorporated by reference into any past or future filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically request that it be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933 or the Exchange Act.

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ITEM 6. Selected Financial Data

The following table sets forth selected financial data and other data for our company on a historical basis. The following data should be read in conjunction with our audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein. Our historical operating results may not be comparable to our future operating results. The comparability of the selected financial data presented below is significantly affected by our acquisitions and new investments in each of the years presented. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of or For the Year Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands, except per share amounts)				
Income statement data:					
Total revenues	$156,941	$132,982	$104,679	$74,951	$58,897
Income (loss) before provision for income taxes	57,923	25,874	29,353	10,034	(8,143)
Net income (loss)	57,923	25,874	29,353	10,034	(8,143)
Income (loss) before provision for income taxes per share, basic	0.73	0.35	0.52	0.26	(0.36)
Income (loss) before provision for income taxes per share, diluted	0.72	0.35	0.52	0.26	(0.36)
Net income (loss) per share, basic	0.73	0.35	0.52	0.26	(0.36)
Net income (loss) per share, diluted	0.72	0.35	0.52	0.26	(0.36)
Balance sheet data:					
Total assets	$1,291,762	$1,184,986	$925,358	$673,166	$475,140
Senior unsecured notes payable, net	295,153	294,395	255,294	254,229	253,165
Senior unsecured term loan, net	99,612	99,517	99,422	—	—
Unsecured revolving credit facility	95,000	165,000	95,000	45,000	—
Secured mortgage indebtedness, net	—	—	—	94,676	97,608
Total equity	768,247	594,617	452,430	262,288	113,462
Other financial data:					
Dividends declared per common share	$0.82	$0.74	$0.68	$0.64	$6.01
FFO(1)	101,536	62,275	61,483	34,109	14,853
FAD(1)	104,989	66,406	65,118	37,831	16,559

(1) We believe that net income, as defined by U.S. generally accepted accounting principles ("GAAP"), is the most appropriate earnings measure. We also believe that Funds From Operations ("FFO"), as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), and Funds Available for Distribution ("FAD") are important non-GAAP supplemental measures of operating performance for a REIT. Because the historical cost accounting convention used for real estate assets requires straight-line depreciation except on land, such accounting presentation implies that the value of real estate assets diminishes predictably over time. However, since real estate values have historically risen or fallen with market and other conditions, presentations of operating results for a REIT that uses historical cost accounting for depreciation could be less informative. Thus, NAREIT created FFO as a supplemental measure of operating performance for REITs that excludes historical cost depreciation and amortization, among other items, from net income, as defined by GAAP. FFO is defined as net income (loss) computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate related depreciation and amortization and impairment charges. FAD is defined as FFO excluding noncash income and expenses such as amortization of stock-based compensation, amortization of deferred financing costs and the effect of straight-line rent. We believe that the use of FFO and FAD, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. We consider FFO and FAD to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate

dispositions, impairment charges and real estate depreciation and amortization, and, for FAD, by excluding noncash income and expenses such as amortization of stock-based compensation, amortization of deferred financing costs, and the effect of straight line rent, FFO and FAD can help investors compare our operating performance between periods and to other REITs. However, our computation of FFO and FAD may not be comparable to FFO and FAD reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that

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interpret the current NAREIT definition or define FAD differently than we do. Further, FFO and FAD do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

The following table reconciles our calculations of FFO and FAD for the five years ended December 31, 2018, 2017, 2016, 2015 and 2014 to net income, the most directly comparable financial measure according to GAAP, for the same periods:

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
	(dollars in thousands)				
Net income (loss)	$57,923	$25,874	$29,353	$10,034	$(8,143)
Real estate related depreciation and amortization	45,664	39,049	31,865	24,075	22,996
(Gain) loss on sale of real estate	(2,051)	—	265	—	—
Impairment of real estate investment	—	890	—	—	—
Gain on disposition of other real estate investment	—	(3,538)	—	—	—
FFO	101,536	62,275	61,483	34,109	14,853
Amortization of deferred financing costs	1,938	2,059	2,239	2,200	1,552
Amortization of stock-based compensation	3,848	2,416	1,546	1,522	154
Straight-line rental income	(2,333)	(344)	(150)	—	—
FAD	$104,989	$66,406	$65,118	$37,831	$16,559

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

The discussion below contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those which are discussed in the section titled "Risk Factors." Also see "Statement Regarding Forward-Looking Statements" preceding Part I.

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" above and our accompanying consolidated financial statements and the notes thereto.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is organized as follows:

- Overview
- Recent Transactions
- Results of Operations
- Liquidity and Capital Resources
- Obligations and Commitments
- Capital Expenditures
- Critical Accounting Policies
- Impact of Inflation
- Off-Balance Sheet Arrangements

Overview

CareTrust REIT is a self-administered, publicly-traded REIT engaged in the ownership, acquisition, development and leasing of seniors housing and healthcare-related properties. As of December 31, 2018, the 92 facilities leased to Ensign had a total of 9,801 beds and units and are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington and the 102 remaining leased properties had a total of 9,285 beds and units and are located in California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Montana, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia and Wisconsin. We also own and operate three ILFs which had a total of 264 units located in Texas and Utah. As of December 31, 2018, we also had other real estate investments consisting of $5.7 million for two preferred equity investments and a mortgage loan receivable of $12.3 million.

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Recent Transactions

At-The-Market Offering of Common Stock

In May 2017, we entered into an equity distribution agreement to issue and sell, from time to time, up to $300.0 million in aggregate offering price of our common stock through an "at-the-market" equity offering program (the "ATM Program"). The following table summarizes the quarterly ATM Program activity for 2018 (shares and dollars in thousands, except per share amounts):

	For the Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total
Number of shares	—	2,989	4,772	2,504	10,265
Average sales price per share	$ —	$ 16.13	$ 17.62	$ 19.98	$ 17.76
Gross proceeds*	$ —	$ 48,198	$ 84,077	$ 50,046	$ 182,321

*Total gross proceeds is before $0.6 million, $1.1 million and $0.6 million of commissions paid to the sales agents under the ATM Program during the three months ended June 30, 2018, September 30, 2018 and December 31, 2018, respectively.

As of December 31, 2018, we had approximately $53.7 million available for future issuances under the ATM Program. From January 1, 2019 to January 11, 2019, we sold 2.5 million shares of common stock at an average price of $19.48 per share for $47.9 million in gross proceeds. At February 13, 2019 we had approximately $5.8 million available for future issuances under the ATM Program. See Liquidity and Capital Resources for additional information.

Recent and Pending Investments

From January 1, 2018 through February 13, 2019, we acquired fourteen skilled nursing facilities and three multi-service campuses and provided a term loan secured by first mortgages on five skilled nursing facilities for approximately $177.7 million, which includes actual and estimated capitalized acquisition costs and a $1.4 million commitment to fund revenue-producing capital expenditures over the next 24 months on one newly acquired multi-service campus. These acquisitions are expected to generate initial annual cash revenues of approximately $14.8 million and an initial blended yield of approximately 8.9%. See Note 3, Real Estate Investments, Net, and Note 14, Subsequent Events in the Notes to Consolidated Financial Statements for additional information.

On January 27, 2019, we entered into a Membership Interest Purchase Agreement ("MIPA") to acquire from BME Texas Holdings, LLC, in a single transaction, 100% of the membership interests in twelve separate, newly-formed special-purpose limited liability companies (the "SPEs"), each of which will own at closing a single real estate asset. The real estate assets include ten operating skilled nursing facilities and two operating skilled nursing/seniors housing campuses, primarily located in the southeastern United States. The aggregate purchase price for the acquisition is approximately $211.0 million, exclusive of transaction costs. Should the transaction contemplated by the MIPA ultimately close, we expect that the twelve real estate assets will be leased at closing to replacement operators, at least one of which is expected to be an existing Company tenant, under long-term master leases at an anticipated initial lease yield of approximately 8.9%, before taking into account transaction costs. The transaction contemplated by the MIPA is subject to multiple closing conditions, including without limitation, the acquisition of the assets by the SPEs, the full performance of other agreements to which we and our subsidiaries are not a party, the execution and timely completion of separate transition agreements between the incoming and outgoing operators, and multiple third-party approvals.

Recent Dispositions

During the year ended December 31, 2018, we sold three ALFs consisting of 102 units located in Idaho with an aggregate carrying value of $10.9 million for an aggregate price of $13.0 million. In connection with the sale, we recognized a gain of $2.1 million.

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Lease Terminations and Related Agreements

Pristine Lease Termination. On February 27, 2018 (the "LTA Effective Date") we entered into a Lease Termination Agreement (the "LTA") with affiliates of Pristine Senior Living, LLC ("Pristine") under which Pristine agreed to surrender all nine remaining facilities operated by Pristine, with a completion date of April 30, 2018. Under the LTA, Pristine agreed to continue to operate the facilities until possession could be surrendered, and the operations therein transitioned, to operator(s) designated by us. Among other things, Pristine also agreed to amend certain pending agreements to sell the rights to certain Ohio Medicaid beds (the "Bed Sales Agreements") and cooperate with us to turn over any claim or control it might have had with respect to the sale process and the proceeds thereof, if any, to us. The transactions were timely completed, and on May 1, 2018, Trio Healthcare, Inc. ("Trio") took over operations in the seven facilities based primarily in the Dayton, Ohio area under a new 15-year master lease, while Hillstone Healthcare, Inc. ("Hillstone") assumed the operation of the two facilities in Willard and Toledo, Ohio under a new 12-year master lease. In addition, amendments to the Bed Sales Agreements were subsequently executed, confirming us as the sole seller of the bed rights and the sole recipient of any proceeds therefrom. The aggregate annual base rent due under the new master leases with Trio and Hillstone is approximately $10.0 million, subject to CPI-based or fixed escalators.

Under the LTA we agreed, upon Pristine's full performance of the terms thereof, to terminate Pristine's master lease and all future obligations of the tenant thereunder; however, under the terms of the master lease the Company's security interest in Pristine's accounts receivable has survived any such termination. Such security interest was subject to the prior lien and security interest of Pristine's working capital lender, Capital One, National Association ("CONA"), with whom the Company has an existing intercreditor agreement that defines the relative rights and responsibilities of CONA with respect to the loan and lease collateral represented by Pristine's accounts receivable and the Company's respective security interests therein.

OnPointe Lease Terminations. On March 12, 2018, we terminated two separate facility leases between us and affiliates of OnPointe Health ("OnPointe"), which covered two properties located in Albuquerque, New Mexico and Brownsville, Texas. The Brownsville lease termination also terminated an option agreement which would have granted the tenant the right, under certain circumstances, to purchase the Brownsville property. OnPointe continued to operate the facilities following the lease terminations, and worked cooperatively with us to effectuate an orderly transfer of the operations in the two properties to two existing CareTrust tenants as described below.

On May 1, 2018, OnPointe completed the operational transfers of both facilities. An affiliate of Eduro Healthcare, LLC ("Eduro") assumed operational responsibility for the Albuquerque property, and we entered into a lease amendment with Eduro amending their existing master lease with us to add the Albuquerque property thereto. An affiliate of Providence Group, Inc. ("Providence") assumed operational responsibility for the Brownsville property, and we entered into a lease amendment with Providence amending their existing master lease with us to add the Brownsville property thereto. The aggregate annual base rent increase under the Eduro and Providence master leases, as amended, was approximately equivalent to the aggregate annual base rent we were receiving under the two OnPointe leases.

Results of Operations

Operating Results

Our primary business consists of acquiring, developing, financing and owning real property to be leased to third party tenants in the healthcare sector.

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Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

	Year Ended December 31,		Increase (Decrease)	Percentage Difference
	2018	2017		
	(dollars in thousands)			
Revenues:				
Rental income	$140,073	$117,633	$22,440	19 %
Tenant reimbursements	11,924	10,254	1,670	16 %
Independent living facilities	3,379	3,228	151	5 %
Interest and other income	1,565	1,867	(302)	(16)%
Expenses:				
Depreciation and amortization	45,766	39,159	6,607	17 %
Interest expense	27,860	24,196	3,664	15 %
Loss on the extinguishment of debt	—	11,883	(11,883)	*
Property taxes	11,924	10,254	1,670	16 %
Independent living facilities	2,964	2,733	231	8 %
Impairment of real estate investment	—	890	(890)	*
Reserve for advances and deferred rent	—	10,414	(10,414)	*
General and administrative	12,555	11,117	1,438	13 %

* Not meaningful

Rental income. Rental income was $140.0 million for the year ended December 31, 2018 compared to $117.6 million for the year ended December 31, 2017. The $22.4 million or 19% increase in rental income is primarily due to $19.2 million from real estate investments made after January 1, 2017, $2.6 million from increases in rental rates for our existing tenants and $2.0 million of straight-line rent, partially offset by a $0.8 million decrease in cash rents as of December 31, 2018 and a $0.7 million decrease in rental income due to the sale of three assisted living facilities in March 2018.

Independent living facilities. Revenues from our three ILFs that we own and operate were $3.4 million for the year ended December 31, 2018 compared to $3.2 million for the year ended December 31, 2017. The $0.2 million or 5% increase was primarily due to increased occupancy at these facilities. Expenses for our three ILFs were $2.9 million for the year ended December 31, 2018 compared to $2.7 million for the year ended December 31, 2017. The $0.2 million or 8% increase was primarily due to the increased occupancy at these facilities.

Interest and other income. Interest and other income decreased $0.3 million for the year ended December 31, 2018 to $1.6 million compared to $1.9 million for the year ended December 31, 2017. The decrease was primarily due to the interest income associated with the disposition in May 2017 of one preferred equity investment, partially offset by an increase of interest income related to the mortgage loan receivable that we provided to the Providence Group in October 2017.

Depreciation and amortization. Depreciation and amortization expense increased $6.6 million, or 17%, for the year ended December 31, 2018 to $45.8 million compared to $39.2 million for the year ended December 31, 2017. The $6.6 million increase was primarily due to new real estate investments made after January 1, 2017.

Interest expense. Interest expense increased $3.7 million, or 15%, for the year ended December 31, 2018 to $27.9 million compared to $24.2 million for the year ended December 31, 2017. The increase was primarily due to a higher weighted average outstanding balance on our Prior Revolving Facility (as defined below) and higher LIBOR interest rates.

Loss on the extinguishment of debt. Loss on the extinguishment of debt for the year ended December 31, 2017 consisted of $7.6 million related to the redemption of our 5.875% Senior Notes due 2021 at a redemption price of 102.938%, and a $4.2 million write-off of deferred financing costs associated with such redemption that was completed during the year ended December 31, 2017.

Impairment of real estate investments. In April 2017, we and Ensign mutually determined that La Villa Rehab & Healthcare Center (“La Villa”) had reached the natural end of its useful life as a skilled nursing facility and that the

facility was no longer economically viable, the improvements thereon could not be economically repurposed to any other use, and the cost to remove the obsolete improvements and reclaim the underlying land for redevelopment was expected to exceed the market value of the land. Ensign agreed to wind up and terminate the operations of the facility and we transferred title to the property

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to Ensign. There was no adjustment to the contractual rent under the applicable master lease. As a result of the transfer, we wrote-off the net book value of La Villa during the year ended December 31, 2017.

Reserve for advances and deferred rent. Included in the reserve for advances and deferred rent for the year ended December 31, 2017 is $0.8 million for unpaid cash rents and $9.6 million for other tenant receivables related to the properties previously net leased to subsidiaries of Pristine. See previous disclosure under “Recent Transactions-Lease Terminations and Related Agreements-Pristine Lease Termination” for further discussion.

General and administrative expense. General and administrative expense increased $1.4 million or 13% for the year ended December 31, 2018 to $12.5 million compared to $11.1 million for the year ended December 31, 2017. The increase is primarily related to an increase in the amortization of stock-based compensation of $1.4 million.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

	Year Ended December 31,		Increase (Decrease)	Percentage Difference
	2017	2016		
	(dollars in thousands)			
Revenues:				
Rental income	$117,633	$93,126	$24,507	26 %
Tenant reimbursements	10,254	7,846	2,408	31 %
Independent living facilities	3,228	2,970	258	9 %
Interest and other income	1,867	737	1,130	153 %
Expenses:				
Depreciation and amortization	39,159	31,965	7,194	23 %
Interest expense	24,196	22,873	1,323	6 %
Loss on the extinguishment of debt	11,883	326	11,557	*
Property taxes	10,254	7,846	2,408	31 %
Independent living facilities	2,733	2,549	184	7 %
Impairment of real estate investments	890	—	890	*
Acquisition costs	—	205	(205)	*
Reserve for advances and deferred rent	10,414	—	10,414	*
General and administrative	11,117	9,297	1,820	20 %

* Not meaningful

Rental income. Rental income was $117.6 million for the year ended December 31, 2017 compared to $93.1 million for the year ended December 31, 2016. The $24.5 million or 26% increase in rental income is due primarily to $24.7 million from investments made after January 1, 2016, $1.0 million from increases in rental rates for our existing tenants and $0.3 million of straight-line rent, partially offset by a $0.8 million decrease due to placing one tenant on a cash basis in the year ended December 31, 2017 and a $0.7 million decrease in rental rate for one tenant.

Independent living facilities. Revenues from our three ILFs that we own and operate were $3.2 million for the year ended December 31, 2017 compared to $3.0 million for the year ended December 31, 2016. The $0.3 million increase was primarily due to increased occupancy at these facilities and a higher average rental rate per unit. Expenses for our three ILFs were $2.7 million for the year ended December 31, 2017 compared to $2.5 million for the year ended December 31, 2016. The $0.2 million or 7% increase was primarily due to the increased occupancy at these facilities.

Interest and other income. Interest and other income increased $1.1 million for the year ended December 31, 2017 to $1.9 million compared to $0.8 million for the year ended December 31, 2016. The increase was due to $0.5 million of net interest income related to the disposition in May 2017 of one preferred equity investment, $0.4 million of interest income from two preferred equity investments that closed in July and September 2016 and $0.2 million of interest income related to our mortgage loan receivable that we provided in October 2017.

Depreciation and amortization. Depreciation and amortization expense increased $7.2 million, or 23%, for the year ended December 31, 2017 to $39.2 million compared to $32.0 million for the year ended December 31, 2016. The $7.2 million increase was primarily due to new investments made after January 1, 2016.

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Interest expense. Interest expense increased $1.3 million, or 6%, for the year ended December 31, 2017 to $24.2 million compared to $22.9 million for the year ended December 31, 2016. The net increase was due primarily to the fourteen days during the year ended December 31, 2017 when both our $300.0 million 5.25% Senior Notes due 2025 and our $260.0 million 5.875% Senior Notes due 2021 were outstanding, higher interest rates on our floating rate debt primarily related to our senior unsecured term loan and a higher average net borrowings on our Prior Revolving Facility.

Loss on the extinguishment of debt. Included in the loss on the extinguishment of debt is $7.6 million related to the redemption of our 5.875% Senior Notes due 2021 at a redemption price of 102.938%, and a $4.2 million write-off of deferred financing costs associated with such redemption that was completed during the year ended December 31, 2017. Included in the loss on the extinguishment of debt for the year ended December 31, 2016 is a $0.3 million write-off of deferred financing fees associated with the payoff and termination our secured mortgage indebtedness with General Electric Capital Corporation (the "GECC Loan").

Impairment of real estate investments. In April 2017, we and Ensign mutually determined that La Villa had reached the natural end of its useful life as a skilled nursing facility and that the facility was no longer economically viable, the improvements thereon could not be economically repurposed to any other use, and the cost to remove the obsolete improvements and reclaim the underlying land for redevelopment was expected to exceed the market value of the land. Ensign agreed to wind up and terminate the operations of the facility and we transferred title to the property to Ensign. There was no adjustment to the contractual rent under the applicable master lease. As a result of the transfer, we wrote-off the net book value of La Villa during the year ended December 31, 2017.

Reserve for advances and deferred rent. Included in the reserve for advances and deferred rent for the year ended December 31, 2017 is $0.8 million for unpaid cash rents and $9.6 million for other tenant receivables related to the properties previously net leased to subsidiaries of Pristine. See previous disclosure under "Recent Transactions-Lease Terminations and Related Agreements-Pristine Lease Termination" for further discussion.

General and administrative expense. General and administrative expense increased $1.8 million for the year ended December 31, 2017 to $11.1 million compared to $9.3 million for the year ended December 31, 2016. The increase is primarily related to higher cash wages of $0.9 million, amortization of stock-based compensation of $0.9 million and higher professional fees of $0.2 million, partially offset by lower state and local taxes of $0.2 million.

Liquidity and Capital Resources

To qualify as a REIT for federal income tax purposes, we are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our stockholders on an annual basis. Accordingly, we intend to make, but are not contractually bound to make, regular quarterly dividends to common stockholders from cash flow from operating activities. All such dividends are at the discretion of our board of directors.

As of December 31, 2018, we had cash and cash equivalents of $36.8 million.

During the year ended December 31, 2018, we sold approximately 10.3 million shares of our common stock under our ATM Program at an average price of $17.76 per share for $182.3 million in gross proceeds before $2.3 million of commissions paid to the sales agents. At December 31, 2018, we had approximately $53.7 million available for future issuances under the ATM Program. Subsequent to December 31, 2018, we sold an additional 2.5 million shares of our common stock under our ATM Program and we have approximately $5.8 million available for future issuances under the ATM Program as of February 13, 2019. We intend to renew or replace our ATM Program following or just before its substantial exhaustion.

As of December 31, 2018, there was $95.0 million outstanding under the Prior Revolving Facility. On February 8, 2019, we amended and restated our Credit Facility, which now provides for (i) an unsecured revolving credit facility (the "New Revolving Facility") with revolving commitments in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) a $200.0 million unsecured term loan credit facility (the "New Term Loan" and together with the New Revolving Facility, the "Amended Credit Facility"). The proceeds of the New Term Loan were used, in part, to repay in full all outstanding borrowings under the Prior Term Loan and Prior Revolving Facility (each as defined below). As of February 13, 2019, there was $200.0 million

outstanding under the New Term Loan, and no borrowings outstanding under the New Revolving Facility. See Note 6, Debt, Note 7, Equity and Note 14, Subsequent Events, in the Notes to Consolidated Financial Statements for additional information. Borrowing availability under the New Revolving Facility is subject to our compliance with certain financial covenants set forth in the Amended Credit Agreement governing the New Revolving Facility, including a consolidated leverage ratio that requires our ratio of Adjusted Consolidated Debt to

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Consolidated Total Asset Value (each as defined in the Amended Credit Agreement) be less than 60%. We believe that our available cash, expected operating cash flows, our ATM Program and New Revolving Facility will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend plans for at least the next twelve months.

We intend to invest in additional healthcare properties as suitable opportunities arise and adequate sources of financing are available. We expect that future investments in properties, including any improvements or renovations of current or newly-acquired properties, will depend on and will be financed by, in whole or in part, our existing cash, borrowings available to us under the Amended Credit Facility, future borrowings or the proceeds from sales of shares of our common stock pursuant to our ATM Program or additional issuances of common stock or other securities. In addition, we may seek financing from U.S. government agencies, including through Fannie Mae and the U.S. Department of Housing and Urban Development, in appropriate circumstances in connection with acquisitions and refinancing of existing mortgage loans.

We have filed an automatic shelf registration statement with the SEC that expires in May 2020, which will allow us or certain of our subsidiaries, as applicable, to offer and sell shares of common stock, preferred stock, warrants, rights, units and debt securities through underwriters, dealers or agents or directly to purchasers, on a continuous or delayed basis, in amounts, at prices and on terms we determine at the time of the offering.

Although we are subject to restrictions on our ability to incur indebtedness, we expect that we will be able to refinance existing indebtedness or incur additional indebtedness for acquisitions or other purposes, if needed. However, there can be no assurance that we will be able to refinance our indebtedness, incur additional indebtedness or access additional sources of capital, such as by issuing common stock or other debt or equity securities, on terms that are acceptable to us or at all.

Cash Flows

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

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Net cash provided by operating activities	$99,357	$88,800	$64,431
Net cash used in investing activities	(115,069)	(302,559)	(284,642)
Net cash provided by financing activities	45,595	213,168	216,244
Net increase (decrease) in cash and cash equivalents	29,883	(591)	(3,967)
Cash and cash equivalents at beginning of period	6,909	7,500	11,467
Cash and cash equivalents at end of period	$36,792	$6,909	$7,500

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net cash provided by operating activities for the year ended December 31, 2018 was $99.3 million compared to $88.8 million for the year ended December 31, 2017, an increase of $10.5 million. The increase was primarily due to an increase in net income of $32.0 million, partially offset by a decrease in noncash income and expenses of $20.4 million and a $1.1 million change in operating assets and liabilities.

Net cash used in investing activities for the year ended December 31, 2018 was $115.1 million compared to $302.6 million for the year ended December 31, 2017, a decrease of $187.5 million. The decrease was primarily the result of a $184.9 million decrease in cash used to acquire real estate, a $13.0 million increase in net proceeds from the sale of real estate, a $6.8 million decrease of investments in other loan receivables and a $3.2 million increase from principal payments received on real estate mortgage and other loans receivable, partially offset by prior period cash proceeds of $7.5 million related to the sale of other real estate investments, an increase of $6.5 million in improvements to real estate, $5.0 million of escrow deposits for acquisitions of real estate and an increase of $1.4 million of purchases of furniture, fixtures and equipment.

Net cash provided by financing activities for the year ended December 31, 2018 was $45.6 million compared to $213.2 million for the year ended December 31, 2017, a decrease of $167.6 million. This decrease was primarily due to a decrease of $172.4 million in net borrowings, an increase in dividends paid of $10.4 million and $0.4 million of

net-settle adjustments on restricted stock, partially offset by a $9.5 million increase in net proceeds from sales of our common stock under our ATM Program and a $6.1 million decrease in payments of deferred financing costs.

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Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Net cash provided by operating activities for the year ended December 31, 2017 was $88.8 million compared to $64.4 million for the year ended December 31, 2016, an increase of $24.4 million. The increase was primarily due to an increase in noncash income and expenses of $31.9 million, partially offset by a $4.0 million change in operating assets and liabilities and a decrease in net income of $3.5 million.

Net cash used in investing activities for the year ended December 31, 2017 was $302.6 million compared to $284.6 million for the year ended December 31, 2016, an increase of $18.0 million. The increase was primarily the result of a $15.3 million increase in acquisitions, $12.4 million increase due to an investment in real estate mortgage loan receivable, a $2.9 million reduction in net proceeds of sale of real estate and $0.3 million of purchases of furniture, fixtures and equipment, partially offset by a decrease of $7.5 million for the sale of other real estate investment, a reduction of $4.7 million in preferred equity investments and $0.7 million in escrow deposits related to acquisitions.

Net cash provided by financing activities for the year ended December 31, 2017 was $213.2 million compared to $216.2 million for the year ended December 31, 2016, a decrease of $3.0 million. This decrease was primarily due to higher repayments of debt of $135.6 million, a decrease in net proceeds of $30.1 million from sales of our common stock, an increase in dividends paid of $15.3 million, increased payments of deferred financing fees of $4.7 million and $0.3 million of net-settlement adjustments on restricted stock, partially offset by an increase in borrowings in the amount of $183.0 million.

Indebtedness

Senior Unsecured Notes

On May 10, 2017, the Operating Partnership, and its wholly owned subsidiary, CareTrust Capital Corp. (together with the Operating Partnership, the “Issuers”), completed a public offering of $300.0 million aggregate principal amount of 5.25% Senior Notes due 2025. The Notes were issued at par, resulting in gross proceeds of $300.0 million and net proceeds of approximately $294.0 million after deducting underwriting fees and other offering expenses. We used the net proceeds from the offering of the Notes to redeem all $260.0 million aggregate principal amount outstanding of our 5.875% Senior Notes due 2021, including payment of the redemption price of 102.938% and all accrued and unpaid interest thereon. We used the remaining portion of the net proceeds of the Notes offering to pay borrowings outstanding under our Prior Revolving Facility. The Notes mature on June 1, 2025 and bear interest at a rate of 5.25% per year. Interest on the Notes is payable on June 1 and December 1 of each year, beginning on December 1, 2017.

The Issuers may redeem the Notes any time before June 1, 2020 at a redemption price of 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest on the Notes, if any, to, but not including, the redemption date, plus a “make-whole” premium described in the indenture governing the Notes and, at any time on or after June 1, 2020, at the redemption prices set forth in the indenture. At any time on or before June 1, 2020, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings if at least 60% of the originally issued aggregate principal amount of the Notes remains outstanding. In such case, the redemption price will be equal to 105.25% of the aggregate principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to, but not including the redemption date. If certain changes of control of CareTrust REIT occur, holders of the Notes will have the right to require the Issuers to repurchase their Notes at 101% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date.

The obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by CareTrust REIT and certain of CareTrust REIT’s wholly owned existing and, subject to certain exceptions, future material subsidiaries (other than the Issuers); provided, however, that such guarantees are subject to automatic release under certain customary circumstances, including if the subsidiary guarantor is sold or sells all or substantially all of its assets, the subsidiary guarantor is designated “unrestricted” for covenant purposes under the indenture, the subsidiary guarantor’s guarantee of other indebtedness which resulted in the creation of the guarantee of the Notes is terminated or released, or the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied. See Note 12, Summarized Condensed Consolidating Information, in the Notes to Consolidated Financial Statements.

The indenture contains customary covenants such as limiting the ability of CareTrust REIT and its restricted subsidiaries to: incur or guarantee additional indebtedness; incur or guarantee secured indebtedness; pay dividends or distributions on, or redeem or repurchase, capital stock; make certain investments or other restricted payments; sell assets; enter into transactions with affiliates; merge or consolidate or sell all or substantially all of their assets; and create restrictions on the ability of the Issuers and their restricted subsidiaries to pay dividends or other amounts to the Issuers. The indenture also requires CareTrust REIT and its restricted subsidiaries to maintain a specified ratio of unencumbered assets to unsecured indebtedness. These

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covenants are subject to a number of important and significant limitations, qualifications and exceptions. The indenture also contains customary events of default.

As of December 31, 2018, we were in compliance with all applicable financial covenants under the indenture.

Unsecured Revolving Credit Facility and Term Loan

On August 5, 2015, the Company, CareTrust GP, LLC, the Operating Partnership, as the borrower, and certain of its wholly owned subsidiaries entered into a credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (as amended in February 2016, the "Prior Credit Agreement"). The Prior Credit Agreement provided for (i) an unsecured asset-based revolving credit facility (the "Prior Revolving Facility") with commitments in an aggregate principal amount of $400.0 million from a syndicate of banks and other financial institutions, and an accordion feature that allows the Operating Partnership to increase the borrowing availability by up to an additional $250.0 million, and (ii) a $100.0 million non-amortizing unsecured term loan (the "Prior Term Loan"). The Prior Revolving Facility was schedule to mature on August 5, 2019, and included two six-month extension options. The Prior Term Loan, which was scheduled to mature on February 1, 2023, could be prepaid at any time subject to a 2% premium in the first year after issuance and a 1% premium in the second year after issuance.

As of December 31, 2018, we had $100.0 million outstanding under the Prior Term Loan and there was $95.0 million outstanding under the Prior Revolving Facility.

As of December 31, 2018, we were in compliance with all applicable financial covenants under the Credit Agreement.

On February 8, 2019, the Company, CareTrust GP, LLC, and certain of the Operating Partnership's wholly owned subsidiaries entered into an amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Amended Credit Agreement"). The Amended Credit Agreement amends and restates the Company's Prior Credit Agreement and now provides for (i) a New Revolving Facility with revolving commitments in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) a $200.0 million New Term Loan. The proceeds of the New Term Loan were used, in part, to repay in full all outstanding borrowings under the Prior Term Loan and Prior Revolving Facility. See Note 14, Subsequent Events, in the Notes to Consolidated Financial Statements for additional information.

The New Revolving Facility has a maturity date of February 8, 2023, and includes two, six-month extension options. The New Term Loan has a maturity date of February 8, 2026.

The Amended Credit Agreement provides that, subject to customary conditions, including obtaining lender commitments and pro forma compliance with financial maintenance covenants under the Amended Credit Agreement, the Operating Partnership may seek to increase the aggregate principal amount of the revolving commitments and/or establish one or more new tranches of term loans under the Amended Credit Facility in an aggregate amount not to exceed $500.0 million. The Company does not currently have any commitments for such increased commitments or loans.

The interest rates applicable to loans under the New Revolving Facility are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the New Term Loan are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Operating Partnership will pay a facility fee on the revolving commitments under the New Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Operating Partnership elects to decrease the applicable margin as described above, in which case the

Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based off the credit ratings of the Company's senior long-term unsecured debt).

Loans made under the Amended Credit Facility are not subject to interim amortization prior to the final maturity date therefor (other than swingline loans which are due and payable within ten (10) business days of the date on which they were advanced if sooner than the final maturity date of the Amended Credit Facility). The Operating Partnership is not required to repay any loans (other than swingline loans) under the Amended Credit Facility prior to the maturity date therefor, other than to

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the extent the outstanding revolving borrowings exceed the aggregate revolving commitments under the New Revolving Facility. The Operating Partnership is permitted to prepay all or any portion of the loans under the New Revolving Facility prior to maturity without premium or penalty, subject to reimbursement of any LIBOR breakage costs of the lenders. The Operating Partnership is permitted to prepay all or any portion of the loans under the New Term Loan prior to maturity subject to a 2% prepayment premium in the first year after issuance and a 1% prepayment premium in the second year after issuance and to reimbursement of any LIBOR breakage costs of the lenders.

The Amended Credit Facility is guaranteed, jointly and severally, by the Company and its wholly owned subsidiaries that are party to the Amended Credit Agreement (other than the Operating Partnership). The Amended Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of the Company and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, enter into certain transactions with affiliates, create restrictions on distributions from subsidiaries and pay certain dividends and other restricted payments. The Amended Credit Agreement requires the Company to comply with financial maintenance covenants to be tested quarterly, consisting of a maximum debt to asset value ratio, a minimum fixed charge coverage ratio, a minimum tangible net worth, a maximum cash distributions to operating income ratio, a maximum secured debt to asset value ratio, a maximum secured recourse debt to asset value ratio, a maximum unsecured debt to unencumbered properties asset value ratio, a minimum unsecured interest coverage ratio and a minimum rent coverage ratio. The Amended Credit Agreement also contains certain customary events of default, including the failure to make timely payments under the Amended Credit Facility or other material indebtedness, the failure to satisfy certain covenants, the occurrence of change of control and specified events of bankruptcy and insolvency.

Obligations and Commitments

The following table summarizes our contractual obligations and commitments at December 31, 2018 (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1 Year to Less than 3 Years	3 Years to Less than 5 Years	More than 5 years
Senior unsecured notes payable (1)	$402,375	$15,750	$31,500	$31,500	$323,625
Senior unsecured term loan (2)	118,535	4,534	9,081	104,920	—
Unsecured revolving credit facility (3)	97,892	97,892	—	—	—
Operating lease	160	141	19	—	—
Total	$618,962	$118,317	$40,600	$136,420	$323,625

(1) Amounts include interest payments of $102.4 million.

(2) Amounts include interest payments of $18.5 million.

(3) The unsecured revolving credit facility includes payments related to the unused Revolving Facility fee under the Prior Revolving Facility.

Capital Expenditures

We anticipate incurring average annual capital expenditures of $400 to $500 per unit in connection with the operations of our three ILFs. Capital expenditures for each property leased under our triple-net leases are generally the responsibility of the tenant, except that, for the facilities leased to subsidiaries of Ensign under eight master leases ("Ensign Master Leases"), the tenant will have an option to require us to finance certain capital expenditures up to an aggregate of 20% of our initial investment in such property, subject to a corresponding rent increase at the time of funding. For our other triple-net master leases, the tenants also have the option to request capital expenditure funding that would also be subject to a corresponding rent increase at the time of funding, which are subject to tenant compliance with the conditions to our approval and funding of their requests.

Critical Accounting Policies

Basis of Presentation. The accompanying consolidated financial statements of the Company reflect, for all periods presented, the historical financial position, results of operations and cash flows of (i) the net-leased SNFs, multi-service campuses, ALFs and ILFs, (ii) the operations of the three ILFs that we own and operate, and (iii) the preferred equity

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investments and mortgage loan receivable. Historical financial information is not necessarily indicative of our future results of operations, financial position or cash flows.

Estimates and Assumptions. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that the assumptions and estimates used in preparation of the underlying consolidated financial statements are reasonable. Actual results, however, could differ from those estimates and assumptions.

Real Estate Depreciation and Amortization. Real estate costs related to the acquisition and improvement of properties are capitalized and amortized over the expected useful life of the asset on a straight-line basis. Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate asset. We consider the period of future benefit of an asset to determine its appropriate useful life. Expenditures for tenant improvements are capitalized and amortized over the shorter of the tenant's lease term or expected useful life. We anticipate the estimated useful lives of our assets by class to be generally as follows:

Buildings	25-40 years
Building improvements	10-25 years
Tenant improvements	Shorter of lease term or expected useful life
Integral equipment, furniture and fixtures	5 years
Identified intangible assets	Shorter of lease term or expected useful life

Real Estate Acquisition Valuation. In accordance with Accounting Standards Codification ("ASC") 805, Business Combinations, we record the acquisition of income-producing real estate as a business combination. If the acquisition does not meet the definition of a business, we record the acquisition as an asset acquisition. Under both methods, all assets acquired and liabilities assumed are measured at their acquisition date fair values. For transactions that are business combinations, acquisition costs are expensed as incurred and restructuring costs that do not meet the definition of a liability at the acquisition date are expensed in periods subsequent to the acquisition date. For transactions that are an asset acquisition, acquisition costs are capitalized as incurred.

We assess the acquisition date fair values of all tangible assets, identifiable intangibles and assumed liabilities using methods similar to those used by independent appraisers, generally utilizing a discounted cash flow analysis that applies appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant.

Estimates of the fair values of the tangible assets, identifiable intangibles and assumed liabilities require us to make significant assumptions to estimate market lease rates, property-operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. The use of inappropriate assumptions would result in an incorrect valuation of our acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of our net income.

As part of our asset acquisitions, we may commit to provide contingent payments to a seller or lessee (e.g., an earn-out payable upon the applicable property achieving certain financial metrics). Typically, when the contingent payments are funded, cash rent is increased by the amount funded multiplied by a rate stipulated in the agreement. Generally, if the contingent payment is an earn-out provided to the seller, the payment is capitalized to the property's basis. If the contingent payment is an earn-out provided to the lessee, the payment is recorded as a lease incentive and is amortized as a yield adjustment over the life of the lease.

Impairment of Long-Lived Assets. At each reporting period, management evaluates our real estate investments for impairment indicators, including the evaluation of our assets' useful lives. Management also assesses the carrying value of our real estate investments whenever events or changes in circumstances indicate that the carrying amount of

the assets may not be recoverable. The judgment regarding the existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal structure. If indicators of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash flows are determined to be less than the carrying values of the assets. An adjustment is made to the net carrying value of the

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real estate investments for the excess of carrying value over fair value. All impairments are taken as a period cost at that time and depreciation is adjusted going forward to reflect the new value assigned to the asset.

If we decide to sell real estate properties, we evaluate the recoverability of the carrying amounts of the assets. If the evaluation indicates that the carrying value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to sell.

In the event of impairment, the fair value of the real estate investment is determined by market research, which includes valuing the property in its current use as well as other alternative uses, and involves significant judgment. Our estimates of cash flows and fair values of the properties are based on current market conditions and reflect matters such as rental rates and occupancies for comparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or prospective purchasers. Our ability to accurately estimate future cash flows and estimate and allocate fair values impacts the timing and recognition of impairments. While we believe our assumptions are reasonable, changes in these assumptions may have a material impact on financial results. During the year ended December 31, 2017, we recorded an impairment loss of $0.9 million related to its investment in La Villa. In April 2017, we mutually determined with Ensign that La Villa had reached the natural end of its useful life as a skilled nursing facility and that the facility was no longer economically viable, the improvements thereon could not be economically repurposed to any other use, and the cost to remove the obsolete improvements and reclaim the underlying land for redevelopment was expected to exceed the market value of the land. Ensign agreed to wind up and terminate the operations of the facility and we transferred title to the property to Ensign. There was no adjustment to the contractual rent under the applicable master lease. Additionally, we agreed that the licensed beds would be transferred to another facility included in the Ensign Master Leases.

Other Real Estate Investments. Included in Other Real Estate Investments are preferred equity investments and a mortgage loan receivable. Preferred equity investments are accounted for at unpaid principal balance, plus accrued return, net of reserves. We recognize return income on a quarterly basis based on the outstanding investment including any accrued and unpaid return, to the extent there is outside contributed equity or cumulative earnings from operations. As the preferred member of the joint venture, we are not entitled to share in the joint venture’s earnings or losses. Rather, we are entitled to receive a preferred return, which is deferred if the cash flow of the joint venture is insufficient to pay all of the accrued preferred return. The unpaid accrued preferred return is added to the balance of the preferred equity investment up to the estimated economic outcome assuming a hypothetical liquidation of the book value of the joint venture. Any unpaid accrued preferred return, whether recorded or unrecorded by us, will be repaid upon redemption or as available cash flow is distributed from the joint venture.

Our mortgage loan receivable is recorded at amortized cost, which consists of the outstanding unpaid principal balance, net of unamortized costs and fees directly associated with the origination of the loan.

Interest income on our mortgage loan receivable is recognized over the life of the investment using the interest method. Origination costs and fees directly related to loans receivable are amortized over the term of the loan as an adjustment to interest income.

We evaluate at each reporting period each of our other real estate investments for indicators of impairment. An investment is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. A reserve is established for the excess of the carrying value of the investment over its fair value.

Cash and Cash Equivalents. Cash and cash equivalents consist of bank term deposits and money market funds with original maturities of three months or less at time of purchase and therefore approximate fair value. The fair value of these investments is determined based on “Level 1” inputs, which consist of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets. We place cash and short-term investments with high credit quality financial institutions.

Our cash and cash equivalents balance periodically exceeds federally insurable limits. We monitor the cash balances in our operating accounts and adjust the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, we have experienced no loss or lack of access to cash in operating accounts.

Deferred Financing Costs. External costs incurred from placement of our debt are capitalized and amortized on a straight-line basis over the terms of the related borrowings, which approximates the effective interest method. For our senior unsecured notes payable and senior unsecured term loan, deferred financing costs are netted against the outstanding debt

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amounts on the balance sheet. For our Amended Credit Facility, deferred financing costs are included in assets on our balance sheet.

Revenue Recognition. We recognize rental revenue, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, if any, from tenants under lease arrangements with minimum fixed and determinable increases on a straight-line basis over the non-cancellable term of the related leases when collectability is reasonably assured. Tenant recoveries related to the reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the expenses are incurred and presented gross if we are the primary obligor and, with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and bear the associated credit risk. For the years ended December 31, 2018, 2017 and 2016, such tenant reimbursement revenues consist of real estate taxes. Contingent revenue, if any, is not recognized until all possible contingencies have been eliminated.

We evaluate the collectability of rents and other receivables on a regular basis based on factors including, among others, payment history, the operations, the asset type and current economic conditions. If our evaluation of these factors indicates we may not recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. This analysis requires us to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. As of December 31, 2017, we reserved $0.8 million for unpaid cash rents and $9.6 million for other tenant receivables related to the properties previously net leased to subsidiaries of Pristine. We recorded no reserves for the years ended December 31, 2016 and December 31, 2018. See Note 3, “Real Estate Investments, Net” for further discussion.

Income Taxes. Our operations have historically been included in Ensign’s U.S. federal and state income tax returns and all income taxes have been paid by Ensign. Income tax expense and other income tax related information contained in these consolidated financial statements are presented on a separate tax return basis as if we filed our own tax returns. Management believes that the assumptions and estimates used to determine these tax amounts are reasonable. However, the consolidated financial statements herein may not necessarily reflect our income tax expense or tax payments in the future, or what our tax amounts would have been if we had been a stand-alone company during the periods presented.

We elected to be taxed as a REIT under the Code, and have operated as such beginning with our taxable year ended December 31, 2014. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our annual REIT taxable income to our stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, we generally will not be subject to federal income tax to the extent we distribute qualifying dividends to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions.

Stock-Based Compensation. We account for share-based awards in accordance with ASC Topic 718, Compensation - Stock Compensation (“ASC 718”). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. ASC 718 requires all entities to apply a fair value-based measurement method in accounting for share-based payment transactions with employees except for equity instruments held by employee share ownership plans.

See Note 2, “Summary of Significant Accounting Policies” in the Notes to the Consolidated Financial Statements for information concerning recently issued accounting standards.

Impact of Inflation

Our rental income in future years will be impacted by changes in inflation. Almost all of our triple-net lease agreements, including the Ensign Master Leases, provide for an annual rent escalator based on the percentage change in the Consumer Price Index (but not less than zero), subject to maximum fixed percentages.

Off-Balance Sheet Arrangements

None.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risk exposure is interest rate risk with respect to our variable rate indebtedness.

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Our Prior Credit Agreement provided for revolving commitments in an aggregate principal amount of $400.0 million from a syndicate of banks and other financial institutions. The interest rates per annum applicable to loans under the Prior Revolving Facility were, at the Company's option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum, based on the debt to asset value ratio of the Company and its subsidiaries. Under the Prior Credit Agreement, interest rates applicable to the Prior Term Loan were, at the Company's option, equal to a base rate plus a margin ranging from 0.95% to 1.60% per annum or applicable LIBOR plus a margin ranging from 1.95% to 2.60% per annum based on the debt to asset value ratio of the Company and its subsidiaries. As of December 31, 2018, we had a $100.0 million Prior Term Loan outstanding and there was $95.0 million outstanding under the Prior Revolving Facility.

An increase in interest rates could make the financing of any acquisition by us more costly as well as increase the costs of our variable rate debt obligations. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. Assuming a 100 basis point increase in the interest rates related to our variable rate debt, and assuming no change in our outstanding debt balance as described above, interest expense would have increased approximately $2.0 million for the year ended December 31, 2018.

On February 8, 2019, we entered into the Amended Credit Agreement, which amended and restated our Prior Credit Agreement. Our Amended Credit Agreement provides for (i) a New Revolving Facility in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments, and (ii) a $200.0 million New Term Loan.

The interest rates applicable to loans under the New Revolving Facility are, at the Company's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the New Term Loan are, at the Company's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Company will pay a facility fee on the revolving commitments under the New Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Company elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based off the credit ratings of the Company's senior long-term unsecured debt). As of February 13, 2019, we had $200.0 million outstanding under the New Term Loan and there were no outstanding borrowings under the New Revolving Facility.

We may, in the future, manage, or hedge, interest rate risks related to our borrowings by means of interest rate swap agreements. However, the REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. See "Risk Factors - Risks Related to Our Status as a REIT - Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities." As of December 31, 2018, we had no swap agreements to hedge our interest rate risks. We also expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness.

ITEM 8. Financial Statements and Supplementary Data

See the Index to Consolidated Financial Statements on page F-1 of this report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief 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,

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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.

As of December 31, 2018, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2018.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of CareTrust REIT, Inc.

Opinion on Internal Control over Financial Reporting

We have audited CareTrust REIT, Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, CareTrust REIT, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of CareTrust REIT, Inc. as of December 31, 2018 and 2017, and the related consolidated income statements, statements of equity, and statements of cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedules listed in the Index at Item 15(a)(2), of the Company and our report dated February 13, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have

a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

Irvine, California
February 13, 2019

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ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required under Item 10 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2018 in connection with our 2019 Annual Meeting of Stockholders.

Code of Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all employees, including employees of our subsidiaries, as well as each member of our Board of Directors. The code of business conduct and ethics is available at our website at www.caretrustreit.com under the Investors-Corporate Governance section. We intend to satisfy any disclosure requirement under applicable rules of the Securities and Exchange Commission or Nasdaq Stock Market regarding an amendment to, or waiver from, a provision of this code of business conduct and ethics by posting such information on our website, at the address specified above.

ITEM 11. Executive Compensation

The information required under Item 11 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2018 in connection with our 2019 Annual Meeting of Stockholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under Item 12 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2018 in connection with our 2019 Annual Meeting of Stockholders.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required under Item 13 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2018 in connection with our 2019 Annual Meeting of Stockholders.

ITEM 14. Principal Accountant Fees and Services

The information required under Item 14 is incorporated herein by reference to our definitive proxy statement to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2018 in connection with our 2019 Annual Meeting of Stockholders.

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PART IV

ITEM 15. Exhibits, Financial Statements and Financial Statement Schedules

(a)(1) Financial Statements

See Index to Consolidated Financial Statements on page F-1 of this report.

(a)(2) Financial Statement Schedules

Schedule III: Real Estate Assets and Accumulated Depreciation

Schedule IV: Mortgage Loan on Real Estate

Note: All other schedules have been omitted because the required information is presented in the financial statements and the related notes or because the schedules are not applicable.

(a)(3) Exhibits

3.1	Articles of Amendment and Restatement of CareTrust REIT, Inc. (incorporated by reference to Exhibit 3.1 to CareTrust REIT, Inc.'s Registration Statement on Form 10, filed on May 13, 2014).
3.2	Articles of Amendment, dated May 30, 2018, to the Articles of Amendment and Restatement of CareTrust REIT, Inc. (incorporated by reference to Exhibit 3.1 to CareTrust REIT, Inc.'s Current Report on Form 8-K filed on May 31, 2018).
3.3	Amended and Restated Bylaws of CareTrust REIT, Inc. (incorporated by reference to Exhibit 3.1 to CareTrust REIT, Inc.'s Current Report on Form 8-K filed on April 5, 2018.)
4.1	Indenture, dated as of May 24, 2017, among CTR Partnership, L.P. and CareTrust Capital Corp., as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the CareTrust REIT, Inc.'s Current Report on Form 8-K, filed on May 24, 2017).
4.2	First Supplemental Indenture, dated as of May 24, 2017, to the Indenture dated as of May 24, 2017, among CTR Partnership, L.P. and CareTrust Capital Corp., as Issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the CareTrust REIT, Inc.'s Current Report on Form 8-K filed on May 24, 2017).
4.3	Form of 5.25% Senior Note due 2023 (included in Exhibit 4.2).
4.4	Specimen Stock Certificate of CareTrust REIT, Inc. (incorporated by reference to Exhibit 4.1 to CareTrust REIT, Inc.'s Registration Statement on Form 10, filed on April 15, 2014).
10.1	Form of Master Lease by and among certain subsidiaries of The Ensign Group, Inc. and certain subsidiaries of CareTrust REIT, Inc. (incorporated by reference to Exhibit 10.1 to CareTrust REIT, Inc.'s Current Report on Form 8-K, filed on June 5, 2014).
10.2	

	Form of Guaranty of Master Lease by The Ensign Group, Inc. in favor of certain subsidiaries of CareTrust REIT, Inc., as landlords under the Ensign Master Leases (incorporated by reference to Exhibit 10.2 to CareTrust REIT, Inc.'s Current Report on Form 8-K, filed on June 5, 2014).
10.3	Tax Matters Agreement, dated as of May 30, 2014, by and between The Ensign Group, Inc. and CareTrust REIT, Inc. (incorporated by reference to Exhibit 10.5 to CareTrust REIT, Inc.'s Current Report on Form 8-K, filed on June 5, 2014).
10.4	Amended and Restated Credit and Guaranty Agreement, dated February 8, 2019 by and among CTRE Partnership, L.P., as borrower, CareTrust REIT, Inc., as guarantor, CareTrust GP, LLC and the other guarantors named therein and KeyBank National Association, as administrative agent, an issuing lender and swingling lender and the other parties thereto. (incorporated by reference to Exhibit 10.1 to the CareTrust REIT, Inc.'s Current Report on Form 8-K filed on February 11, 2019).
10.5	Amended and Restated Partnership Agreement of CTR Partnership, L.P. (incorporated by reference to Exhibit 3.4 to CareTrust REIT, Inc.'s Registration Statement on Form S-4, filed on August 28, 2014).
10.6	Form of Indemnification Agreement between CareTrust REIT, Inc. and its directors and officers (incorporated by reference to Exhibit 10.11 to CareTrust REIT, Inc.'s Current Report on Form 8-K, filed on June 5, 2014).

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+10.7	Incentive Award Plan (incorporated by reference to Exhibit 10.9 to CareTrust REIT, Inc.'s Registration Statement on Form 10, filed on May 13, 2014).
+10.8	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.14 to CareTrust REIT, Inc.'s Annual Report on Form 10-K, filed on February 11, 2015).
+10.9	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.15 to CareTrust REIT, Inc.'s Annual Report on Form 10-K, filed on February 11, 2015).
+10.10	Form of Change in Control and Severance Agreement (incorporated by reference to Exhibit 10.1 to CareTrust REIT, Inc's Current Report on Form 8-K filed on February 11, 2019).
*21.1	List of Subsidiaries of CareTrust REIT, Inc.
*23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.
*31.1	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith.
**Furnished herewith.
+Management contract or compensatory plan or arrangement.

ITEM 16. 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CARETRUST REIT, INC.

By: /S/ GREGORY K. STAPLEY
Gregory K. Stapley
President and Chief Executive Officer

Dated: February 13, 2019

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ GREGORY K. STAPLEY Gregory K. Stapley	Director, President and Chief Executive Officer (Principal Executive Officer)	February 13, 2019
/s/ WILLIAM M. WAGNER William M. Wagner	Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)	February 13, 2019
/s/ ALLEN C. BARBIERI Allen C. Barbieri	Director	February 13, 2019
/s/ JON D. KLINE Jon D. Kline	Director	February 13, 2019
/s/ DIANA LAING Diana Laing	Director	February 13, 2019
/s/ SPENCER PLUMB Spencer Plumb	Director	February 13, 2019

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of CareTrust REIT, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CareTrust REIT, Inc. (the Company), as of December 31, 2018 and 2017, the related consolidated income statements, statements of equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and the financial statement schedules listed in the Index at Item 15(a)(2) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 13, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP

We have served as the Company’s auditor since 2014.

Irvine, California
February 13, 2019

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CARETRUST REIT, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31,	
	2018	2017
Assets:		
Real estate investments, net	$1,216,237	$1,152,261
Other real estate investments, net	18,045	17,949
Cash and cash equivalents	36,792	6,909
Accounts and other receivables, net	11,387	5,254
Prepaid expenses and other assets	8,668	895
Deferred financing costs, net	633	1,718
Total assets	$1,291,762	$1,184,986
Liabilities and Equity:		
Senior unsecured notes payable, net	$295,153	$294,395
Senior unsecured term loan, net	99,612	99,517
Unsecured revolving credit facility	95,000	165,000
Accounts payable and accrued liabilities	15,967	17,413
Dividends payable	17,783	14,044
Total liabilities	523,515	590,369
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, $0.01 par value; 100,000,000 shares authorized, no shares issued and outstanding as of December 31, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized, 85,867,044 and 75,478,202 shares issued and outstanding as of December 31, 2018 and December 31, 2017, respectively	859	755
Additional paid-in capital	965,578	783,237
Cumulative distributions in excess of earnings	(198,190)	(189,375)
Total equity	768,247	594,617
Total liabilities and equity	$1,291,762	$1,184,986

See accompanying notes to consolidated financial statements.

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CARETRUST REIT, INC.
CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share amounts)

	Year Ended December 31,		
	2018	2017	2016
Revenues:			
Rental income	$140,073	$117,633	$93,126
Tenant reimbursements	11,924	10,254	7,846
Independent living facilities	3,379	3,228	2,970
Interest and other income	1,565	1,867	737
Total revenues	156,941	132,982	104,679
Expenses:			
Depreciation and amortization	45,766	39,159	31,965
Interest expense	27,860	24,196	22,873
Loss on the extinguishment of debt	—	11,883	326
Property taxes	11,924	10,254	7,846
Independent living facilities	2,964	2,733	2,549
Impairment of real estate investment	—	890	—
Acquisition costs	—	—	205
Reserve for advances and deferred rent	—	10,414	—
General and administrative	12,555	11,117	9,297
Total expenses	101,069	110,646	75,061
Other income:			
Gain (loss) on sale of real estate	2,051	—	(265)
Gain on disposition of other real estate investment	—	3,538	—
Net income	$57,923	$25,874	$29,353
Earnings per common share:			
Basic	$0.73	$0.35	$0.52
Diluted	$0.72	$0.35	$0.52
Weighted-average number of common shares:			
Basic	79,386	72,647	56,030
Diluted	79,392	72,647	56,030

See accompanying notes to consolidated financial statements.

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CARETRUST REIT, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Total Equity
	Shares	Amount			
Balance at December 31, 2015	47,664,742	$ 477	$410,217	$(148,406)	$262,288
Issuance of common stock, net	17,023,824	170	200,228	—	200,398
Vesting of restricted common stock, net of shares withheld for employee taxes	127,784	1	(516)	—	(515)
Amortization of stock-based compensation	—	—	1,546	—	1,546
Common dividends ($0.68 per share)	—	—	—	(40,640)	(40,640)
Net income	—	—	—	29,353	29,353
Balance at December 31, 2016	64,816,350	648	611,475	(159,693)	452,430
Issuance of common stock, net	10,573,089	106	170,213	—	170,319
Vesting of restricted common stock, net of shares withheld for employee taxes	88,763	1	(867)	—	(866)
Amortization of stock-based compensation	—	—	2,416	—	2,416
Common dividends ($0.74 per share)	—	—	—	(55,556)	(55,556)
Net income	—	—	—	25,874	25,874
Balance at December 31, 2017	75,478,202	755	783,237	(189,375)	594,617
Issuance of common stock, net	10,264,981	103	179,783	—	179,886
Vesting of restricted common stock, net of shares withheld for employee taxes	123,861	1	(1,290)	—	(1,289)
Amortization of stock-based compensation	—	—	3,848	—	3,848
Common dividends ($0.82 per share)	—	—	—	(66,738)	(66,738)
Net income	—	—	—	57,923	57,923
Balance at December 31, 2018	85,867,044	$ 859	$965,578	$(198,190)	$768,247

See accompanying notes to consolidated financial statements.

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CARETRUST REIT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$57,923	$25,874	29,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including a below-market ground lease)	45,783	39,176	31,980
Amortization of deferred financing costs	1,938	2,100	2,239
Loss on the extinguishment of debt	—	11,883	326
Amortization of stock-based compensation	3,848	2,416	1,546
Straight-line rental income	(2,333)	(344)	(150)
Noncash interest income	(238)	(686)	(737)
(Gain) loss on sale of real estate	(2,051)	—	265
Interest income distribution from other real estate investment	—	1,500	—
Reserve for advances and deferred rent	—	10,414	—
Impairment of real estate investment	—	890	—
Change in operating assets and liabilities:			
Accounts and other receivables, net	(3,800)	(9,428)	(3,404)
Prepaid expenses and other assets	(270)	(273)	84
Accounts payable and accrued liabilities	(1,443)	5,278	2,929
Net cash provided by operating activities	99,357	88,800	64,431
Cash flows from investing activities:			
Acquisitions of real estate	(111,640)	(296,517)	(281,228)
Improvements to real estate	(7,230)	(748)	(762)
Purchases of equipment, furniture and fixtures	(1,782)	(403)	(151)
Preferred equity investments	—	—	(4,656)
Investment in real estate mortgage and other loans receivable	(5,648)	(12,416)	—
Principal payments received on real estate mortgage and other loans receivable	3,227	25	—
Sale of other real estate investment	—	7,500	—
Escrow deposits for acquisitions of real estate	(5,000)	—	(700)
Net proceeds from the sale of real estate	13,004	—	2,855
Net cash used in investing activities	(115,069)	(302,559)	(284,642)
Cash flows from financing activities:			
Proceeds from the issuance of common stock, net	179,882	170,323	200,402
Proceeds from the issuance of senior unsecured notes payable	—	300,000	—
Proceeds from the issuance of senior unsecured term loan	—	—	100,000
Borrowings under unsecured revolving credit facility	65,000	238,000	255,000
Payments on senior unsecured notes payable	—	(267,639)	—
Payments on unsecured revolving credit facility	(135,000)	(168,000)	(205,000)
Payments on the mortgage notes payable	—	—	(95,022)
Payments of deferred financing costs	—	(6,063)	(1,352)
Net-settle adjustment on restricted stock	(1,288)	(866)	(515)
Dividends paid on common stock	(62,999)	(52,587)	(37,269)
Net cash provided by financing activities	45,595	213,168	216,244
Net increase (decrease) in cash and cash equivalents	29,883	(591)	(3,967)
Cash and cash equivalents, beginning of period	6,909	7,500	11,467
Cash and cash equivalents, end of period	36,792	6,909	7,500

Supplemental disclosures of cash flow information:			
Interest paid	$25,941	$29,619	$21,238
Supplemental schedule of noncash operating, investing and financing activities:			
Increase in dividends payable	$3,739	$2,970	$3,371
Application of escrow deposit to acquisition of real estate	$—	$700	$1,250

See accompanying notes to consolidated financial statements.

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CARETRUST REIT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Description of Business—CareTrust REIT, Inc.'s ("CareTrust REIT" or the "Company") primary business consists of acquiring, financing, developing and owning real property to be leased to third-party tenants in the healthcare sector. As of December 31, 2018, the Company owned and leased to independent operators, including The Ensign Group, Inc. ("Ensign"), 194 skilled nursing, multi-service campuses, assisted living and independent living facilities consisting of 19,086 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. The Company also owned and operated three independent living facilities which had a total of 264 units located in Texas and Utah. As of December 31, 2018, the Company also had other real estate investments consisting of two preferred equity investments totaling $5.7 million and a mortgage loan receivable of $12.3 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements of the Company reflect, for all periods presented, the historical financial position, results of operations and cash flows of (i) the net-leased skilled nursing, multi-service campuses, assisted living and independent living facilities; (ii) the operations of the three independent living facilities that the Company owns and operates; and (iii) the preferred equity investments and the mortgage loan receivable.

The accompanying consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and reflect the financial position, results of operations and cash flows for the Company. All intercompany transactions and account balances within the Company have been eliminated.

Estimates and Assumptions—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Management believes that the assumptions and estimates used in preparation of the underlying consolidated financial statements are reasonable. Actual results, however, could differ from those estimates and assumptions.

Real Estate Depreciation and Amortization—Real estate costs related to the acquisition and improvement of properties are capitalized and amortized over the expected useful life of the asset on a straight-line basis. Repair and maintenance costs are charged to expense as incurred and significant replacements and betterments are capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate asset. The Company considers the period of future benefit of an asset to determine its appropriate useful life. Expenditures for tenant improvements are capitalized and amortized over the shorter of the tenant's lease term or expected useful life. The Company anticipates the estimated useful lives of its assets by class to be generally as follows:

Building	25-40 years
Building improvements	10-25 years
Tenant improvements	Shorter of lease term or expected useful life
Integral equipment, furniture and fixtures	5 years
Identified intangible assets	Shorter of lease term or expected useful life

Real Estate Acquisition Valuation— In accordance with Accounting Standard Codification ("ASC") 805, Business Combinations, the Company records the acquisition of income-producing real estate as a business combination. If the acquisition does not meet the definition of a business, the Company records the acquisition as an asset

acquisition. Under both methods, all assets acquired and liabilities assumed are measured at their acquisition date fair values. For transactions that are business combinations, acquisition costs are expensed as incurred and restructuring costs that do not meet the definition of a liability at the acquisition date are expensed in periods subsequent to the acquisition date. For transactions that are asset acquisitions, acquisition costs are capitalized as incurred.

The Company assesses the acquisition date fair values of all tangible assets, identifiable intangibles and assumed liabilities using methods similar to those used by independent appraisers, generally utilizing a discounted cash flow analysis

that applies appropriate discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors, including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it were vacant.

Estimates of the fair values of the tangible assets, identifiable intangibles and assumed liabilities require the Company to make significant assumptions to estimate market lease rates, property-operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property will be held for investment. The use of inappropriate assumptions would result in an incorrect valuation of the Company's acquired tangible assets, identifiable intangibles and assumed liabilities, which would impact the amount of the Company's net income.

As part of the Company's asset acquisitions, the Company may commit to provide contingent payments to a seller or lessee (e.g., an earn-out payable upon the applicable property achieving certain financial metrics). Typically, when the contingent payments are funded, cash rent is increased by the amount funded multiplied by a rate stipulated in the agreement. Generally, if the contingent payment is an earn-out provided to the seller, the payment is capitalized to the property's basis. If the contingent payment is an earn-out provided to the lessee, the payment is recorded as a lease incentive and is amortized as a yield adjustment over the life of the lease.

Impairment of Long-Lived Assets—At each reporting period, management evaluates the Company's real estate investments for impairment indicators, including the evaluation of the useful lives of the Company's assets. Management also assesses the carrying value of the Company's real estate investments whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The judgment regarding the existence of impairment indicators is based on factors such as, but not limited to, market conditions, operator performance and legal structure. If indicators of impairment are present, management evaluates the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying facilities. Provisions for impairment losses related to long-lived assets are recognized when expected future undiscounted cash flows are determined to be less than the carrying values of the assets. An adjustment is made to the net carrying value of the real estate investments for the excess of carrying value over fair value. All impairments are taken as a period cost at that time, and depreciation is adjusted going forward to reflect the new value assigned to the asset.

If the Company decides to sell real estate properties, it evaluates the recoverability of the carrying amounts of the assets. If the evaluation indicates that the carrying value is not recoverable from estimated net sales proceeds, the property is written down to estimated fair value less costs to sell.

In the event of impairment, the fair value of the real estate investment is determined by market research, which includes valuing the property in its current use as well as other alternative uses, and involves significant judgment. Management's estimates of cash flows and fair values of the properties are based on current market conditions and consider matters such as rental rates and occupancies for comparable properties, recent sales data for comparable properties, and, where applicable, contracts or the results of negotiations with purchasers or prospective purchasers. The Company's ability to accurately estimate future cash flows and estimate and allocate fair values impacts the timing and recognition of impairments. While the Company believes its assumptions are reasonable, changes in these assumptions may have a material impact on financial results.

Other Real Estate Investments — Included in "Other real estate investments, net" are preferred equity investments and a mortgage loan receivable. Preferred equity investments are accounted for at unpaid principal balance, plus accrued return, net of reserves. The Company recognizes return income on a quarterly basis based on the outstanding investment including any accrued and unpaid return, to the extent there is outside contributed equity or cumulative earnings from operations. As the preferred member of the joint venture, the Company is not entitled to share in the joint venture's earnings or losses. Rather, the Company is entitled to receive a preferred return, which is deferred if the cash flow of the joint venture is insufficient to pay all of the accrued preferred return. The unpaid accrued preferred return is added to the balance of the preferred equity investment up to the estimated economic outcome assuming a

hypothetical liquidation of the book value of the joint venture. Any unpaid accrued preferred return, whether recorded or unrecorded by the Company, will be repaid upon redemption or as available cash flow is distributed from the joint venture.

The Company's mortgage loan receivable is recorded at amortized cost, which consists of the outstanding unpaid principal balance, net of unamortized costs and fees directly associated with the origination of the loan.

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Interest income on the Company's mortgage loan receivable is recognized over the life of the investment using the interest method. Origination costs and fees directly related to mortgage loans receivable are amortized over the term of the loan as an adjustment to interest income.

The Company evaluates at each reporting period each of its other real estate investments for indicators of impairment. An investment is impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. A reserve is established for the excess of the carrying value of the investment over its fair value.

Cash and Cash Equivalents—Cash and cash equivalents consist of bank term deposits and money market funds with original maturities of three months or less at time of purchase and therefore approximate fair value. The fair value of these investments is determined based on "Level 1" inputs, which consist of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets. The Company places its cash and short-term investments with high credit quality financial institutions.

The Company's cash and cash equivalents balance periodically exceeds federally insurable limits. The Company monitors the cash balances in its operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or lack of access to cash in its operating accounts.

Prepaid expenses and other assets—Prepaid expenses and other assets consist of prepaid expenses, deposits, pre-acquisition costs and other loans receivable. Included in other loans receivable at December 31, 2018 is a bridge loan to Priority Life Care, LLC ("Priority") under which the Company agreed to fund up to $1.4 million until the earlier of (i) October 31, 2019, (ii) the date that a new credit facility is established such that the borrower may submit draw requests to the applicable lender, or (iii) the date on which Priority's lease is terminated with respect to any facility. Borrowings under the bridge loan accrue interest at a base rate of 8.0%. Additionally, included in other loans receivable at December 31, 2018 is a term loan to Eduro Healthcare, LLC ("Eduro") of $1.2 million at a fixed interest rate of 8.0% and is set to mature on November 20, 2023. As of December 31, 2018, approximately $2.6 million was outstanding under the loans receivable.

Deferred Financing Costs—External costs incurred from placement of the Company's debt are capitalized and amortized on a straight-line basis over the terms of the related borrowings, which approximates the effective interest method. For senior unsecured notes payable and the senior unsecured term loan, deferred financing costs are netted against the outstanding debt amounts on the balance sheet. For the unsecured revolving credit facility, deferred financing costs are included in assets on the Company's balance sheet. Amortization of deferred financing costs is classified as interest expense in the consolidated income statements. Accumulated amortization of deferred financing costs was $5.1 million and $3.2 million at December 31, 2018 and December 31, 2017, respectively.

When financings are terminated, unamortized deferred financing costs, as well as charges incurred for the termination, are expensed at the time the termination is made. Gains and losses from the extinguishment of debt are presented within income from continuing operations in the Company's consolidated income statements.

Revenue Recognition —The Company recognizes rental revenue, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, if any, from tenants under lease arrangements with minimum fixed and determinable increases on a straight-line basis over the non-cancellable term of the related leases when collectability is reasonably assured. The Company evaluates the collectability of rents and other receivables on a regular basis based on factors including, among others, payment history, the operations, the asset type and current economic conditions. Tenant recoveries related to the reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the expenses are incurred and presented gross if the Company is the primary obligor and, with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated credit risk. For the years ended December 31, 2018, 2017 and 2016, such tenant reimbursement revenues consisted of real estate taxes. Contingent revenue, if any, is not recognized until all possible contingencies have been eliminated.

If the Company's evaluation of applicable factors indicates it may not recover the full value of the receivable, the Company provides a reserve against the portion of the receivable that it estimates may not be recovered. This analysis requires the Company to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. As of December 31, 2018 and December 31, 2017, "Accounts and other

receivables, net" included $1.3 million and $0.8 million for unpaid cash rents and $11.6 million and $9.6 million for other tenant receivables, respectively, of which $10.4 million was reserved as of December 31, 2018 and December 31, 2017, related to the properties previously net leased to subsidiaries of Pristine Senior Living, LLC ("Pristine"). See Note 3, Real Estate Investments, Net for further discussion.

The Company evaluates the collectability of straight-line rent receivable balances on an ongoing basis and provides reserves against receivables it determines may not be fully recoverable. The Company recorded straight-line rental income of $2.3 million, $0.3 million and $0.2 million during the years ended December 31, 2018, 2017 and 2016, respectively. Accounts and other receivables, net included $2.8 million and $0.5 million in straight-line rents receivable at December 31, 2018 and December 31, 2017, respectively.

Income Taxes—Income tax expense and other income tax related information contained in these consolidated financial statements are presented on a separate tax return basis as if the Company filed its own tax returns for all periods. Management believes that the assumptions and estimates used to determine these tax amounts are reasonable. However, the consolidated financial statements herein may not necessarily reflect the Company's income tax expense or tax payments in the future, or what its tax amounts would have been if the Company had been a stand-alone company prior to the separation of Ensign's healthcare business and its real estate business into two separate and independently publicly traded companies (the "Spin-Off").

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), beginning with its taxable year ended December 31, 2014. The Company believes it has been organized and has operated, and the Company intends to continue to operate, in a manner to qualify for taxation as a REIT under the Code. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute to its stockholders at least 90% of the Company's annual REIT taxable income (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with GAAP). As a REIT, the Company generally will not be subject to federal income tax to the extent it distributes qualifying dividends to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants the Company relief under certain statutory provisions.

Stock-Based Compensation—The Company accounts for share-based payment awards in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. ASC 718 requires all entities to apply a fair value-based measurement method in accounting for share-based payment transactions with directors, officers and employees except for equity instruments held by employee share ownership plans. Net income reflects stock-based compensation expense of $3.8 million, $2.4 million and $1.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Concentration of Credit Risk—The Company is subject to concentrations of credit risk consisting primarily of operating leases on its owned properties. See Note 11, Concentration of Risk, for a discussion of major operator concentration.

Segment Disclosures —The Financial Accounting Standard Board ("FASB") accounting guidance regarding disclosures about segments of an enterprise and related information establishes standards for the manner in which public business enterprises report information about operating segments. The Company has one reportable segment consisting of investments in healthcare-related real estate assets.

Earnings (Loss) Per Share—The Company calculates earnings (loss) per share ("EPS") in accordance with ASC 260, Earnings Per Share. Basic EPS is computed by dividing net income applicable to common stock by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the additional dilution for all potentially-dilutive securities.

Beds, Units, Occupancy and Other Measures—Beds, units, occupancy and other non-financial measures used to describe real estate investments included in these Notes to the consolidated financial statements are presented on an unaudited

basis and are not subject to audit by the Company's independent auditors in accordance with the standards of the Public Company Accounting Oversight Board.

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Recent Accounting Pronouncements

Lease accounting
In February 2016, the FASB issued an Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors). Subsequently, the FASB issued additional ASUs that further clarified the original ASU. The ASUs became effective for the Company on January 1, 2019. Upon adoption of the lease ASUs on January 1, 2019, the Company elected the following practical expedients provided by these ASUs:

- Package of practical expedients – requires the Company not to reevaluate its existing or expired leases as of January 1, 2019, under the new lease accounting ASUs.
- Optional transition method practical expedient – requires the Company to apply the new lease ASUs prospectively from the adoption date of January 1, 2019.
- Single component practical expedient – requires the Company to account for lease and nonlease components associated with that lease as a single component under the new lease ASUs, if certain criteria are met.
- Short-term leases practical expedient – for the Company's operating leases with a term of less than 12 months in which it is the lessee, this expedient requires the Company not to record on its balance sheet related lease liabilities and right-of-use assets.

Overview related to both lessee and lessor accounting—The lease ASUs set new criteria for determining the classification of finance leases for lessees and sales-type leases for lessors. The criteria to determine whether a lease should be accounted for as a finance (sales-type) lease include the following: (i) ownership is transferred from lessor to lessee by the end of the lease term, (ii) an option to purchase is reasonably certain to be exercised, (iii) the lease term is for the major part of the underlying asset's remaining economic life, (iv) the present value of lease payments equals or exceeds substantially all of the fair value of the underlying asset, and (v) the underlying asset is specialized and is expected to have no alternative use at the end of the lease term. If any of these criteria is met, a lease is classified as a finance lease by the lessee and as a sales-type lease by the lessor. If none of the criteria are met, a lease is classified as an operating lease by the lessee, but may still qualify as a direct financing lease or an operating lease for the lessor. The existence of a residual value guarantee from an unrelated third party other than the lessee may qualify the lease as a direct financing lease by the lessor. Otherwise, the lease is classified as an operating lease by the lessor.
The new lease ASUs require the use of the modified retrospective transition method. On January 1, 2019, the Company adopted the new lease ASUs electing the package of practical expedients and the optional transition method permitting January 1, 2019, to be its initial application date. The election of the package of practical expedients and the optional transition method allowed the Company not to reassess:

- Whether any expired or existing contracts as of January 1, 2019, were leases or contained leases.

This practical expedient is primarily applicable to entities that have contracts containing embedded leases. As of December 31, 2018, the Company had no such contracts, therefore this practical expedient had no effect on the Company.

- The lease classification for any leases expired or existing as of January 1, 2019.

The election of the package of practical expedients required the Company not to revisit the classification of its leases existing as of January 1, 2019. For example, all of the Company leases that were classified as operating leases in accordance with the lease accounting standards in effect prior to January 1, 2019, continue to be classified as operating leases after adoption of the new lease ASUs.
The Company applied the package of practical expedients consistently to all leases (i.e., in which the Company was the lessee or a lessor) that commenced before January 1, 2019. The election of this package permits the Company to "run off" its leases that commenced before January 1, 2019, for the remainder of their lease terms and to apply the new

lease ASUs to leases commencing or modified after January 1, 2019.

Lessor Accounting—Under the new lease ASUs, each lease agreement is evaluated to identify the lease and nonlease components at lease inception. The total consideration in the lease agreement is allocated to the lease and nonlease components based on their relative stand-alone selling prices. The new lease ASUs govern the recognition of revenue for lease components, and revenue related to nonlease components is subject to the revenue recognition ASU. Tenant recoveries for

utilities, repairs and maintenance, and common area expenses are considered nonlease components. The Company generates revenues primarily by leasing healthcare-related properties to healthcare operators in triple-net lease arrangements, under which the tenant is solely responsible for the costs related to the property. As such, the Company has concluded its leases do not contain material nonlease components. Tenant reimbursements related to property taxes and insurance are neither lease nor nonlease components under the new lease ASUs. If a lessee makes payments for taxes and insurance directly to a third party on behalf of a lessor, lessors are required to exclude them from variable payments and from recognition in the lessors' income statements. Otherwise, tenant recoveries for taxes and insurance are classified as additional lease revenue recognized by the lessor on a gross basis in its income statements.
On January 1, 2019, the Company elected the single component practical expedient, which requires a lessor, by class of underlying asset, not to allocate the total consideration to the lease and nonlease components based on their relative stand-alone selling prices. This single component practical expedient requires the Company to account for the lease component and nonlease component(s) associated with that lease as a single component if (i) the timing and pattern of transfer of the lease component and the nonlease component(s) associated with it are the same and (ii) the lease component would be classified as an operating lease if it were accounted for separately. If the Company determines that the lease component is the predominant component, the Company accounts for the single component as an operating lease in accordance with the new lease ASUs. Conversely, the Company is required to account for the combined component under the new revenue recognition ASU if the Company determines that the nonlease component is the predominant component. As a result of this assessment, rental revenues and tenant recoveries from the lease of real estate assets that qualify for this expedient are accounted for as a single component under the new lease ASUs, with tenant recoveries primarily as variable consideration. Tenant recoveries that do not qualify for the single component practical expedient and are considered nonlease components are accounted for under the revenue recognition ASUs. The Company's operating leases commencing or modified after January 1, 2019, for which the Company is the lessor are expected to qualify for the single component practical expedient accounting under the new lease ASUs.
For the years ended December 31, 2018, 2017 and 2016, the Company recognized tenant recoveries for real estate taxes of $11.9 million, $10.3 million, $7.8 million, respectively, which were classified as tenant reimbursements on the Company's consolidated income statements. Prior to the adoption of ASC 842, the Company recognized tenant recoveries as tenant reimbursement revenues regardless of whether the third party was paid by the lessor or lessee. Effective January 1, 2019, such tenant recoveries will only be recognized to extent that the Company pays the third party directly and will be classified as rental income on the Company's consolidated income statement.
The new lease ASUs require that lessors and lessees capitalize, as initial direct costs, only incremental costs of a lease that would not have been incurred if the lease had not been obtained. Effective January 1, 2019, costs that the Company incurs to negotiate or arrange a lease regardless of its outcome, such as fixed employee compensation, tax, or legal advice to negotiate lease terms, and costs related to advertising or soliciting potential tenants will be expensed as incurred. For the years ended December 31, 2018, 2017 and 2016, the Company did not capitalize any initial direct costs that would be required to be expensed effective January 1, 2019.
Lessee Accounting—Under the new lease ASUs, lessees are required to apply a dual approach by classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, which corresponds to a similar evaluation performed by lessors. In addition to this classification, a lessee is also required to recognize a right-of-use asset and a lease liability for all leases regardless of their classification, whereas a lessor is not required to recognize a right-of-use asset and a lease liability for any operating leases.
As of December 31, 2018, the remaining contractual payments under the Company's ground and office lease arrangements for which it is the lessee aggregated approximately $0.2 million. While these leases are subject to this ASU application effective January 1, 2019, the lease liability and corresponding right-of-use asset do not have a material effect on the Company's consolidated financial statements.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) (“ASU 2016-13”) that changes the impairment model for most financial instruments by requiring companies to recognize an allowance

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for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. ASU 2016-13 will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures (e.g., loan commitments). ASU 2016-13 is effective for reporting periods beginning after December 15, 2019, with early adoption permitted, and will be applied as a cumulative adjustment to retained earnings as of the effective date. The Company is currently assessing the potential effect the adoption of ASU 2016-13 will have on the Company's consolidated financial statements.

Recent Accounting Standards Adopted by the Company

On January 1, 2018, the Company adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606"). ASC 606 requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASC 606 supersedes the revenue requirements in Revenue Recognition (Topic 605) and most industry-specific guidance throughout the Industry Topics of the ASC. ASC 606 does not apply to lease contracts within the scope of Leases (Topic 840). Based on a review of the Company's revenue streams from independent living facilities, the Company's consolidated financial statements include revenues generated through services provided to residents of independent living facilities that are ancillary to the residents' contractual rights to occupy living and common-area space at the communities, such as meals, transportation and activities. While these revenue streams are subject to the application of Topic 606, the revenues associated with these services are generally recognized on a monthly basis, the period in which the related services are performed. Therefore, the adoption of ASC 606 did not have a material effect on the Company's consolidated financial statements since the revenue recognition under ASC 606 is similar to the recognition pattern prior to the adoption of ASC 606.

3. REAL ESTATE INVESTMENTS, NET

The following table summarizes the Company's investment in owned properties at December 31, 2018 and December 31, 2017 (dollars in thousands):

	December 31, 2018	December 31, 2017
Land	$166,948	$151,879
Buildings and improvements	1,201,209	1,114,605
Integral equipment, furniture and fixtures	87,623	80,729
Identified intangible assets	2,382	2,382
Real estate investments	1,458,162	1,349,595
Accumulated depreciation and amortization	(241,925)	(197,334)
Real estate investments, net	$1,216,237	$1,152,261

As of December 31, 2018, 92 of the Company's 197 facilities were leased to subsidiaries of Ensign on a triple-net basis under multiple long-term leases (each, an "Ensign Master Lease" and, collectively, the "Ensign Master Leases") which commenced on June 1, 2014. The obligations under the Ensign Master Leases are guaranteed by Ensign. A default by any subsidiary of Ensign with regard to any facility leased pursuant to an Ensign Master Lease will result in a default under all of the Ensign Master Leases. As of December 31, 2018, annualized revenues from the Ensign Master Leases were $59.1 million and are escalated annually by an amount equal to the product of (1) the lesser of the percentage change in the Consumer Price Index ("CPI") (but not less than zero) or 2.5%, and (2) the prior year's rent. In addition to rent, the subsidiaries of Ensign that are tenants under the Ensign Master Leases are solely responsible for the costs

related to the leased properties (including property taxes, insurance, and maintenance and repair costs).

As of December 31, 2018, 102 of the Company's 197 facilities were leased to various other operators under triple-net leases. All of these leases contain annual escalators based on CPI some of which are subject to a cap, or fixed rent escalators.

The Company's three remaining properties as of December 31, 2018 are the independent living facilities that the Company owns and operates.

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The Company has only two identified intangible assets which relate to a below-market ground lease and three acquired operating leases. The ground lease has a remaining term of 80 years.
As of December 31, 2018, total future minimum rental revenues for the Company's tenants were (dollars in thousands):

Year	Amount
2019	$146,010
2020	146,560
2021	147,132
2022	147,719
2023	148,169
Thereafter	1,055,012
	$1,790,602

Recent Real Estate Acquisitions
The following table summarizes the Company's acquisitions for the year ended December 31, 2018 (dollar amounts in thousands):

Type of Property	Purchase Price[1]	Initial Annual Cash Rent	Number of Properties	Number of Beds/Units[2]
Skilled nursing	$85,814	$7,715	10	926
Multi-service campuses	27,520 [3]	2,240	2	177
Assisted living	—	—	—	—
Total	$113,334	$9,955	$ 12	1,103

(1) Purchase price includes capitalized acquisition costs.
(2) The number of beds/units consists of operating beds at acquisition date.
(3) The Company has committed to fund approximately $1.4 million in revenue-producing capital expenditures over the next 24 months based on the in-place lease yield, which is included in the purchase price.

Pristine Lease Termination
On February 27, 2018, the Company announced that it entered into a Lease Termination Agreement (the "LTA") with Pristine for its nine remaining properties, with a target completion date of April 30, 2018. Under the LTA, Pristine agreed to continue to operate the facilities until possession could be surrendered, and the operations therein transitioned, to operator(s) designated by the Company. Among other things, Pristine also agreed to amend certain pending agreements to sell the rights to certain Ohio Medicaid beds (the "Bed Sales Agreements") and cooperate with the Company to turn over any claim or control it might have had with respect to the sale process and the proceeds thereof, if any, to the Company. The transactions were timely completed, and on May 1, 2018, Trio Healthcare, Inc ("Trio") took over operations in the seven facilities based primarily in the Dayton, Ohio area under a new 15-year master lease, while Hillstone Healthcare, Inc. ("Hillstone") assumed the operation of the two facilities in Willard and Toledo, Ohio under a new 12-year master lease. In addition, amendments to the Bed Sales Agreements were subsequently executed, confirming the Company as the sole seller of the bed rights and the sole recipient of any proceeds therefrom. The aggregate annual base rent due under the new master leases with Trio and Hillstone is approximately $10.0 million, subject to CPI-based or fixed escalators.

Under the LTA, the Company agreed, upon Pristine's full performance of the terms thereof, to terminate Pristine's master lease and all future obligations of the tenant thereunder; however, under the terms of the master lease the Company's security interest in Pristine's accounts receivable has survived any such termination. Such security interest was subject to the prior lien and security interest of Pristine's working capital lender, Capital One, National Association ("CONA"), with whom the Company has an existing intercreditor agreement that defines the relative rights and responsibilities of CONA and with its

respect to the loan and lease collateral represented by Pristine's accounts receivable and the Company's respective security interests therein.

Sale of Real Estate Investments

During the year ended December 31, 2018, the Company sold three assisted living facilities consisting of 102 units located in Idaho with an aggregate carrying value of $10.9 million for an aggregate price of $13.0 million. In connection with the sale, the Company recognized a gain of $2.1 million.

Impairment of Real Estate Investment

During the year ended December 31, 2017, the Company recorded an impairment loss of $0.9 million related to its investment in La Villa Rehab & Healthcare Center ("La Villa"). In April 2017, the Company and Ensign mutually determined that La Villa had reached the natural end of its useful life as a skilled nursing facility and that the facility was no longer economically viable, the improvements thereon could not be economically repurposed to any other use, and the cost to remove the obsolete improvements and reclaim the underlying land for redevelopment was expected to exceed the market value of the land. Ensign agreed to wind up and terminate the operations of the facility and the Company transferred title to the property to Ensign. There was no adjustment to the contractual rent under the applicable master lease.

4. OTHER REAL ESTATE INVESTMENTS

In December 2014, the Company completed a $7.5 million preferred equity investment with Signature Senior Living, LLC and Milestone Retirement Communities. The preferred equity investment yielded 12.0% calculated on a quarterly basis on the outstanding carrying value of the investment. The investment was used to develop Signature Senior Living at Arvada, a planned 134-unit upscale assisted living and memory care community in Arvada, Colorado constructed on a five-acre site. In connection with its investment, CareTrust REIT obtained an option to purchase the Arvada development at a fixed-formula price upon stabilization, with an initial lease yield of at least 8.0%. The project was completed in the second quarter of 2016 and began lease-up in the third quarter of 2016. In May 2017, the property was sold to a third party. In connection with the sale, the Company received back in cash its initial investment of $7.5 million, a cumulative contractual preferred return of $2.5 million, and an additional cash payment of $3.5 million, which the Company recognized as a gain on the sale of other real estate investment during the year ended December 31, 2017. The Company also recognized interest income of $1.0 million during the year ended December 31, 2017, which included a previously unrecognized preferred return of $0.5 million related to prior periods.

In July 2016, the Company completed a $2.2 million preferred equity investment with an affiliate of Cascadia Development, LLC. The preferred equity investment yields a return equal to prime plus 9.5% but in no event less than 12.0% calculated on a quarterly basis on the outstanding carrying value of the investment. The investment is being used to develop a 99-bed skilled nursing facility in Nampa, Idaho. In connection with its investment, CareTrust REIT obtained an option to purchase the development at a fixed-formula price upon stabilization, with an initial lease yield of at least 9.0%. The project was completed in the fourth quarter of 2017 and began lease-up during the first quarter of 2018.

In September 2016, the Company completed a $2.3 million preferred equity investment with an affiliate of Cascadia Development, LLC. The preferred equity investment yields a return equal to prime plus 9.5% but in no event less than 12.0% calculated on a quarterly basis on the outstanding carrying value of the investment. The investment is being used to develop a 99-bed skilled nursing facility in Boise, Idaho. In connection with its investment, CareTrust REIT obtained an option to purchase the development at a fixed-formula price upon stabilization, with an initial lease yield of at least 9.0%. The project was completed in the first quarter of 2018 and began lease-up during the second quarter

of 2018.

During the years ended December 31, 2018, 2017 and 2016, the Company recognized $0.2 million, $1.7 million and $0.7 million, respectively, of interest income related to these preferred equity investments.

In October 2017, the Company provided an affiliate of Providence Group, Inc. (“Providence”) a mortgage loan secured by a skilled nursing facility for approximately $12.5 million inclusive of transaction costs, which bears a fixed interest rate of 9%. The mortgage loan requires Providence Group to make monthly principal and interest payments and is set to mature on October 26, 2020. During the years ended December 31, 2018 and 2017, the Company recognized $1.2 million and $0.2 million, respectively, of interest income related to the mortgage loan.

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5. FAIR VALUE MEASUREMENTS

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., impairment of long-lived assets). Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

Financial Instruments: Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the face values, carrying amounts and fair values of the Company's financial instruments as of December 31, 2018 and December 31, 2017 using Level 2 inputs, for the senior unsecured notes payable, and Level 3 inputs, for all other financial instruments, is as follows (dollars in thousands):

	December 31, 2018			December 31, 2017		
	Face Value	Carrying Amount	Fair Value	Face Value	Carrying Amount	Fair Value
Financial assets:						
Preferred equity investments	$4,531	$5,746	$6,246	$4,531	$5,550	$5,423
Mortgage loan receivable	12,375	12,299	12,375	12,517	12,399	12,517
Financial liabilities:						
Senior unsecured notes payable	$300,000	$295,153	$289,500	$300,000	$294,395	$307,500

Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities: These balances approximate their fair values due to the short-term nature of these instruments.

Other loans receivable: The carrying amounts were accounted for at the unpaid loan balance. These balances approximate their fair values due to the short-term nature of these instruments.

Preferred equity investments: The carrying amounts were accounted for at the unpaid principal balance, plus accrued return, net of reserves, assuming a hypothetical liquidation of the book values of the joint ventures. The fair values of the preferred equity investments were estimated using an internal valuation model that considered the expected future cash flows of the investment, the underlying collateral value and other credit enhancements.

Mortgage loan receivable: The mortgage loan receivable is recorded at amortized cost, which consists of the outstanding unpaid principal balance, net of unamortized costs and fees directly associated with the origination of the loan. The fair values of the mortgage loan receivable were estimated using an internal valuation model that considered the expected future cash flows of the investment, the underlying collateral value and other credit enhancements.

Senior unsecured notes payable: The fair value of the Notes (as defined below) was determined using third-party quotes derived from orderly trades.

Unsecured revolving credit facility and senior unsecured term loan: The fair values approximate their carrying values as the interest rates are variable and approximate prevailing market interest rates for similar debt arrangements.

6. DEBT

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The following table summarizes the balance of the Company's indebtedness as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018			December 31, 2017		
	Principal Amount	Deferred Loan Fees	Carrying Value	Principal Amount	Deferred Loan Fees	Carrying Value
Senior unsecured notes payable	$300,000	$(4,847)	$295,153	$300,000	$(5,605)	$294,395
Senior unsecured term loan	100,000	(388)	99,612	100,000	(483)	99,517
Unsecured revolving credit facility	95,000	—	95,000	165,000	—	165,000
	$495,000	$(5,235)	$489,765	$565,000	$(6,088)	$558,912

Senior Unsecured Notes Payable

On May 10, 2017, the Company's wholly owned subsidiary, CTR Partnership, L.P. (the "Operating Partnership"), and its wholly owned subsidiary, CareTrust Capital Corp. (together with the Operating Partnership, the "Issuers"), completed an underwritten public offering of $300.0 million aggregate principal amount of 5.25% Senior Notes due 2025 (the "Notes"). The Notes were issued at par, resulting in gross proceeds of $300.0 million and net proceeds of approximately $294.0 million after deducting underwriting fees and other offering expenses. The Company used the net proceeds from the offering of the Notes to redeem all $260.0 million aggregate principal amount outstanding of its 5.875% Senior Notes due 2021, including payment of the redemption price at 102.938% and all accrued and unpaid interest thereon. The Company used the remaining portion of the net proceeds of the Notes offering to pay borrowings outstanding under its senior unsecured revolving credit facility. The Notes mature on June 1, 2025 and bear interest at a rate of 5.25% per year. Interest on the Notes is payable on June 1 and December 1 of each year, beginning on December 1, 2017.

The Issuers may redeem the Notes any time before June 1, 2020 at a redemption price of 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest on the Notes, if any, to, but not including, the redemption date, plus a "make-whole" premium described in the indenture governing the Notes and, at any time on or after June 1, 2020, at the redemption prices set forth in the indenture. At any time on or before June 1, 2020, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings if at least 60% of the originally issued aggregate principal amount of the Notes remains outstanding. In such case, the redemption price will be equal to 105.25% of the aggregate principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to, but not including, the redemption date. If certain changes of control of the Company occur, holders of the Notes will have the right to require the Issuers to repurchase their Notes at 101% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date.

The obligations under the Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by the Company and certain of the Company's wholly owned existing and, subject to certain exceptions, future material subsidiaries (other than the Issuers); provided, however, that such guarantees are subject to automatic release under certain customary circumstances, including if the subsidiary guarantor is sold or sells all or substantially all of its assets, the subsidiary guarantor is designated "unrestricted" for covenant purposes under the indenture, the subsidiary guarantor's guarantee of other indebtedness which resulted in the creation of the guarantee of the Notes is terminated or released, or the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied. See Note 12, Summarized Condensed Consolidating Information.

The indenture contains customary covenants such as limiting the ability of the Company and its restricted subsidiaries to: incur or guarantee additional indebtedness; incur or guarantee secured indebtedness; pay dividends or distributions on, or redeem or repurchase, capital stock; make certain investments or other restricted payments; sell assets; enter into transactions with affiliates; merge or consolidate or sell all or substantially all of their assets; and create restrictions on the ability of the Issuers and their restricted subsidiaries to pay dividends or other amounts to the Issuers. The indenture also requires the Company and its restricted subsidiaries to maintain a specified ratio of unencumbered assets to unsecured indebtedness. These covenants are subject to a number of important and significant

limitations, qualifications and exceptions. The indenture also contains customary events of default.

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As of December 31, 2018, the Company was in compliance with all applicable financial covenants under the indenture.

Unsecured Revolving Credit Facility and Term Loan

On August 5, 2015, the Company, CareTrust GP, LLC, the Operating Partnership, as the borrower, and certain of its wholly owned subsidiaries entered into a credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Prior Credit Agreement"). The Prior Credit Agreement initially provided for an unsecured asset-based revolving credit facility (the "Prior Revolving Facility") with commitments in an aggregate principal amount of $300.0 million from a syndicate of banks and other financial institutions. A portion of the proceeds of the Prior Revolving Facility were used to pay off and terminate the Company's existing secured asset-based revolving credit facility under a credit agreement dated May 30, 2014, with SunTrust Bank, as administrative agent, and the lenders party thereto.

On February 1, 2016, the Company entered into the First Amendment (the "Amendment") to the Prior Credit Agreement. Pursuant to the Amendment, (i) commitments in respect of the Prior Revolving Facility were increased by $100.0 million to $400.0 million, (ii) a new $100.0 million non-amortizing unsecured term loan (the "Prior Term Loan" and, together with the Prior Revolving Facility, the "Prior Credit Facility") was funded, and (iii) the uncommitted incremental facility was increased by $50.0 million to $250.0 million. The Prior Revolving Facility continued to mature on August 5, 2019, subject to two, six-month extension options. The Prior Term Loan, was scheduled to mature on February 1, 2023, could be prepaid at any time subject to a 2% premium in the first year after issuance and a 1% premium in the second year after issuance. Approximately $95.0 million of the proceeds of the Prior Term Loan were used to pay off and terminate the Company's existing secured mortgage indebtedness with General Electric Capital Corporation (the "GECC Loan"), as agent and lender, and the other lenders party thereto.

As of December 31, 2018, the Company had a $100.0 million Prior Term Loan outstanding and there was $95.0 million outstanding under the Prior Revolving Facility.

The interest rates applicable to loans under the Prior Revolving Facility were, at the Company's option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum based on the debt to asset value ratio of the Company and its subsidiaries (subject to decrease at the Company's election if the Company obtained certain specified investment grade ratings on its senior long term unsecured debt). In addition, the Company paid a commitment fee on the unused portion of the commitments under the Revolving Facility of 0.15% or 0.25% per annum, based upon usage of the Revolving Facility (unless the Company obtained certain specified investment grade ratings on its senior long term unsecured debt and elects to decrease the applicable margin as described above, in which case the Company would pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based upon the credit ratings of its senior long term unsecured debt).

Pursuant to the Amendment, the interest rates applicable to the Prior Term Loan were, at the Company's option, equal to either a base rate plus a margin ranging from 0.95% to 1.60% per annum or applicable LIBOR plus a margin ranging from 1.95% to 2.60% per annum based on the debt to asset value ratio of the Company and its subsidiaries (subject to decrease at the Company's election if the Company obtained certain specified investment grade ratings on its senior long term unsecured debt).

The Prior Credit Facility was guaranteed, jointly and severally, by the Company and its wholly owned subsidiaries that were party to the Prior Credit Agreement (other than the Operating Partnership). The Prior Credit Agreement contained customary covenants that, among other things, restricted, subject to certain exceptions, the ability of the Company and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend certain material agreements and pay certain dividends and other restricted payments. The Prior Credit Agreement required the Company to comply with financial maintenance covenants to be tested quarterly, consisting of a maximum debt to asset value ratio, a minimum fixed charge coverage ratio, a minimum tangible net worth, a maximum cash distributions to operating income ratio, a maximum secured

debt to asset value ratio and a maximum secured recourse debt to asset value ratio. The Prior Credit Agreement also contained certain customary events of default, including that the Company was required to operate in conformity with the requirements for qualification and taxation as a REIT.

As of December 31, 2018, the Company was in compliance with all applicable financial covenants under the Credit Agreement.

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On February 8, 2019, the Company amended and restated the Prior Credit Agreement. See Note 14, Subsequent Events for additional information.

Interest Expense

During the years ended December 31, 2018, 2017 and 2016, the Company incurred $27.9 million, $24.2 million and $22.9 million of interest expense, respectively. Included in interest expense for the years ended December 31, 2018, 2017 and 2016, was $1.9 million, $2.1 million and $2.2 million of amortization of deferred financing fees, respectively. As of December 31, 2018 and December 31, 2017, the Company's interest payable was $1.3 million and $1.4 million, respectively.

Loss on the Extinguishment of Debt

During the year ended December 31, 2017, the loss on the extinguishment of debt included $7.6 million related to the redemption of the Company's 5.875% Senior Notes due 2021 at a redemption price of 102.938% and a $4.2 million write-off of deferred financing costs associated with the redemption. During the year ended December 31, 2016, the loss on the extinguishment of debt included a $0.3 million write-off of deferred financing costs associated with the payoff of the GECC Loan.

Schedule of Debt Maturities

As of December 31, 2018, the Company's debt maturities were (dollars in thousands):

Year	Amount
2019	$95,000
2020	—
2021	—
2022	—
2023	100,000
Thereafter	300,000
	$495,000

7. EQUITY

Common Stock

Offerings of Common Stock - On March 28, 2016, the Company completed an underwritten public offering of 9.78 million newly issued shares of its common stock pursuant to an effective registration statement. The Company received net proceeds of $105.8 million from the offering, after giving effect to the issuance and sale of all 9.78 million shares of common stock (which included 1.28 million shares sold to the underwriters upon exercise of their option to purchase additional shares), at a price to the public of $11.35 per share.

On November 18, 2016, the Company completed an underwritten public offering of 6.33 million newly issued shares of its common stock pursuant to an effective registration statement. The Company received net proceeds of $80.9 million from the offering, after giving effect to the issuance and sale of all 6.33 million shares of common stock (which included 0.83 million shares sold to the underwriters upon exercise of their option to purchase additional shares), at a price to the public of $13.35 per share.

At-The-Market Offering of Common Stock - During the second quarter of 2017, the Company entered into an equity distribution agreement to issue and sell, from time to time, up to $300.0 million in aggregate offering price of its common stock through an "at-the-market" equity offering program (the "ATM Program"). The following table summarizes the quarterly ATM Program activity for 2018 (in thousands, except per share amounts):

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	For the Three Months Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Total
Number of shares	—	2,989	4,772	2,504	10,265
Average sales price per share	$ —	$16.13	$ 17.62	$ 19.98	$17.76
Gross proceeds*	$ —	$48,198	$ 84,077	$ 50,046	$182,321

*Total gross proceeds is before $0.6 million, $1.1 million and $0.6 million of commissions paid to the sales agents during the three months ended June 30, 2018, September 30, 2018 and December 31, 2018, respectively.

As of December 31, 2018, the Company had approximately $53.7 million available for future issuances under the ATM Program.

Dividends on Common Stock — The following table summarizes the cash dividends per share of common stock declared by the Company's Board of Directors for 2018, 2017 and 2016:

	For the Three Months Ended			
2018	March 31	June 30	September 30	December 31
Dividends declared	$0.205	$0.205	$ 0.205	$ 0.205
Dividends payment date	April 13, 2018	July 13, 2018	October 15, 2018	January 15, 2019
2017				
Dividends declared	$0.185	$0.185	$ 0.185	$ 0.185
Dividends payment date	April 14, 2017	July 14, 2017	October 13, 2017	January 16, 2018
2016				
Dividends declared	$0.17	$0.17	$ 0.17	$ 0.17
Dividends payment date	April 15, 2016	July 15, 2016	October 14, 2016	January 13, 2017

8. STOCK-BASED COMPENSATION

All stock-based awards are subject to the terms of the CareTrust REIT, Inc. and CTR Partnership, L.P. Incentive Award Plan (the "Plan"). The Plan provides for the granting of stock-based compensation, including stock options, restricted stock, performance awards, restricted stock units and other incentive awards to officers, employees and directors in connection with their employment with or services provided to the Company.

The following table summarizes restricted stock award activity for the years ended December 31, 2018 and 2017:

	Shares	Weighted Average Share Price
Unvested balance at December 31, 2016	286,068	$ 12.63
Granted	254,534	15.46
Vested	(111,024)	12.82
Forfeited	(6,667)	15.21
Unvested balance at December 31, 2017	422,911	14.19
Granted	287,982	15.25

Vested	(191,287)	14.39
Forfeited	(334)	15.21
Unvested balance at December 31, 2018	519,272	$ 14.69

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The following table summarizes the stock-based compensation expense recognized (dollars in thousands):

	For Year Ended December 31,		
	2018	2017	2016
Stock-based compensation expense	$3,848	$2,416	$1,546

As of December 31, 2018, there was $4.3 million of unamortized stock-based compensation expense related to these unvested awards and the weighted-average remaining vesting period of such awards was 2.0 years.

In connection with the Spin-Off, employees of Ensign who had unvested shares of restricted stock were given one share of CareTrust REIT unvested restricted stock totaling 207,580 shares at the Spin-Off. These restricted shares are subject to a time vesting provision only and the Company does not recognize any stock compensation expense associated with these awards. During the year ended December 31, 2018, 13,220 shares vested or were forfeited. At December 31, 2018, there were 1,760 unvested restricted stock awards outstanding.

In February 2018, the Compensation Committee of the Company’s Board of Directors granted 141,060 shares of restricted stock to officers and employees. Each share had a fair market value on the date of grant of $15.13 per share, based on the market price of the Company’s common stock on that date, and the shares vest in four equal annual installments beginning on the first anniversary of the grant date. Additionally, the Compensation Committee granted 120,460 performance stock awards to officers and employees. Each share had a fair market value on the date of grant of $15.13 per share, based on the market price of the Company’s common stock on that date. Performance stock awards are subject to both time and performance based conditions and vest over a one- to four-year period. The amount of performance awards that will ultimately vest is dependent on the Company meeting or exceeding fiscal year over year Normalized Funds from Operations (“NFFO”) per share growth of 6.0% or greater.

In May 2018, the Compensation Committee of the Company's Board of Directors granted 26,462 shares of restricted stock to members of the Board of Directors. Each share had a fair market value on the date of grant of $16.44 per share, based on the market price of the Company's common stock on that date, and the shares vest in full on the earlier to occur of May 30, 2019 or when the Company holds its 2019 Annual Meeting.

9. EARNINGS PER COMMON SHARE

The following table presents the calculation of basic and diluted EPS for the Company’s common stock for the years ended December 31, 2018, 2017 and 2016, and reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS for the years ended December 31, 2018, 2017 and 2016 (amounts in thousands, except per share amounts):

	Year Ended December 31,		
	2018	2017	2016
Numerator:			
Net income	$57,923	$25,874	$29,353
Less: Net income allocated to participating securities	(364)	(354)	(260)
Numerator for basic and diluted earnings available to common stockholders	$57,559	$25,520	$29,093
Denominator:			
Weighted-average basic common shares outstanding	79,386	72,647	56,030
Weighted-average diluted common shares outstanding	79,392	72,647	56,030
Earnings per common share, basic	$0.73	$0.35	$0.52
Earnings per common share, diluted	$0.72	$0.35	$0.52

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The Company's unvested restricted shares associated with its incentive award plan and unvested restricted shares issued to employees of Ensign at the Spin-Off have been excluded from the above calculation of earnings per share for the years ended December 31, 2018, 2017 and 2016 when their inclusion would have been anti-dilutive.

10. COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are and may become from time to time a party to various claims and lawsuits arising in the ordinary course of business, which are not individually or in the aggregate anticipated to have a material adverse effect on the Company's results of operations, financial condition or cash flows. Claims and lawsuits may include matters involving general or professional liability asserted against the Company's tenants, which are the responsibility of the Company's tenants and for which the Company is entitled to be indemnified by its tenants under the insurance and indemnification provisions in the applicable leases.

11. CONCENTRATION OF RISK

Major operator concentration – As of December 31, 2018, Ensign leased 92 skilled nursing, assisted living and independent living facilities which had a total of 9,801 beds and units and are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington. The four states in which Ensign leases the highest concentration of properties are California, Texas, Utah and Arizona. As of December 31, 2018, Ensign represents $59.1 million, or 41%, of the Company's revenues, exclusive of tenant reimbursements, on an annualized run-rate basis.

Ensign is subject to the registration and reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. Ensign's financial statements, as filed with the SEC, can be found at Ensign's website http://www.ensigngroup.net.

12. SUMMARIZED CONDENSED CONSOLIDATING INFORMATION

The Notes issued by the Operating Partnership and CareTrust Capital Corp. on May 10, 2017 are jointly and severally, fully and unconditionally, guaranteed by CareTrust REIT, Inc., as the parent guarantor (the "Parent Guarantor"), and the wholly owned subsidiaries of the Parent Guarantor other than the Issuers (collectively, the "Subsidiary Guarantors" and, together with the Parent Guarantor, the "Guarantors"), subject to automatic release under certain customary circumstances, including if the Subsidiary Guarantor is sold or sells all or substantially all of its assets, the Subsidiary Guarantor is designated "unrestricted" for covenant purposes under the indenture governing the Notes, the Subsidiary Guarantor's guarantee of other indebtedness which resulted in the creation of the guarantee of the Notes is terminated or released, or the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied.

The following provides information regarding the entity structure of the Parent Guarantor, the Issuers and the Subsidiary Guarantors:

CareTrust REIT, Inc. – The Parent Guarantor was formed on October 29, 2013 in anticipation of the Spin-Off and the related transactions and was a wholly owned subsidiary of Ensign prior to the effective date of the Spin-Off on June 1, 2014. The Parent Guarantor did not conduct any operations or have any business prior to the date of the consummation of the Spin-Off related transactions.

CTR Partnership, L.P. and CareTrust Capital Corp. – The Issuers, each of which is a wholly owned subsidiary of the Parent Guarantor, were formed on May 8, 2014 and May 9, 2014, respectively, in anticipation of the Spin-Off and the related transactions. The Issuers did not conduct any operations or have any business prior to the date of the consummation of the Spin-Off related transactions.

Subsidiary Guarantors – The Subsidiary Guarantors consist of all of the subsidiaries of the Parent Guarantor other than the Issuers.

Pursuant to Rule 3-10 of Regulation S-X, the following summarized consolidating information is provided for the

Parent Guarantor, the Issuers, and the Subsidiary Guarantors. There are no subsidiaries of the Company other than the Issuers and the Subsidiary Guarantors. This summarized financial information has been prepared from the financial statements of the Company and the books and records maintained by the Company. The Company has conformed prior period presentation in the Combined Subsidiary Guarantor designation, due to the issuance of the Notes.

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CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2018
(in thousands, except share and per share amounts)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Assets:					
Real estate investments, net	$—	$887,921	$328,316	$—	$1,216,237
Other real estate investments, net	—	12,299	5,746	—	18,045
Cash and cash equivalents	—	36,792	—	—	36,792
Accounts and other receivables, net	—	9,359	2,028	—	11,387
Prepaid expenses and other assets	—	8,666	2	—	8,668
Deferred financing costs, net	—	633	—	—	633
Investment in subsidiaries	786,030	484,955	—	(1,270,985)	—
Intercompany	—	—	151,242	(151,242)	—
Total assets	$786,030	$1,440,625	$487,334	$(1,422,227)	$1,291,762
Liabilities and Equity:					
Senior unsecured notes payable, net	$—	$295,153	$—	$—	$295,153
Senior unsecured term loan, net	—	99,612	—	—	99,612
Unsecured revolving credit facility	—	95,000	—	—	95,000
Accounts payable and accrued liabilities	—	13,588	2,379	—	15,967
Dividends payable	17,783	—	—	—	17,783
Intercompany	—	151,242	—	(151,242)	—
Total liabilities	17,783	654,595	2,379	(151,242)	523,515
Equity:					
Common stock, $0.01 par value; 500,000,000 shares authorized, 85,867,044 shares issued and outstanding as of December 31, 2018	859	—	—	—	859
Additional paid-in capital	965,578	661,686	321,761	(983,447)	965,578
Cumulative distributions in excess of earnings	(198,190)	124,344	163,194	(287,538)	(198,190)
Total equity	768,247	786,030	484,955	(1,270,985)	768,247
Total liabilities and equity	$786,030	$1,440,625	$487,334	$(1,422,227)	$1,291,762

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CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2017
(in thousands, except share and per share amounts)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Assets:					
Real estate investments, net	$—	$805,826	$346,435	$—	$1,152,261
Other real estate investments, net	—	12,399	5,550	—	17,949
Cash and cash equivalents	—	6,909	—	—	6,909
Accounts and other receivables, net	—	2,945	2,309	—	5,254
Prepaid expenses and other assets	—	893	2	—	895
Deferred financing costs, net	—	1,718	—	—	1,718
Investment in subsidiaries	619,075	444,120	—	(1,063,195)	—
Intercompany	—	—	92,061	(92,061)	—
Total assets	$619,075	$1,274,810	$446,357	$(1,155,256)	$1,184,986
Liabilities and Equity:					
Senior unsecured notes payable, net	$—	$294,395	$—	$—	$294,395
Senior unsecured term loan, net	—	99,517	—	—	99,517
Unsecured revolving credit facility	—	165,000	—	—	165,000
Accounts payable and accrued liabilities	—	15,176	2,237	—	17,413
Dividends payable	14,044	—	—	—	14,044
Intercompany	—	92,061	—	(92,061)	—
Total liabilities	14,044	666,149	2,237	(92,061)	590,369
Equity:					
Common stock, $0.01 par value; 500,000,000 shares authorized, 75,478,202 shares issued and outstanding as of December 31, 2017	755	—	—	—	755
Additional paid-in capital	783,237	546,097	321,761	(867,858)	783,237
Cumulative distributions in excess of earnings	(178,961)	62,564	122,359	(195,337)	(189,375)
Total equity	605,031	608,661	444,120	(1,063,195)	594,617
Total liabilities and equity	$619,075	$1,274,810	$446,357	$(1,155,256)	$1,184,986

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CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$81,560	$ 58,513	$—	$ 140,073
Tenant reimbursements	—	7,173	4,751	—	11,924
Independent living facilities	—	—	3,379	—	3,379
Interest and other income	—	1,369	196	—	1,565
Total revenues	—	90,102	66,839	—	156,941
Expenses:					
Depreciation and amortization	—	27,553	18,213	—	45,766
Interest expense	—	27,860	—	—	27,860
Property taxes	—	7,173	4,751	—	11,924
Independent living facilities	—	—	2,964	—	2,964
General and administrative	3,856	8,623	76	—	12,555
Total expenses	3,856	71,209	26,004	—	101,069
Gain on sale of real estate	—	2,051	—	—	2,051
Income in Subsidiary	61,779	40,835	—	(102,614)	—
Net income	$ 57,923	$61,779	$ 40,835	$(102,614)	$ 57,923

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 60,464	$ 57,169	$ —	$ 117,633
Tenant reimbursements	—	5,493	4,761	—	10,254
Independent living facilities	—	—	3,228	—	3,228
Interest and other income	—	215	1,652	—	1,867
Total revenues	—	66,172	66,810	—	132,982
Expenses:					
Depreciation and amortization	—	20,048	19,111	—	39,159
Interest expense	—	24,196	—	—	24,196
Loss on the extinguishment of debt	—	11,883	—	—	11,883
Property taxes	—	5,493	4,761	—	10,254
Independent living facilities	—	—	2,733	—	2,733
Impairment of real estate investment	—	—	890	—	890
Reserve for advances and deferred rent	—	10,414	—	—	10,414
General and administrative	2,638	8,417	62	—	11,117
Total expenses	2,638	80,451	27,557	—	110,646
Gain on disposition of other real estate investment	—	—	3,538	—	3,538
Income in Subsidiary	28,512	42,791	—	(71,303)	—
Net income	$ 25,874	$ 28,512	$ 42,791	$ (71,303)	$ 25,874

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	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 36,855	$ 56,271	$ —	$ 93,126
Tenant reimbursements	—	2,978	4,868	—	7,846
Independent living facilities	—	—	2,970	—	2,970
Interest and other income	—	—	737	—	737
Total revenues	—	39,833	64,846	—	104,679
Expenses:					
Depreciation and amortization	—	11,651	20,314	—	31,965
Interest expense	—	22,375	498	—	22,873
Loss on the extinguishment of debt	—	—	326	—	326
Property taxes	—	2,978	4,868	—	7,846
Acquisition costs	—	205	—	—	205
Independent living facilities	—	—	2,549	—	2,549
General and administrative	1,637	7,594	66	—	9,297
Total expenses	1,637	44,803	28,621	—	75,061
Loss on sale of real estate	—	—	(265)	—	(265)
Income in Subsidiary	30,990	35,960	—	(66,950)	—
Net income	$ 29,353	$ 30,990	$ 35,960	$ (66,950)	$ 29,353

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Eliminations	Consolidated
Cash flows from operating activities:					
Net cash (used in) provided by operating activities	$ (10)	$ 40,092	$ 59,275	$ —	$ 99,357
Cash flows from investing activities:					
Acquisitions of real estate	—	(111,640)	—	—	(111,640)
Improvements to real estate	—	(7,204)	(26)	—	(7,230)
Purchases of equipment, furniture and fixtures	—	(1,713)	(69)	—	(1,782)
Investment in real estate mortgage and other loans receivable	—	(5,648)	—	—	(5,648)
Principal payments received on real estate mortgage and other loans receivable	—	3,227	—	—	3,227
Escrow deposits for acquisitions of real estate	—	(5,000)	—	—	(5,000)
Net proceeds from the sale of real estate	—	13,004	—	—	13,004
Distribution from subsidiary	62,999	—	—	(62,999)	—
Intercompany financing	(178,584)	59,180	—	119,404	—
Net cash used in investing activities	(115,585)	(55,794)	(95)	56,405	(115,069)
Cash flows from financing activities:					
Proceeds from the issuance of common stock, net	179,882	—	—	—	179,882
Borrowings under unsecured revolving credit facility	—	65,000	—	—	65,000
Payments on unsecured revolving credit facility	—	(135,000)	—	—	(135,000)
Net-settle adjustment on restricted stock	(1,288)	—	—	—	(1,288)
Dividends paid on common stock	(62,999)	—	—	—	(62,999)
Distribution to Parent	—	(62,999)	—	62,999	—
Intercompany financing	—	178,584	(59,180)	(119,404)	—
Net cash provided by (used in) financing activities	115,595	45,585	(59,180)	(56,405)	45,595
Net increase in cash and cash equivalents	—	29,883	—	—	29,883
Cash and cash equivalents, beginning of period	—	6,909	—	—	6,909
Cash and cash equivalents, end of period	$ —	$ 36,792	$ —	$ —	$ 36,792

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FOR THE YEAR ENDED DECEMBER 31, 2017
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Cash flows from operating activities:					
Net cash (used in) provided by operating activities:	$ (222)	$ 25,745	$ 63,277	$ —	$ 88,800
Cash flows from investing activities:					
Acquisitions of real estate	—	(296,517)	—	—	(296,517)
Improvements to real estate	—	(681)	(67)	—	(748)
Purchases of equipment, furniture and fixtures	—	(309)	(94)	—	(403)
Investment in real estate mortgage loan receivable	—	(12,416)	—	—	(12,416)
Sale of other real estate investment	—	—	7,500	—	7,500
Principal payments received on mortgage loan receivable	—	25	—	—	25
Distribution from subsidiary	52,587	—	—	(52,587)	—
Intercompany financing	(169,235)	70,616	—	98,619	—
Net cash (used in) provided by investing activities	(116,648)	(239,282)	7,339	46,032	(302,559)
Cash flows from financing activities:					
Proceeds from the issuance of common stock, net	170,323	—	—	—	170,323
Proceeds from the issuance of senior unsecured notes payable	—	300,000	—	—	300,000
Borrowings under unsecured revolving credit facility	—	238,000	—	—	238,000
Payments on senior unsecured notes payable	—	(267,639)	—	—	(267,639)
Payments on unsecured revolving credit facility	—	(168,000)	—	—	(168,000)
Payments of deferred financing costs	—	(6,063)	—	—	(6,063)
Net-settle adjustment on restricted stock	(866)	—	—	—	(866)
Distribution to Parent	—	(52,587)	—	52,587	—
Dividends paid on common stock	(52,587)	—	—	—	(52,587)
Intercompany financing	—	169,235	(70,616)	(98,619)	—
Net cash provided by (used in) financing activities	116,870	212,946	(70,616)	(46,032)	213,168
Net decrease in cash and cash equivalents	—	(591)	—	—	(591)
Cash and cash equivalents, beginning of period	—	7,500	—	—	7,500
Cash and cash equivalents, end of period	$ —	$ 6,909	$ —	$ —	$ 6,909

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(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Cash flows from operating activities:					
Net cash (used in) provided by operating activities	$ (91)	$ 9,253	$ 55,269	$ —	$ 64,431
Cash flows from investing activities:					
Acquisition of real estate	—	(281,228)	—	—	(281,228)
Improvements to real estate	—	(485)	(277)	—	(762)
Purchases of equipment, furniture and fixtures	—	(81)	(70)	—	(151)
Preferred equity investments	—	—	(4,656)	—	(4,656)
Escrow deposits for acquisition of real estate	—	(700)	—	—	(700)
Net proceeds from the sale of real estate	—	—	2,855	—	2,855
Distribution from subsidiary	37,269	—	—	(37,269)	—
Intercompany financing	(199,796)	(41,901)	—	241,697	—
Net cash used in investing activities	(162,527)	(324,395)	(2,148)	204,428	(284,642)
Cash flows from financing activities:					
Proceeds from the issuance of common stock, net	200,402	—	—	—	200,402
Proceeds from the issuance of senior unsecured term loan	—	100,000	—	—	100,000
Borrowings under unsecured revolving credit facility	—	255,000	—	—	255,000
Payments on unsecured revolving credit facility	—	(205,000)	—	—	(205,000)
Payments on the mortgage notes payable	—	—	(95,022)	—	(95,022)
Net-settle adjustment on restricted stock	(515)	—	—	—	(515)
Payments of deferred financing costs	—	(1,352)	—	—	(1,352)
Dividends paid on common stock	(37,269)	—	—	—	(37,269)
Distribution to Parent	—	(37,269)	—	37,269	—
Intercompany financing	—	199,796	41,901	(241,697)	—
Net cash provided by (used in) financing activities	162,618	311,175	(53,121)	(204,428)	216,244
Net decrease in cash and cash equivalents	—	(3,967)	—	—	(3,967)
Cash and cash equivalents, beginning of period	—	11,467	—	—	11,467
Cash and cash equivalents, end of period	$ —	$ 7,500	$ —	$ —	$ 7,500

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13. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table presents selected quarterly financial data for the Company. This information has been prepared on a basis consistent with that of the Company's audited consolidated financial statements. The Company's quarterly results of operations for the periods presented are not necessarily indicative of future results of operations. This unaudited quarterly data should be read together with the accompanying consolidated financial statements and related notes thereto (in thousands, except per share amounts):

	For the Year Ended December 31, 2018			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating data:				
Total revenues	$38,101	$38,969	$39,510	$40,361
Net income	14,607	13,267	14,510	15,539
Earnings per common share, basic	0.19	0.17	0.18	0.18
Earnings per common share, diluted	0.19	0.17	0.18	0.18
Other data:				
Weighted-average number of common shares outstanding, basic	75,504	76,374	81,490	84,059
Weighted-average number of common shares outstanding, diluted	75,504	76,374	81,490	84,084

	For the Year Ended December 31, 2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating data:				
Total revenues	$30,608	$32,829	$32,948	$36,597
Net income	10,281	2,030	11,311	2,252
Earnings per common share, basic	0.15	0.03	0.15	0.03
Earnings per common share, diluted	0.15	0.03	0.15	0.03
Other data:				
Weighted-average number of common shares outstanding, basic	66,951	72,564	75,471	75,476
Weighted-average number of common shares outstanding, diluted	66,951	72,564	75,471	75,476

14. SUBSEQUENT EVENTS

The Company evaluates subsequent events in accordance with ASC 855, Subsequent Events. The Company evaluates subsequent events up until the date the consolidated financial statements are issued.

At-The-Market Offering of Common Stock

During January 2019, the Company sold 2.5 million shares of common stock pursuant to the ATM program at an average price of $19.48 per share for $47.9 million in gross proceeds. At February 13, 2019, we had approximately $5.8 million available for future issuances under the ATM Program.

Recent and Pending Investments

On January 27, 2019, the Company, through its operating partnership, CTR Partnership, L.P., a Delaware limited partnership, entered into a Membership Interest Purchase Agreement ("MIPA") to acquire from BME Texas Holdings, LLC, in a single transaction, 100% of the membership interests in twelve separate, newly-formed special-purpose limited liability companies (the "SPEs"), each of which will own at closing a single real estate asset. The real estate

assets include ten operating skilled nursing facilities and two operating skilled nursing/seniors housing campuses, primarily located in the southeastern

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United States. The aggregate purchase price for the acquisition is approximately $211.0 million, exclusive of transaction costs. Should the transaction contemplated by the MIPA ultimately close, the Company expects that the twelve real estate assets will be leased at closing to replacement operators, at least one of which is expected to be an existing Company tenant, under long-term master leases at an anticipated initial lease yield of approximately 8.9%, before taking into account transaction costs. The transaction contemplated by the MIPA is subject to multiple closing conditions, including without limitation the acquisition of the assets by the SPEs, the full performance of other agreements to which the Company and its subsidiaries are not a party, the execution and timely completion of separate transition agreements between the incoming and outgoing operators, and multiple third-party approvals.
Subsequent to December 31, 2018, the Company acquired a multi-service campus and four skilled nursing facilities. The aggregate purchase price was approximately $52.9 million, which includes estimated capitalized acquisition costs, and was funded using cash on hand. The acquisitions will generate initial annual cash revenues of approximately $4.9 million. Additionally, the Company provided a term loan secured by first mortgages on five skilled nursing facilities for approximately $11.4 million inclusive of transaction costs, at an annual interest rate of 9.0%. The loan requires monthly principal and interest payments and is set to mature on February 11, 2020, and includes two, six-month extension options.

Unsecured Credit Facility
On February 8, 2019, the Operating Partnership, as the borrower, the Company, as guarantor, CareTrust GP, LLC, and certain of the Operating Partnership's wholly owned subsidiaries entered into an amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Amended Credit Agreement"). The Amended Credit Agreement, which amends and restates the Prior Credit Agreement, now provides for (i) an unsecured revolving credit facility (the "New Revolving Facility") with revolving commitments in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) an unsecured term loan credit facility (the "New Term Loan" and together with the New Revolving Facility, the "Amended Credit Facility") in an aggregate principal amount of $200.0 million. Borrowing availability under the New Revolving Facility is subject to our compliance with certain financial covenants set forth in the Amended Credit Agreement governing the New Revolving Facility, including a consolidated leverage ratio that requires our ratio of Adjusted Consolidated Debt to Consolidated Total Asset Value (each as defined in the Amended Credit Agreement) be less than 60%. The proceeds of the New Term Loan have been used, in part, to repay in full all outstanding borrowings under the Prior Term Loan and Prior Revolving Facility under the Prior Credit Agreement, and the Company currently expects to use borrowings under the Amended Credit Facility for working capital purposes, for capital expenditures, to fund acquisitions and for general corporate purposes.
The interest rates applicable to loans under the New Revolving Facility are, at the Company's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the New Term Loan are, at the Company's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Company will pay a facility fee on the revolving commitments under the New Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Company elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based off the credit ratings of the Company's

senior long-term unsecured debt). As of February 13, 2019, we had $200.0 million outstanding under the New Term Loan and there were no outstanding borrowings under the New Revolving Facility.

The New Revolving Facility has a maturity date of February 8, 2023, and includes two, six-month extension options. The New Term Loan has a maturity date of February 8, 2026.

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SCHEDULE III
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(dollars in thousands)

				Initial Cost to Company			Gross Carrying Value					
Description	Facility	Location	Encum.	Land	Building & Improvs.	Costs Cap. Since Acq.	Land	Building Improvs.	Total (1)	Accum. Depr.	Const./Renov. Date	Acq. Date
Skilled Nursing Properties:												
Ensign Highland LLC	Highland Manor	Phoenix, AZ	$ —	$ 257	$ 976	$ 926	$ 257	$ 1,902	$ 2,159	$ 1,134	2013	2000
Meadowbrook Health Associates LLC	Sabino Canyon	Tucson, AZ	—	425	3,716	1,940	425	5,656	6,081	2,672	2012	2000
Terrace Holdings AZ LLC	Desert Terrace	Phoenix, AZ	—	113	504	971	113	1,475	1,588	701	2004	2002
Rillito Holdings LLC	Catalina	Tucson, AZ	—	471	2,041	3,055	471	5,096	5,567	2,488	2013	2003
Valley Health Holdings LLC	North Mountain	Phoenix, AZ	—	629	5,154	1,519	629	6,673	7,302	3,241	2009	2004
Cedar Avenue Holdings LLC	Upland	Upland, CA	—	2,812	3,919	1,994	2,812	5,913	8,725	3,074	2011	2005
Granada Investments LLC	Camarillo	Camarillo, CA	—	3,526	2,827	1,522	3,526	4,349	7,875	2,223	2010	2005
Plaza Health Holdings LLC	Park Manor	Walla Walla, WA	—	450	5,566	1,055	450	6,621	7,071	3,343	2009	2006
Mountainview Communitycare LLC	Park View Gardens	Santa Rosa, CA	—	931	2,612	653	931	3,265	4,196	1,845	1963	2006
CM Health Holdings LLC	Carmel Mountain	San Diego, CA	—	3,028	3,119	2,071	3,028	5,190	8,218	2,522	2012	2006
Polk Health Holdings LLC	Timberwood	Livingston, TX	—	60	4,391	1,167	60	5,558	5,618	2,699	2009	2006
Snohomish Health Holdings LLC	Emerald Hills	Lynnwood, WA	—	741	1,663	1,998	741	3,661	4,402	2,256	2009	2006
Cherry Health Holdings LLC	Pacific Care	Hoquiam, WA	—	171	1,828	2,038	171	3,866	4,037	2,100	2010	2006
Golfview Holdings LLC	Cambridge SNF	Richmond, TX	—	1,105	3,110	1,067	1,105	4,177	5,282	1,929	2007	2006
Tenth East Holdings LLC	Arlington Hills	Salt Lake City, UT	—	332	2,426	2,507	332	4,933	5,265	2,488	2013	2006
Trinity Mill Holdings LLC	Carrollton	Carrollton, TX	—	664	2,294	902	664	3,196	3,860	1,947	2007	2006
Cottonwood Health Holdings LLC	Holladay	Salt Lake City, UT	—	965	2,070	958	965	3,028	3,993	1,962	2008	2007
	Lake Village		—	600	1,890	470	600	2,360	2,960	1,222	2011	2007

Verde Villa Holdings LLC		Lewisville, TX										
Mesquite Health Holdings LLC	Willow Bend	Mesquite, TX	—	470	1,715	8,661	470	10,376	10,846	5,906	2012	2007
Arrow Tree Health Holdings LLC	Arbor Glen	Glendora, CA	—	2,165	1,105	324	2,165	1,429	3,594	865	1965	2007
Fort Street Health Holdings LLC	Draper	Draper, UT	—	443	2,394	759	443	3,153	3,596	1,364	2008	2007
Trousdale Health Holdings LLC	Brookfield	Downey, CA	—	1,415	1,841	1,861	1,415	3,702	5,117	1,704	2013	2007
Ensign Bellflower LLC	Rose Villa	Bellflower, CA	—	937	1,168	357	937	1,525	2,462	805	2009	2007
RB Heights Health Holdings LLC	Osborn	Scottsdale, AZ	—	2,007	2,793	1,762	2,007	4,555	6,562	2,147	2009	2008

San Corrine Health Holdings LLC	Salado Creek	San Antonio, TX	—	310	2,090	719	310	2,809	3,119	1,291	2005	2008
Temple Health Holdings LLC	Wellington	Temple, TX	—	529	2,207	1,163	529	3,370	3,899	1,542	2008	2008
Anson Health Holdings LLC	Northern Oaks	Abilene, TX	—	369	3,220	1,725	369	4,945	5,314	2,139	2012	2008
Willits Health Holdings LLC	Northbrook	Willits, CA	—	490	1,231	500	490	1,731	2,221	731	2011	2008
Lufkin Health Holdings LLC	Southland	Lufkin, TX	—	467	4,644	782	467	5,426	5,893	1,321	1988	2009
Lowell Health Holdings LLC	Littleton	Littleton, CO	—	217	856	1,735	217	2,591	2,808	1,128	2012	2009
Jefferson Ralston Holdings LLC	Arvada	Arvada, CO	—	280	1,230	834	280	2,064	2,344	744	2012	2009
Lafayette Health Holdings LLC	Julia Temple	Englewood, CO	—	1,607	4,222	6,195	1,607	10,417	12,024	4,994	2012	2009
Hillendahl Health Holdings LLC	Golden Acres	Dallas, TX	—	2,133	11,977	7,422	2,133	13,399	15,533	1,947	1984	2009
Price Health Holdings LLC	Pinnacle	Price, UT	—	193	2,209	849	193	3,058	3,251	886	2012	2009
Silver Lake Health Holdings LLC	Provo	Provo, UT	—	2,058	8,362	2,012	2,058	10,374	12,432	4,589	2011	2009
Jordan Health Properties LLC	Copper Ridge	West Jordan, UT	—	2,674	4,244	1,502	2,674	5,751	8,422	1,437	2013	2009
Regal Road Health Holdings LLC	Sunview	Youngstown, AZ	—	767	4,648	729	767	5,377	6,144	1,678	2012	2009
Paredes Health Holdings LLC	Alta Vista	Brownsville, TX	—	373	1,354	190	373	1,544	1,917	379	1969	2009
Expressway Health Holdings LLC	Veranda	Harlingen, TX	—	90	675	430	90	1,105	1,195	358	2011	2009
Rio Grande Health Holdings LLC	Grand Terrace	McAllen, TX	—	642	1,085	870	642	1,955	2,597	722	2012	2009
Fifth East Holdings LLC	Paramount	Salt Lake City, UT	—	345	2,464	1,065	345	3,529	3,874	1,099	2011	2009
Emmett Healthcare Holdings LLC	River's Edge	Emmet, ID	—	591	2,383	69	591	2,452	3,043	651	1972	2010
Burley Healthcare Holdings LLC	Parke View	Burley, ID	—	250	4,004	424	250	4,428	4,678	1,308	2011	2010
Josey Ranch Healthcare Holdings LLC	Heritage Gardens	Carrollton, TX	—	1,382	2,293	478	1,382	2,771	4,153	749	1996	2010
Everglades Health Holdings LLC	Victoria Ventura	Ventura, CA	—	1,847	3,377	682	1,847	4,059	7,906	1,414	1990	2011
Irving Health Holdings LLC	Beatrice Manor	Beatrice, NE	—	60	2,931	245	60	3,176	3,236	836	2011	2011
Falls City Health Holdings LLC	Careage Estates of Falls City	Falls City, NE	—	170	2,141	82	170	2,223	2,393	531	1972	2011
Gillette Park Health Holdings LLC	Careage of Cherokee	Cherokee, IA	—	163	1,491	12	163	1,503	1,666	454	1967	2011
Gazebo Park Health Holdings LLC	Careage of Clarion	Clarion, IA	—	80	2,541	97	80	2,638	2,718	831	1978	2011
Oleson Park Health Holdings LLC	Careage of Ft. Dodge	Ft. Dodge, IA	—	90	2,341	759	90	3,100	3,190	1,182	2012	2011
Arapahoe Health Holdings LLC	Oceanview	Texas City, TX	—	158	4,810	759	128	5,599	5,727	1,590	2012	2011
Dixie Health Holdings LLC	Hurricane	Hurricane, UT	—	487	1,978	98	487	2,076	2,563	411	1978	2011
	Pocatello	Pocatello, ID	—	537	2,138	698	537	2,836	3,373	859	2007	2011

Memorial Health Holdings LLC									
Bogardus Health Holdings LLC	Whittier East	Whittier, CA	—	1,425	5,307	1,079	1,425	6,386	7,811	1,822	2011	2011
South Dora Health Holdings LLC	Ukiah	Ukiah, CA	—	297	2,087	1,622	297	3,708	4,005	1,925	2013	2011
Silverada Health Holdings LLC	Rosewood	Reno, NV	—	1,012	3,282	103	1,012	3,385	4,397	626	1970	2011
Orem Health Holdings LLC	Orem	Orem, UT	—	1,689	9,896	3,235	1,689	7,131	8,820	2,362	2011	2011
Renee Avenue Health Holdings LLC	Monte Vista	Pocatello, ID	—	180	2,481	966	180	3,447	3,627	920	2013	2012

Stillhouse Health Holdings LLC	Stillhouse	Paris, TX	—	1,297	139	—	1,297	1,145	7,274	828	2009	2012
Fig Street Health Holdings LLC	Palomar Vista	Escondido, CA	—	3,292	651	1,094	3,293	747	4,076	1,432	2007	2012
Lowell Lake Health Holdings LLC	Owyhee	Owyhee, ID	—	49	1,554	29	49	1,583	1,632	371	1990	2012
Queensway Health Holdings LLC	Atlantic Memorial	Long Beach, CA	—	994	237	2,331	996	568	3,567	2,652	2008	2012
Long Beach Health Associates LLC	Shoreline	Long Beach, CA	—	1,285	5,343	2,172	1,285	5,515	5,800	1,612	2013	2012
Kings Court Health Holdings LLC	Richland Hills	Ft. Worth, TX	—	1,932	311	318	1,932	629	2,822	480	1965	2012
51st Avenue Health Holdings LLC	Legacy	Amarillo, TX	—	3,403	925	32	3,403	957	4,297	666	1970	2013
Ives Health Holdings LLC	San Marcos	San Marcos, TX	—	3,712	951	274	3,713	225	5,596	613	1972	2013
Guadalupe Health Holdings LLC	The Courtyard (Victoria East)	Victoria, TX	—	80	2,391	15	80	2,406	2,486	613	2013	2013
49th Street Health Holdings LLC	Omaha	Omaha, NE	—	1,292	418	24	1,292	442	2,574	164	1960	2013
Willows Health Holdings LLC	Cascade Vista	Redmond, WA	—	1,388	3,982	202	1,388	184	4,576	584	1970	2013
Tulalip Bay Health Holdings LLC	Mountain View	Marysville, WA	—	1,722	2,642	980	1,742	2,642	3,384	484	1966	2013
CTR Partnership, L.P.	Bethany Rehabilitation Center	Lakewood, CO	—	1,668	5,375	55	1,668	5,430	7,098	951	1989	2015
CTR Partnership, L.P.	Mira Vista Care Center	Mount Vernon, WA	—	1,607	1,425	—	1,607	1,429	3,026	696	1989	2015
CTR Partnership, L.P.	Shoreline Health and Rehabilitation Center	Shoreline, WA	—	1,465	2,034	—	1,465	2,034	4,496	451	1987	2015
CTR Partnership, L.P.	Shamrock Nursing and Rehabilitation Center	Dublin, GA	—	251	7,855	—	251	7,858	8,106	687	2010	2015
CTR Partnership, L.P.	BeaverCreek Health and Rehab	Beavercreek, OH	—	892	17,159	19	892	17,168	18,061	1,392	2014	2015
CTR Partnership, L.P.	Premier Estates of Cincinnati-Riverside	Cincinnati, OH	—	284	11,104	148	284	11,252	11,536	962	2012	2015
CTR Partnership, L.P.	Premier Estates of Cincinnati-Riverview	Cincinnati, OH	—	833	18,086	188	833	18,274	19,107	1,484	1992	2015
CTR Partnership, L.P.	Premier Estates of Three Rivers	Cincinnati, OH	—	1,091	16,151	128	1,091	16,279	17,370	1,312	1967	2015
CTR Partnership, L.P.	Englewood Health and Rehab	Englewood, OH	—	1,014	8,545	41	1,014	8,599	9,613	520	1962	2015
CTR Partnership, L.P.	Portsmouth Health and Rehab	Portsmouth, OH	—	282	9,726	181	282	9,907	10,189	896	2008	2015
CTR Partnership, L.P.	West Cove Care & Rehabilitation Center	Toledo, OH	—	93	10,365	—	93	10,365	10,458	842	2007	2015
CTR Partnership, L.P.	Premier Estates of Oxford	Oxford, OH	—	211	8,773	52	211	8,824	9,035	719	1970	2015
CTR Partnership, L.P.	BellBrook Health and Rehab	Bellbrook, OH	—	214	2,574	4	214	2,577	2,791	209	2003	2015
CTR Partnership, L.P.	Xenia Health and Rehab	Xenia, OH	—	205	3,564	—	205	3,564	3,769	290	1981	2015
CTR Partnership, L.P.	Jamestown Place Health and Rehab	Jamestown, OH	—	266	4,725	118	266	4,843	5,109	392	1967	2015
CTR Partnership, L.P.	Casa de Paz Health Care Center	Sioux City, IA	—	1	197,727	—	1	197,727	197,846	631	1974	2016

CTR Partnership, L.P.	Denison Care Center	Denison, IA	—	96	2,784	—	96	2,784	2,880	203	2015	2016
CTR Partnership, L.P.	Garden View Care Center	Shenandoah, IA	—	105	3,179	—	105	3,179	3,284	232	2013	2016
CTR Partnership, L.P.	Grandview Health Care Center	Dayton, IA	—	39	1,167	—	39	1,167	1,206	85	2014	2016
CTR Partnership, L.P.	Grundy Care Center	Grundy Center, IA	—	65	1,935	—	65	1,935	2,000	141	2011	2016
CTR Partnership, L.P.	Iowa City Rehab and Health Care Center	Iowa City, IA	—	522	5,690	—	522	5,690	6,212	415	2014	2016
CTR Partnership, L.P.	Lenox Care Center	Lenox, IA	—	31	1,915	—	31	1,915	1,946	140	2012	2016
CTR Partnership, L.P.	Osage Rehabilitation and Health Care Center	Osage, IA	—	126	2,255	—	126	2,255	2,381	164	2014	2016
CTR Partnership, L.P.	Pleasant Acres Care Center	Hull, IA	—	189	2,544	—	189	2,544	2,733	186	2014	2016
CTR Partnership, L.P.	Cedar Falls Health Care Center	Cedar Falls, IA	—	324	4,366	—	324	4,366	4,690	300	2015	2016
CTR Partnership, L.P.	Premier Estates of Highlands	Norwood, OH	—	364	2,199	235	364	2,434	2,798	153	2012	2016
CTR Partnership, L.P.	Shaw Mountain at Cascadia	Boise, ID	—	1,806	6,572	395	1,806	6,967	8,768	501	1989	2016
CTR Partnership, L.P.	The Oaks	Petaluma, CA	—	3,646	2,873	110	3,646	2,983	6,629	187	2015	2016
CTR Partnership, L.P.	Arbor Nursing Center	Lodi, CA	—	768	10,712	—	768	10,712	11,480	647	1982	2016
CTR Partnership, L.P.	Broadmoor Medical Lodge - Rockwall	Rockwall, TX	—	1,232	22,152	—	1,232	22,152	23,384	1,154	1984	2016
CTR Partnership, L.P.	Senior Care Health and Rehabilitation – Decatur	Decatur, TX	—	990	24,909	—	990	24,909	25,899	1,297	2013	2016
CTR Partnership, L.P.	Royse City Health and Rehabilitation Center	Royse City, TX	—	606	14,660	—	606	14,660	15,266	764	2009	2016
CTR Partnership, L.P.	Saline Care Nursing & Rehabilitation Center	Harrisburg, IL	—	1,025	2,713	—	1,025	2,713	3,738	262	1968	2017
CTR Partnership, L.P.	Carrier Mills Nursing & Rehabilitation Center	Carrier Mills, IL	—	775	8,377	—	775	8,377	9,152	384	1968	2017
CTR Partnership, L.P.	StoneBridge Nursing & Rehabilitation Center	Benton, IL	—	439	3,475	—	439	3,475	3,914	159	2014	2017
CTR Partnership, L.P.	DuQuoin Nursing & Rehabilitation Center	DuQuoin, IL	—	511	3,662	—	511	3,662	4,173	168	2014	2017
CTR Partnership, L.P.	Pinckneyville Nursing & Rehabilitation Center	Pinckneyville, IL	—	406	3,411	—	406	3,411	3,817	156	2014	2017
CTR Partnership, L.P.	Wellspring Health and Rehabilitation of Cascadia	Nampa, ID	—	774	5,044	—	774	5,044	5,818	210	2011	2017
CTR Partnership, L.P.	The Rio at Fox Hollow	Brownsville, TX	—	1,178	12,059	—	1,178	12,059	13,237	477	2016	2017

CTR Partnership, L.P.	The Rio at Cabezon	Albuquerque, NM	—	2,059	9,749	—	2,059	9,749	11,808	386	2016	2017
CTR Partnership, L.P.	Eldorado Rehab & Healthcare	Eldorado, IL	—	940	2,093	—	940	2,093	3,033	78	1993	2017
CTR Partnership, L.P.	Mountain View Rehabiliation and Healthcare Center	Portland, OR	—	1,481	2,216	—	1,481	2,216	3,697	83	2012	2017
CTR Partnership, L.P.	Mountain Valley of Cascadia	Kellogg, ID	—	916	7,874	—	916	7,874	8,790	262	1971	2017
CTR Partnership, L.P.	Caldwell Care of Cascadia	Caldwell, ID	—	906	7,020	—	906	7,020	7,926	234	1947	2017
CTR Partnership, L.P.	Canyon West of Cascadia	Caldwell, ID	—	312	10,410	—	312	10,410	10,722	347	1969	2017
CTR Partnership, L.P.	Lewiston Transitional Care of Cascadia	Lewiston, ID	—	625	12,087	—	625	12,087	12,713	378	1964	2017
CTR Partnership, L.P.	Orchards of Cascadia	Nampa, ID	—	785	8,923	—	785	8,923	9,708	279	1958	2017
CTR Partnership, L.P.	Weiser Care of Cascadia	Weiser, ID	—	80	4,419	—	80	4,419	4,499	138	1964	2017
CTR Partnership, L.P.	Aspen Park of Cascadia	Moscow, ID	—	698	5,092	—	698	5,092	5,790	159	1965	2017
CTR Partnership, L.P.	Ridgmar Medical Lodge	Fort Worth, TX	—	681	6,587	1,606	681	8,193	8,874	220	2006	2017
CTR Partnership, L.P.	Mansfield Medical Lodge	Mansfield, TX	—	607	4,801	1,006	607	5,807	6,409	160	2006	2017
CTR Partnership, L.P.	Grapevine Medical Lodge	Grapevine, TX	—	1,604	2,536	1,265	1,602	3,803	7,403	151	2006	2017
CTR Partnership, L.P.	Victory Rehabilitation and Healthcare Center	Battle Ground, WA	—	320	500	—	320	500	820	17	2012	2017
CTR Partnership, L.P.	The Oaks at Forest Bay	Seattle, WA	—	6,348	815	—	6,348	815	7,162	25	1997	2017
CTR Partnership, L.P.	The Oaks at Lakewood	Tacoma, WA	—	1,000	1,779	—	1,000	1,779	2,779	56	1982	2017
CTR Partnership, L.P.	The Oaks at Timberline	Vancouver, WA	—	445	869	—	445	869	1,314	27	1972	2017
CTR Partnership, L.P.	Providence Waterman Nursing Center	San Bernardino, CA	—	3,831	9,791	—	3,831	9,791	13,622	218	1967	2017
CTR Partnership, L.P.	Providence Orange Tree	Riverside, CA	—	2,897	4,700	—	2,897	4,700	7,597	159	1962	2017
CTR Partnership, L.P.	Providence Ontario	Ontario, CA	—	4,202	1,880	—	4,202	1,880	6,082	84	1980	2017
CTR Partnership, L.P.	Greenville Nursing & Rehabilitation Center	Greenville, IL	—	188	3,972	—	188	3,972	4,160	129	1973	2017
CTR Partnership, L.P.	Copper Ridge Health and Rehabilitation Center	Butte, MT	—	220	4,974	—	220	4,974	5,194	125	2010	2018

CTR Partnership, L.P.	Metron of Belding	Belding, MI	—	253	7,769	—	253	7,769	8,022	175	1968	2018
CTR Partnership, L.P.	Metron of Big Rapids	Big Rapids, MI	—	266	8,701	—	266	8,701	8,967	199	1970	2018
CTR Partnership, L.P.	Metron of Cedar Springs	Cedar Springs, MI	—	733	8,398	—	733	8,398	9,131	209	1976	2018
CTR Partnership, L.P.	Metron of Greenville	Greenville, MI	—	428	9,598	—	428	9,598	10,026	219	1972	2018
CTR Partnership, L.P.	Metron of Lamont	Lamont, MI	—	65	3,023	—	65	3,023	3,088	75	1972	2018
CTR Partnership, L.P.	Prairie Heights Healthcare Center	Aberdeen, SD	—	1,372	7,491	—	1,372	7,491	8,863	95	1965	2018
CTR Partnership, L.P.	The Meadows on University	Fargo, ND	—	989	3,275	—	989	3,275	4,264	45	1966	2018
CTR Partnership, L.P.	Metron of Forest Hills	Grand Rapids, MI	—	515	3,672	—	515	3,672	4,187	18	1976	2018
CTR Partnership, L.P.	Avantara Crown Point	Parker, CO	—	1,178	17,857	—	1,178	17,857	19,035	38	2012	2018
			—	119,747	537,398	807,952	198,837	1,266,259	1,465,096			
Multi-Service Campus Properties:												
Ensign Southland LLC	Southland Care	Norwalk, CA	—	966	5,082	2,219	966	7,301	8,267	4,678	2011	1999
Sky Holdings AZ LLC	Bella Vita (Desert Sky)	Glendale, AZ	—	289	1,428	1,752	289	3,180	3,469	1,868	2004	2002
Lemon River Holdings LLC	Plymouth Tower	Riverside, CA	—	494	1,159	4,854	494	6,013	6,506	2,980	2012	2009
Wisteria Health Holdings LLC	Wisteria	Abilene, TX	—	746	9,903	290	746	10,193	10,939	1,887	2008	2011
Mission CCRC LLC	St. Joseph's Villa	Salt Lake City, UT	—	1,962	11,035	464	1,962	11,499	13,461	2,705	1994	2011
Wayne Health Holdings LLC	Careage of Wayne	Wayne, NE	—	130	3,061	122	130	3,183	3,313	783	1978	2011
4th Street Holdings LLC	West Bend Care Center	West Bend, IA	—	180	3,352	—	180	3,352	3,532	782	2006	2011
Big Sioux River Health Holdings LLC	Hillcrest Health	Hawarden, IA	—	110	3,522	75	110	3,597	3,707	785	1974	2011
Prairie Health Holdings LLC	Colonial Manor of Randolph	Randolph, NE	—	130	1,571	22	130	1,593	1,723	398	2011	2011
Salmon River Health Holdings LLC	Discovery Care Center	Salmon, ID	—	168	2,496	—	168	2,496	2,664	400	2012	2012
CTR Partnership, L.P.	Centerville Senior Independent Living/Centerville Health and Rehab/Centerville Place Assisted Living	Dayton, OH	—	3,912	22,458	156	3,912	22,614	26,526	1,684	2007	2015
CTR Partnership, L.P.	Liberty Nursing Center of Willard	Willard, OH	—	143	11,097	50	143	11,147	11,290	912	1985	2015

CTR Partnership, L.P.	Premier Estates of Middletown/Premier Retirement Estates of Middletown	Middletown, OH	—	990	7,484	84	990	7,568	8,558	624	1985	2015
CTR Partnership, L.P.	Premier Estates of Norwood Towers/Premier Retirement Estates of Norwood Towers	Norwood, OH	—	1,316	10,073	43	1,316	10,116	11,432	693	1991	2016
CTR Partnership, L.P.	Turlock Nursing and Rehabilitation Center	Turlock, CA	—	1,258	16,526	—	1,258	16,526	17,784	998	1986	2016
CTR Partnership, L.P.	Senior Care Health & The Residences	Bridgeport, TX	—	980	27,917	—	980	27,917	28,897	1,745	2014	2016
CTR Partnership, L.P.	The Villas at Saratoga	Saratoga, CA	—	8,709	9,736	1,635	8,709	11,371	20,080	807	2004	2018

CTR Partnership, L.P.	Madison Park Healthcare	Huntington, WV	—	601	6,385	—	601	6,385	6,986	28	1924	2018
			—	23,084	154,282	13,059	29,084	166,342	189,424	26,110		
Assisted and Independent Living Properties:												
Avenue N Holdings LLC	Cambridge ALF	Rosenburg, TX	—	124	2,301	392	124	2,693	2,817	1,184	2007	2006
Moenium Holdings LLC	Grand Court	Mesa, AZ	—	1,895	5,268	1,210	1,895	6,478	8,371	3,005	1986	2007
Lafayette Health Holdings LLC	Chateau Des Mons	Englewood, CO	—	420	1,160	189	420	1,349	1,769	357	2011	2009
Expo Park Health Holdings LLC	Canterbury Gardens	Aurora, CO	—	570	1,692	248	570	1,940	2,510	687	1986	2010
Wisteria Health Holdings LLC	Wisteria IND	Abilene, TX	—	244	3,241	81	244	3,322	3,566	1,107	2008	2011
Everglades Health Holdings LLC	Lexington	Ventura, CA	—	1,544	4,012	113	1,544	4,125	5,667	727	1990	2011
Flamingo Health Holdings LLC	Desert Springs ALF	Las Vegas, NV	—	908	4,767	281	908	5,048	5,956	1,986	1986	2011
18th Place Health Holdings LLC	Rose Court	Phoenix, AZ	—	1,011	2,053	490	1,011	2,543	3,554	726	1974	2011
Boardwalk Health Holdings LLC	Park Place	Reno, NV	—	367	1,633	51	367	1,684	2,051	395	1993	2012
Willows Health Holdings LLC	Cascade Plaza	Redmond, WA	—	2,835	5,784	395	2,835	5,179	7,014	896	2013	2013
Lockwood Health Holdings LLC	Santa Maria	Santa Maria, CA	—	1,792	2,253	585	1,792	2,838	4,630	923	1967	2013
Saratoga Health Holdings LLC	Lake Ridge	Orem, UT	—	444	2,265	176	444	2,441	2,885	352	1995	2013
CTR Partnership, L.P.	Prelude Cottages of Woodbury	Woodbury, MN	—	430	6,714	—	430	6,714	7,144	672	2011	2014
CTR Partnership, L.P.	English Meadows Senior Living Community	Christiansburg, VA	—	250	6,114	3	250	6,117	6,367	612	2011	2014
CTR Partnership, L.P.	Bristol Court Assisted Living	Saint Petersburg, FL	—	645	7,322	13	645	7,335	7,980	641	2010	2015
CTR Partnership, L.P.	Asbury Place Assisted Living	Pensacola, FL	—	212	4,992	—	212	4,992	5,204	416	1997	2015
CTR Partnership, L.P.	New Haven Assisted Living of San Angelo	San Angelo, TX	—	284	4,478	—	284	4,478	4,762	327	2012	2016
CTR Partnership, L.P.	Priority Life Care of Fort Wayne	Fort Wayne, IN	—	452	8,703	—	452	8,703	9,155	616	2015	2016
CTR Partnership, L.P.	Priority Life Care of West Allis	West Allis, WI	—	97	6,102	—	97	6,102	6,199	432	2013	2016
CTR Partnership, L.P.	Priority Life Care of Baltimore	Baltimore, MD	—	—	3,697	—	—	3,697	3,697	262	2014	2016
CTR Partnership, L.P.	Fort Myers Assisted Living	Fort Myers, FL	—	1,489	9,531	82	1,489	9,613	5,102	255	1980	2016
CTR Partnership, L.P.	English Meadows Elks Home Campus	Bedford, VA	—	451	9,023	142	451	9,165	9,616	626	2014	2016
CTR Partnership, L.P.	Croatan Village	New Bern, NC	—	312	6,919	—	312	6,919	7,231	461	2010	2016
CTR Partnership, L.P.	Countryside Village	Pikeville, NC	—	131	4,157	—	131	4,157	4,288	277	2011	2016
CTR Partnership, L.P.	The Pines of Clarkston		—	603	9,326	—	603	9,326	9,929	602	2010	2016

		Village of Clarkston, MI									
CTR Partnership, L.P.	The Pines of Goodrich	Goodrich, MI	—	241	4,112	—	241	4,112	4,353	266	2014 2016
CTR Partnership, L.P.	The Pines of Burton	Burton, MI	—	492	9,199	—	492	9,199	9,691	594	2014 2016
CTR Partnership, L.P.	The Pines of Lapeer	Lapeer, MI	—	302	5,773	—	302	5,773	6,075	373	2008 2016
CTR Partnership, L.P.	Arbor Place	Lodi, CA	—	392	3,605	—	392	3,605	3,997	218	1984 2016

CTR Partnership, L.P.	Applewood of Brookfield	Brookfield, WI	—493	14,002	—	493	14,002	14,495	671	2013
CTR Partnership, L.P.	Applewood of New Berlin	New Berlin, WI	—356	10,812	—	356	10,812	11,168	518	2016
CTR Partnership, L.P.	Tangerine Cove of Brooksville	Brooksville, FL	—995	927	84	995	1,011	2,006	44	1984
CTR Partnership, L.P.	Memory Care Cottages in White Bear Lake	White Bear Lake, MN	—1,611	5,633	—	1,611	5,633	7,244	211	2016
CTR Partnership, L.P.	Amerisist of Culpeper	Culpepper, VA	—318	3,897	69	318	3,966	4,284	140	1997
CTR Partnership, L.P.	Amerisist of Louisa	Louisa, VA	—407	4,660	72	407	4,732	5,139	171	2002
CTR Partnership, L.P.	Amerisist of Warrenton	Warrenton, VA	—1,238	7,247	85	1,238	7,332	8,570	254	1999
			—24,351	185,374	4,761	24,351	190,135	214,486	22,004	
Independent Living Properties:										
Hillendahl Health Holdings LLC	Cottages at Golden Acres	Dallas, TX	—315	1,769	319	315	2,088	2,403	1,174	1984
Mission CCRC LLC	St. Joseph's Villa IND	Salt Lake City, UT	—411	2,312	158	411	2,470	2,881	1,071	1994
Hillview Health Holdings LLC	Lakeland Hills ALF	Dallas, TX	—680	4,872	980	680	5,852	6,532	1,858	1996
			—1,406	8,953	1,457	1,406	10,410	11,816	4,103	
			—$167,958	$1,096,183	$104,016	$166,948	$1,201,209	$1,368,157	$185,926	

(1) The aggregate cost of real estate for federal income tax purposes was $1.4 billion.

SCHEDULE III
REAL ESTATE ASSETS AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2018
(dollars in thousands)

	Year Ended December 31,		
Real estate:	2018	2017	2016
Balance at the beginning of the period	$1,266,484	$986,215	$718,764
Acquisitions	106,208	280,477	270,601
Improvements	7,230	744	726
Sales of real estate	(11,765)	(952)	(3,876)
Balance at the end of the period	$1,368,157	$1,266,484	$986,215
Accumulated depreciation:			
Balance at the beginning of the period	$(152,185)	$(121,797)	$(97,667)
Depreciation expense	(34,676)	(30,493)	(25,001)
Sales of real estate	935	105	871
Balance at the end of the period	$(185,926)	$(152,185)	$(121,797)

SCHEDULE IV
MORTGAGE LOAN ON REAL ESTATE
DECEMBER 31, 2018
(dollars in thousands)

Description	Contractual Interest Rate	Maturity Date	Periodic Payment Terms	Prior Liens	Principal Balance	Book Value
Mortgage:						
Providence Group	9.0 %	2020	(1)	$ —	$ 12,375	$ 12,299
Loan Loss Allowance				—	—	—
				$ —	$ 12,375	$ 12,299

(1) Commencing on November 1, 2017 and on the first day of each calendar month thereafter.

Changes in mortgage loans are summarized as follows:

	Year Ended December 31,		
	2018	2017	2016
Balance at beginning of period	$ 12,517	$ —	$ —
Additions during period:			
New mortgage loan	—	12,542	—
Interest income added to principal	—	—	—
Deductions during period:			
Paydowns/Repayments	(142)	(25)	—
Balance at end of the period	$ 12,375	$ 12,517	$ —