Risk Factors Comparison 2025-02-05 to 2024-02-01 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to our Business and Industry • The rules of Medicare and Medicaid, including reductions of reimbursement rates, changes to spending requirements, data reporting, measurement and evaluation standards could have a material, adverse effect on our revenues, financial condition and results of operations. • ~~Reforms~~ **State- level direct spending requirements could negatively impact our results of operations. • Changes** to the U. S. healthcare system, including ~~new~~ **changes to the ACA or its** regulations ~~under the ACA~~, new transparency and disclosure requirements, ~~potential~~ **and** federal and state standards for minimum nurse staffing levels, continue to impose new requirements upon us that could materially impact our business. • **Anticipated** ~~Changes~~ **changes** in the U. S. political environment **, including those as a result of the change in Presidential administration and control of Congress, and to regulatory agencies, particularly HHS,** may result in significant changes to the regulatory framework, enforcement, and reimbursements in our industry. • We are subject to various government reviews, audits and investigations that could adversely affect our business, including an obligation to refund amounts previously paid to us, potential criminal charges, loss of licensure, the imposition of fines and sanctions. • We are subject to extensive and complex laws and government regulations. If we are not operating in compliance with these laws and regulations or if these laws and regulations change, we could be required to make significant expenditures or change our operations in order to bring our facilities and operations into compliance. • Public and government calls for increased enforcement efforts toward SNFs, **past and** potential rulemaking that ~~may result~~ **results** in enhanced enforcement and penalties, and new guidance for surveyors regarding the review of SNFs and enforcement of their Requirements of Participation, could result in increased scrutiny by state and federal survey agencies, including sanctions that could negatively affect our financial condition and results of operations. • CMS' s changes to the SFF program and its look- back period may create greater risk of our facilities being subject to this program and subject to potential fines and sanctions, even after graduating from the SFF program. • Federal minimum staffing mandates may adversely affect our labor costs, ability to maintain desired levels of patient or resident capacity, and profitability. • Future cost containment initiatives undertaken by payors may limit our revenue and profitability. • ~~Changes~~ **Reductions** in Medicare reimbursements for physician and non- physician services could impact reimbursement for medical professionals ~~. • We face numerous risks related to the COVID- 19 PHE' s expiration and surrounding wind- down and uncertainty, which could individually or in the aggregate have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects~~. • We may be subject to increased investigation and enforcement activities related to HIPAA violations. • Security breaches and other cyber- security incidents could violate security laws and subject us to significant liability. • If our independent subsidiaries are not fully reimbursed for all services for which each facility bills through consolidated billing, our revenue, financial condition and results of operations could be adversely affected. • Increased competition for, or a shortage of, nurses and other skilled personnel, could increase our staffing and labor costs and subject us to monetary fines resulting from a failure to maintain minimum staffing requirements, or may affect reimbursement. • Annual caps, uncertainty regarding reimbursement and other cost- reductions for outpatient therapy services may reduce our future revenue and profitability or cause us to incur losses. • Increased scrutiny of our activities and billing practices by the OIG or other regulatory authorities may result in an increase in regulatory monitoring and oversight, decreased reimbursement rates, or otherwise adversely affect our business, financial condition and results of operations. • State efforts to regulate or deregulate the healthcare services industry or the construction or expansion of healthcare facilities could impair our ability to expand our operations, or could result in increased competition. • Newly enacted legislation in the States where our independent subsidiaries are located may impact the volume ~~of cases~~ **and exposure in claims** filed and the overall cost of those cases from a defense and indemnity standpoint. • Changes to federal and state employment- related laws and regulations could increase our cost of doing business. • Required regulatory approvals could delay or prohibit transfers of our healthcare operations, which could result in periods in which we are unable to receive reimbursement for such properties. • Compliance with federal and state fair housing, fire, safety, staffing, and other regulations may require us to incur unexpected expenses, which could be costly to us. • Our revenue, financial condition and results of operations could be negatively impacted by any changes in the acuity mix of patients in our independent subsidiaries as well as payor mix and payment methodologies. • We are subject to litigation that could result in significant legal costs and large settlement amounts or damage awards. Similarly, a change in the enforceability of arbitration provisions between SNFs and senior living facilities and residents and patients may affect the risks we face from claims and potential litigation. • If our regular internal investigations into the care delivery, recordkeeping and billing processes of our independent subsidiaries detect instances of noncompliance, efforts to correct such non- compliance could materially decrease our revenue. • We may be unable to complete future facility or business acquisitions at attractive prices or at all, or may elect to dispose of underperforming or non- strategic independent subsidiaries, either of which could decrease our revenue. • We may not be able to successfully integrate acquired facilities and businesses into our operations, or we may be exposed to costs, liabilities and regulatory issues that may adversely affect our operations. • In undertaking acquisitions, we may be adversely impacted by costs, liabilities and regulatory issues that may adversely affect our operations. • If we do not achieve or maintain competitive quality of care ratings from CMS or private organizations engaged in similar monitoring activities, our business may be negatively affected. • If we are unable to obtain insurance, or if insurance becomes more costly for us to obtain, our business may be adversely affected, and our self- insurance programs may expose us to significant and unexpected costs and losses. • The geographic concentration of our independent subsidiaries could leave us vulnerable to economic downturn, regulatory changes or acts of nature in those areas. • The actions of a national labor union that has pursued a negative publicity campaign criticizing

our business in the past may adversely affect our revenue and our profitability. • The risks associated with leased property where our independent subsidiaries operate could adversely affect our business, financial position or results of operations. • Failure to generate sufficient cash flow to cover required payments or meet operating covenants under our long- term debt, mortgages and long- term operating leases could result in defaults under such agreements and cross- defaults under other debt, mortgage or operating lease arrangements, which could harm our independent subsidiaries and cause us to lose facilities or experience foreclosures. • A continued housing slowdown or housing downturn could decrease demand for senior living services. • As we continue to acquire and lease real estate assets, we may not be successful in identifying and consummating these transactions. • As we expand our presence in other relevant healthcare industries, we would become subject to risks in a market in which we have limited experience. • If our referral sources fail to view us as an attractive skilled nursing provider, or if our referral sources otherwise refer fewer patients, our patient base may decrease. • We may need additional capital to fund our independent subsidiaries and finance our growth, and we may not be able to obtain it on terms acceptable to us, or at all, which may limit our ability to grow. • The condition of the financial markets could limit the availability of debt and equity financing sources to fund the capital and liquidity requirements of our business. • Delays in reimbursement may cause liquidity problems. • The utilization and expansion of managed care organizations may contribute to delays or reductions in our reimbursement, including Managed Medicaid. • Compliance with the regulations of the Department of Housing and Urban Development may require us to make unanticipated expenditures which could increase our costs. • Failure to safeguard our patient trust funds may subject us to citations, fines and penalties. • We are a holding company with no operations and rely upon our multiple independent subsidiaries. • Certain directors who serve on our Board of Directors also serve as directors of Pennant, and ownership of shares of Pennant common stock by our directors and executive officers may create, or appear to create, conflicts of interest. • Standard Bearer' s failure to qualify as a REIT may cause it to be subject to U. S. federal income tax. Additionally, legislative or other actions affecting REITs could have a negative effect on Standard Bearer. **• Failure to comply with existing environmental laws could result in increased expenditures, litigation and potential loss to our business and in our asset value.** Risks Related to Ownership of our Common Stock • We may not be able to pay or maintain dividends and the failure to do so would adversely affect our stock price. • Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could discourage transactions resulting in a change in control, which may negatively affect the market price of our common stock. You should carefully consider each of the following risk factors ~~and all other information set forth in this information statement~~ . The risk factors generally have been separated into two categories: risks relating to our business and our industry and risks relating to our common stock. Based on the information currently known to us, we believe that the following information identifies the most significant risk factors affecting our company in each of these categories of risks. However, the risks and uncertainties we face are not limited to those set forth in the risk factors described below. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. If any of the following risks and uncertainties develops into actual events, these events could have a material adverse effect on our business, financial condition or results of operations. In such case, the trading price of our common stock could decline. You should carefully read the following risk factors, together with the financial statements, related notes and other information contained in this Annual Report on Form 10- K. This Annual Report on Form 10- K contains forward- looking statements that contain risks and uncertainties. Please refer to the section entitled" Cautionary Note Regarding Forward- Looking Statements" on page **[** 1 **]** of this Annual Report on Form 10- K in connection with your consideration of the risk factors and other important factors that may affect future results described below. Risks Related to Our Business and Industry We derived **24. 9 % and** 26. 6 ~~% and 27. 7~~ % of our service revenue from the Medicare programs for the ~~year~~ **years** ended December 31, **2024 and** 2023 ~~and 2022~~ , respectively. In addition, many other payors may use published Medicare rates as a basis for reimbursements. Accordingly, if Medicare reimbursement rates are reduced or fail to increase as quickly as our costs, if there are changes in the rules governing the Medicare program that are disadvantageous to our business or industry, or if there are delays in Medicare payments, our business and results of operations will be adversely affected. The Medicare program and its reimbursement rates and rules are subject to frequent change, including statutory and regulatory changes, rate adjustments (including retroactive adjustments), annual caps that limit the amount that can be paid (including deductible and coinsurance amounts), administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates at which Medicare reimburses us for our services. See Item 1., under Government Regulation, Sequestration of Medicare Rates, for further information. Implementation of these and other types of measures has in the past and could in the future result in substantial reductions in our revenue and operating margins. Additionally, payments can be delayed or declined due to determinations that certain costs are not reimbursable or reasonable because either adequate or additional documentation was not provided or because certain services were not covered or considered medically necessary. Additionally, revenue from these payors can be retroactively adjusted after a new examination during the claims settlement process or as a result of post- payment audits. New legislation and regulatory proposals could impose further limitations on government payments to healthcare providers. CMS often changes the rules governing the Medicare program, including those governing reimbursement. Changes to the Medicare program that could adversely affect our business could include, but are not limited to the following: • administrative or legislative changes to base rates or the bases for payment **, including changes to the rates at which Medicare will reimburse services** ; • limits on the services or types of providers for which Medicare will provide reimbursement; • changes in methodology for patient assessment and / or determination of payment levels; • changes in staff requirements ~~(i. e., requiring all workers to be vaccinated against COVID- 19 and receive booster injections for those vaccinations)~~ as a condition of payment or eligibility for Medicare reimbursement (See also, Item 1., under Government Regulation); • the reduction or elimination of annual rate increases **, implementation of reimbursement decreases** , or the end of the reduced payments deferment (See also, Item 1., under Government Regulation);

and • an increase in co- payments or deductibles payable by beneficiaries. Among the changes being implemented by CMS are provisions of the IMPACT Act, which imposes a stringent timeline for implementing benchmark quality measures and data metrics across facilities that include SNFs. The enactment mandates specific actions to design a unified payment methodology for post- acute providers, which CMS implements through ongoing regulations. The costs of final implementation may be significant, with potential fines and payment reductions resulting from a failure to meet CMS' s implementation requirements. Reductions in reimbursement rates or the scope of services being reimbursed could have a material, adverse effect on our revenue, financial condition and results of operations or even result in reimbursement rates that are insufficient to cover our operating costs. ~~Congress' s budgetary planning has also resulted in a difficulty to financially forecast, as the Medicare conversion factor paid under the CAA 2023 was 2. 5 % greater than the conversion factor provided for in the CY 2023 PFS final rule. Nonetheless, the 2023 conversion factor for CY 2023 was lower than CY 2022 PFS' s conversion factor.~~ In ~~contrast, the CY 2024 PFS conversion factor decreased 3. 34 % from the CY 2023 PFS conversion factor. This decrease takes into account the expiration of the 2. 5 % statutory payment increase for 2023, the~~ addition ~~of a 1. 25 % statutory payment increase for 2024~~ , ~~a 0 % conversion factor update, and a 2. 17 % budget- neutrality adjustment. On July 31, 2023, the CMS released its final rule for the SNF PPS for FY 2024 which will increase payments by a net 4. 0 % in FY 2024 compared to FY 2023. The final rule includes updates to the SNF Quality Reporting Program and SNF Value- based Purchasing Program that assess staff turnover, discharge success, res- hospitalization, and resident falls with injuries, which may adversely affect revenues obtained through the Medicare program. The SNF FY 2024 Final Rule may result in an increase in payments relative to FY 2023 depending on the performance of our individual independent subsidiaries as evaluated by CMS. The final rule will also replace the SNF 30- day All- cause Readmission measure with the SNF Within Stay Potentially Reasonable Readmissions standard beginning in fiscal year 2025, which may also reduce the compensation our independent subsidiaries may receive under the SNF VBP program. As discussed in more detail in Item 1., under Government Regulation, CMS implemented a final rule in October 2019 implementing a new case- mix classification system, PDPM, that focuses on the clinical condition of the patient.~~ CMS may make future adjustments to reimbursement levels and underlying reimbursement formulae as it continues to monitor the impact of ~~PDPM~~ **current payments system** on patient outcomes and budget neutrality. The Biden- Harris Administration ~~continues to~~ **focused on** ~~study~~ **studying** the nursing home industry and ~~for~~ **directed** HHS to issue proposed rules based on those studies, including changes to SNF facility reimbursement **and specifically** , ~~including~~ the SNF- VBP Program, **which** may also adversely affect our reimbursement **. The change in presidency following the 2024 presidential election may result in different focuses with respect to the nursing home industry. The new Presidential Administration' s policy directives and priorities regarding the nursing home industry and SNFs in particular are not yet known** . These metrics potentially affecting our revenues and expenses in future government fiscal years include the SNF healthcare- associated infections (HAI) measurement, total nursing hours per resident day measures, and discharge to community- post acute care measure. The Interoperability Final Rule' s implementation beginning in 2026, and to be completed by January 1, 2027, may also adversely affect our reimbursement paid through Medicare, specifically including Medicare Advantage. Loss of Medicare reimbursement, or a delay or default by the government in making Medicare payments, would also have a material adverse effect on our revenue. Non- compliance with Medicare regulations exist, and any penalty, suspension, termination, or other sanction under any state' s Medicaid program could lead to reciprocal and commensurate penalties being imposed under the Medicare program, up to termination or rescission of our Medicare participation and payor agreements as noted above. A significant portion of reimbursement for skilled nursing services comes from Medicaid. In fact, Medicaid is our largest source of revenue, accounting for 46. 0 % of our revenue for both the ~~year~~ **years** ended December 31, **2024 and** 2023 ~~and 2022~~ , respectively. Medicaid is a state- administered program financed by both state funds and matching federal funds. Medicaid spending has increased rapidly in recent years, becoming a significant component of state budgets, which has led both the federal government and many states to institute measures aimed at controlling the growth of Medicaid spending, and in some instances reducing aggregate Medicaid spending. Since a significant portion of our revenue is generated from our skilled nursing independent subsidiaries in California, Texas and Arizona, any budget reductions or delays in these states could adversely affect our net patient service revenue and profitability. Due to recent fluctuations in state budgets many of the states in which we operate (including those with current budget surpluses), are seeking to contain costs on Medicaid outlays for SNFs, and any such decline could adversely affect our financial condition and results of operations. The Medicaid program and its reimbursement rates and rules are subject to frequent change at both the federal and state level, including through changes in laws, regulations, rate adjustments (including retroactive adjustments), administrative or executive orders and government funding restrictions, all of which may materially adversely affect the rates at which our services are reimbursed by state Medicaid plans or the amount of expense we incur. To generate funds to pay for the increasing costs of the Medicaid program, many states utilize financial arrangements commonly referred to as provider taxes. Under provider tax arrangements, states collect taxes from healthcare providers and then use the revenue to pay the providers as a Medicaid expenditure, which allows the states to then claim additional federal matching funds on the additional reimbursements. Current federal law provides for a cap on the maximum allowable provider tax as a percentage of the providers' total revenue. There can be no assurance that federal law will continue to provide matching federal funds on state Medicaid expenditures funded through provider taxes, or that the current caps on provider taxes will not be reduced. Any discontinuance or reduction in federal matching of provider tax- related Medicaid expenditures could have a significant and adverse effect on states' Medicaid expenditures, and as a result could have a material and adverse effect on our business, financial condition or results of operations. ~~The CAA 2023 provided for the wind- down and termination of increased FMAP payments under the FFCRA, and also provided for the disenrollment of Medicaid beneficiaries who have participated in the program since early in the COVID- 19 pandemic. CMS' s increased FMAP payments declined from 6. 2 % to 5 % in the second quarter of 2023, 2. 5 % in the third quarter, and 1. 5 % in the fourth quarter before CMS' s increased FMAP spending ends entirely. The CAA 2023 granted CMS the authority to impose fines, penalties, and other sanctions upon states that do not~~

~~comply with this law' s requirements for the unwinding of increased FMAP payments. As a result, these reductions may impose further burdens on the Medicaid programs in states where we operate in the form of fines and penalties, which may result in reduced payments. Beginning on April 1, 2023, states were allowed to begin disenrolling Medicaid beneficiaries. CMS guidance allowing for a return to Medicaid' s historical renewal, enrollment, and eligibility determination practices permits states up to 14 months to initiate and process traditional Medicaid renewals. The CAA 2023' s allowance of disenrollment and return to traditional Medicaid renewal processes, which will include pre- COVID eligibility determinations, may result in a reduction of the number of Medicaid beneficiaries and may result in a reduction of our current and potential patient population. As a result, there may be fewer current or potential patients able to pay for our independent subsidiaries' services, and increased competition for Medicaid beneficiaries able to provide reimbursement for those services. As of December 2023, nearly 12 million people were reported to be disenrolled from Medicaid as part of this disenrollment process. CMS is concerned that states are terminating enrollees without definitively establishing their eligibility due to state residents not receiving eligibility forms or understanding instructions. CMS is monitoring states' compliance with federal requirements and is working with the affected states to address issues related to renewal requirements. States risk losing federal Medicaid matching funds for non- compliance with CMS' s instructions, which could result in reduced Medicaid funds available for timely reimbursement of the Company' s independent subsidiaries for their operations. Estimates suggest that roughly 17 million people may lose Medicaid coverage during the redetermination process through their scheduled completion in May of 2024. Medicaid is an important source of funding for our independent subsidiaries. The Company may be adversely affected by the disenrollment of Medicaid beneficiaries, which may lead to a reduction in reimbursement that may adversely impact our revenue and profit. The temporary restoration of Medicaid benefits in states where redetermination has been paused can help relieve some of these economic concerns. The disruption caused by the temporary pauses and restoration of Medicaid coverage for beneficiaries can also create operational challenges for our independent subsidiaries, including adverse effects on cash flow, available funds to pay wages for staffing, and overall financial stability. The ultimate impact of Medicaid disenrollment on the Company' s finances and operations will depend on individual states' specific circumstances and actions. State- Level Direct Spending Requirements could negatively impact our results of operations~~ Certain states where the Company operates have implemented direct spending requirements requiring SNFs to spend a portion of their revenue, particularly including Medicaid- derived revenue, on expenses directly relating to care. These spending requirements could affect our operational results and place the Company at higher risk of suffering non- compliance consequences, such as penalties, pay- backs, restrict admissions and / or operational / financial penalties. For example, Washington state incorporates the costs of direct care, indirect care, and capital expenditures for SNF services in computing the State' s Medicaid payments to nursing facilities. Using periodically updated calculations that account for factors including case acuity, fair market value of capital expenditures, inflation, and facility performance, Washington sets facility compensation so that the majority of Medicaid reimbursement paid to a skilled nursing facility is used for care- related activities, with limitations on how much a facility' s reimbursement may increase from year to year. Washington state first adopted this care- based payment model in 2015 and has periodically updated it since, including in 2020, 2022, and 2023; it is expected that Washington will continue to amend this law in the future. For state fiscal year 2024, Texas requires all nursing facilities must show that **a portion of** funds paid to SNFs by Texas' s Medicaid program, including both fee- for- service and managed care reimbursement, were ~~expanded~~ **expended** for direct care activities, including direct care staff wages and benefits. In addition, California in the past has proposed bills that, if passed, would require nursing facilities to spend a stated percentage of revenue on direct patient- related services. While the most recent attempt by the California Assembly (Bill 1537) to impose direct spending requirements on SNFs has been placed in suspense with no action **being** ~~has been~~ taken ~~on~~, similar legislation in the future may seek to impose identical or analogous funding requirements for SNFs operating in California **or other states**. Reforms to the U. S. healthcare system, including new regulations under the ACA, continue to impose new requirements upon us that could materially impact our business **.** As discussed in greater detail in Item 1., under Government Regulation, the ACA has resulted in significant changes to our operations and reimbursement models for services we provide. CMS continues to issue rules to implement the ACA, including most recently, new rules regarding the implementation of the anti- discrimination provisions and proposed rules requiring the disclosure of SNF ownership, organization, management and the identity of the real property owners from which the SNF leases or subleases its operating space. With the passage of the IRA in ~~August of~~ 2022, Congress continues to expand and supplement the ACA, including through the continuation of federally funded insurance premium subsidies. This modification of the ACA by the IRA indicates that Congress may continue to change and expand the ACA in the future **. The outcome of the 2024 presidential election, which saw a change in control of both the Presidency and Senate to the Republican party, may signal further changes to the ACA, including reversing regulatory changes made under the Biden- Harris Administration**. The efficacy of the ACA is the subject of much debate among members of Congress and the public and it has been the subject of extensive litigation before numerous courts, including the United States Supreme Court, with varying outcomes — some expanding and others limiting the ACA. If the ACA is repealed or any elements of the ACA that are beneficial to our business are materially amended or changed, such as provisions regarding the health insurance industry, reimbursement and insurance coverage by payers, our business, operating results and financial condition could be harmed. Thus, the future impact of the ACA on our business is difficult to predict and its continued uncertain future may negatively impact our business. While it is not possible to predict whether and when any such changes will occur, specific proposals discussed ~~during and after~~ **leading up to** the ~~midterm~~ **2024 presidential** election ~~in 2022~~, including a repeal or material amendment of the ACA, could harm our business, operating results and financial condition. The ACA continues to be a salient political topic and proposed changes to it may become the subject of campaign promises, litigation, administrative action, or legislation ~~leading up to or~~ following the 2024 ~~Presidential~~ **presidential** election. In addition, even if the ACA is not amended or repealed, the President and the executive branch of the federal government, as well as CMS and HHS **,** have a significant impact on the implementation of the provisions of the ACA ~~, and a new~~ **. It is expected that the incoming**

Presidential ~~administration~~ **Administration** ~~could~~ **will** make changes impacting the implementation and enforcement of the ACA, which could harm our business, operating results and financial condition. We have already seen ~~this~~ **such changes** with **the Biden- Harris Administration' s** regulatory activity promulgating rules regarding anti- discrimination under Section 1557 of the ACA and ~~most recently~~ -- **recent** ~~proposed~~ rulemaking requiring ~~the~~ **SNFs to** ~~disclosure~~ -- **disclose their** ~~of SNF~~ ownership and **the ownership of** service providers under Section 6101 of the ACA **. It is not possible to know whether, when, or how any or all of these regulations or their implementation will be changed, the manner in which any change may be effected, and the ultimate effects of such changes on our business** . If we are slow or unable to adapt to any such changes, our business, operating results and financial condition could be adversely affected. **In** ~~Similarly, the Nursing Home Improvement Act proposed during the prior Congress may be re- introduced in the future and could ultimately have an impact on our business due to the proposed 2 % decrease in payments to SNFs, as well as the staffing and reporting requirements contained within the bill. While it is difficult to determine whether the Nursing Home Improvement Act or an identical bill will even be reintroduced, if ultimately signed into law, this bill may negatively impact our business, with the scope and nature of its consequences unknown. On November 15,~~ 2023, CMS issued a final rule **requiring** ~~that, requires~~ SNFs to disclose certain information regarding their ownership and managerial relationships ~~,~~ which **was fully implemented in November of 2024. This final rule** is more invasive and comprehensive than the ownership information already disclosed through Medicare' s Nursing Home Compare website. Refer to Item 1., under Government Regulation, for additional information. The breadth of disclosure required by this new rule may be adverse to our business interests and detrimental to our operations, revenue, and profitability and may have a chilling effect on investment due to the depth of the new reporting and transparency requirements. **Similarly, California passed a comparable law requiring the disclosure of certain ownership and financial information for SNFs in 2021. On March 6, 2024, California' s regulations implementing this law took effect, which may invite further scrutiny and potential legal action, whether by the state agencies or private parties, within California based on the information disclosed as required by this law and its enabling regulations.** We cannot predict what effect future reforms to the U. S. healthcare system will have on our business, including the demand for our services or the amount of reimbursement available for those services. However, it is possible these new laws may lower reimbursement or increase the cost of doing business and adversely affect our business. ~~The~~ **Anticipated** changes in **the U. S. political environment, including those as a result of the change in Presidential administration and control of** Congress ~~due to the most recent U. S. midterm elections in 2022 , changes in representation,~~ and **to regulatory agencies, particularly HHS,** ~~actions in anticipation of the 2024 Presidential election~~ may result in significant changes to regulatory framework, enforcements and reimbursements. ~~The most recent midterm~~ **As a result of the 2024 presidential** ~~elections~~ - **election,** ~~in 2022 and resulting change~~ **changes** in ~~control of~~ the **Presidency** ~~House of Representatives,~~ and **both houses** ~~representative departures that are expected to further narrow the margin~~ of **Congress may** ~~Republican control over the House of Representatives, could~~ result in significant changes in, and ~~has~~ **have** resulted in uncertainty with respect to, legislation, regulation, implementation or repeal of laws and rules related to government health programs, including Medicare and Medicaid. ~~Democratic~~ **In particular,** proposals ~~for~~ **regarding HHS and certain programs and regulation concerning health care, including** Medicare **,** ~~for All or significant expansion of Medicare~~ **Medicaid** , ~~could significantly impact our business~~ and **the ACA, have indicated that the incoming Presidential Administration seeks to make changes to** ~~the~~ **these programs and laws** ~~healthcare industry if implemented~~ , ~~although~~ **as well as** ~~the~~ **their** implementation ~~of~~ **. Other pending legislation,** such **as** ~~proposals remains unlikely under~~ the **Protecting America** ~~political party currently holding a majority within the House of Representatives. Additionally, Congress~~ ' s ~~passage of the IRA in August of 2022~~ **Seniors' Access to Care Act and Protecting America' s Rural Seniors' Access Act** , which ~~expanded upon~~ **seek to halt HHS** and ~~continued certain provisions of the ACA~~ **CMS from finalizing and enforcing its proposed rule for staffing requirements** , indicates **a bipartisan interest in restraining HHS' s ability to finalize, implement and enforce regulations** that ~~additional~~ **may be burdensome on our independent subsidiaries, creating still more uncertainty and unpredictability in the** legislative **process.** ~~changes~~ **Changes** to **existing** ~~the ACA may be forthcoming. If proposed~~ policies ~~specific to~~ **and rules regarding** nursing facilities ~~are implemented~~ , **including** ~~these~~ **those recently instituted, in addition to anticipated new rule proposals,** may result in significant regulatory changes, increased survey frequency and scope, and increased penalties for non- compliance. **With** ~~As both political parties have begun their~~ -- **the changes in the** ~~Presidential~~ **presidential administration** ~~primaries and congressional elections in 2024~~ , **we anticipate** ~~each of them may seek to introduce or pass legislation~~ that ~~would either expand or reduce the~~ **there** ~~scope of the ACA as a credential for future campaigning. Based on the IRA and inflationary pressures in the economy, the ACA and affordability of healthcare generally~~ may be **changes in** ~~a campaign issue and lead to promises, administrative action, or legislation~~ **legislative control and legislative priorities** ~~that could adversely affect our business~~ . As a result, future legislation may be proposed or passed that may adversely affect our business, operating results and financial condition. We continually monitor these developments in order to respond to the changing regulatory environment impacting our business. While it is not possible to predict whether and when any such changes will occur, specific proposals discussed during and after the election, including a repeal or material amendment of the ACA ~~(whether to increase~~ or ~~decrease its scope)~~ **other laws affecting the provision of healthcare services** , could harm our business, operating results and financial condition. If we are slow or unable to adapt to any such changes, our business, operating results and financial condition could be adversely affected. We are subject to various government reviews, audits and investigations that could adversely affect our business, including an obligation to refund amounts previously paid to us, potential criminal charges, the imposition of fines, and / or the loss of our right to participate in Medicare and Medicaid programs. As a result of our participation in the Medicaid and Medicare programs, we are subject to various governmental reviews, audits and investigations to verify our compliance with the rules associated with these programs and related applicable laws and regulations, including our claims for payments submitted to those programs, which are subject to reviews by Recovery Audit Contractors, Zone Program Integrity Contractors, Program Safeguard Contractors, Unified Program Integrity Contractors, Supplemental Medical Review

Contractors and Medicaid Integrity Contractors programs ~~,~~(collectively referred to as Reviews). In these Reviews, third- party firms engaged by CMS conduct extensive analysis of claims data and medical and other records to identify potential improper payments under the federal and state programs. As discussed above, the Biden- Harris Administration has called for HHS and CMS to increase the level of scrutiny of SNF facilities and requested those agencies to adopt rules that would impose greater penalties upon non- compliant SNF operators ~~. On February 17~~, **and this scrutiny may not change due to a change of Presidential Administration, including changes to the leadership of HHS and CMS. The SNF PPS FY 2025 Final Rule implemented increased penalties that surveyors may impose on SNFs for perceived non- compliance with CMS' s requirements for SNF participation in Medicare. In addition, in** 2023, CMS ~~most recently~~ updated the survey resources that CMS and state surveyors use in evaluating our SNFs' compliance with federal Requirements for Participation, incorporating recent changes to CMS' s methods for surveying infection control procedures. **In** ~~On June 29,~~ 2022, CMS ~~announced~~ updated guidance for Phase 2 and 3 of the requirements of participation, discussed in greater detail in Item 1., under Government Regulation. The application of CMS' s new guidance could result in more aggressive and stringent surveys, and potential fines, penalties, sanctions, or administrative actions taken against our independent subsidiaries. Also described in Item 1., under Government Regulation, the Interoperability Final Rule and its changes intended to facilitate data exchange between and among patients, providers, and payors, will be implemented beginning in 2026 and must be fully implemented by January 1, 2027. This rule and the greater access to and use of data between and among payors transmitting funds for state and federal healthcare programs, may also trigger additional scrutiny or review of facilities such as ours, and may adversely affect our reimbursement paid through state and federal programs including Medicaid. CMS announced a new nationwide audit the " SNF 5- Claim Probe & Educate Review **,** " in which the Medicare Administrative Contractors will review five claims from each of the facilities to check for compliance with PDPM billings, which could result in individual claim payment denials if errors are identified. All facilities that are not undergoing Targeted Probe and Educate (TPE) reviews, or have not recently passed a TPE review, will be subject to the nationwide audit. Private **payors** ~~pay sources~~ also reserve the right to conduct audits. We believe that billing and reimbursement errors and disagreements are common in our industry, and thus we are regularly engaged in reviews, audits and appeals of our claims for reimbursement due to the subjectivities inherent in the process related to patient diagnosis and care, record keeping, claims processing and other aspects of the patient service and reimbursement processes, and the errors and disagreements those subjectivities can produce. An adverse review, audit or investigation could result in: • an obligation to refund amounts previously paid to us pursuant to the Medicare or Medicaid programs or from private payors, in amounts that could be material to our business; • state or federal agencies imposing fines, penalties or other sanctions on us; • temporary or permanent loss of our right to participate in the Medicare or Medicaid programs or one or more private payor networks; • an increase in private litigation against us; and • damage to our reputation in the geographies served by our independent subsidiaries. Although we have always been subject to post- payment audits and reviews, more intensive " probe reviews " performed by Medicare administrative contractors in recent years appear to be a regular procedure with our fiscal intermediaries. All findings of overpayment from CMS contractors are eligible for appeal. With the exception of rare findings of overpayment related to objective errors in Medicare payment methodology or claims processing, we utilize all defenses reasonably available to us to demonstrate that the services provided meet all clinical and regulatory requirements for reimbursement. In cases where claim and documentation review by a CMS contractor results in repeated unsatisfactory results, an operation can be subjected to protracted regulatory oversight. This CMS oversight may include education and sampling of claims, extended pre- payment review, referral of the operating business to recovery audit or integrity contractors, or extrapolation of an error rate to other reimbursement made outside of specifically reviewed claims. Ongoing failure to demonstrate improvement towards meeting all claim filing and documentation requirements could ultimately lead to Medicare decertification. As of December 31, ~~2023~~ **2024** and through the filing date of this report, ~~40~~ **18** of our independent subsidiaries had **multi- claim** reviews scheduled or in process, either pre- or post- payment. We anticipate that these reviews could increase in frequency in the future. Additionally, both federal and state government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing investigations of healthcare companies and, in particular, SNFs. The focus of these investigations includes, among other things, billing and cost reporting practices; quality of care provided; financial relationships with referral sources; and the medical necessity of rendered services. For example, refer to the matter discussed in **Part I,** Item 3. **,** Legal Proceedings. If we should agree to a settlement of claims or obligations under Medicare statutes, the FCA, or similar federal or state statutes and related regulations, our business, financial condition and results of operations and cash flows could be materially and adversely affected, and our stock price could be adversely impacted. Among other things, any settlement or litigation could involve the payment of substantial sums to settle any alleged civil violations and may also include our assumption of specific procedural and financial obligations going forward under a corporate integrity agreement or other arrangement with the government. If the government or a court were to conclude that errors and deficiencies constitute criminal violations and / or that such errors and deficiencies resulted in the submission of false claims to federal healthcare programs, or were to discover other problems in addition to the ones identified by the probe reviews that rose to actionable levels, we and certain of our officers might face potential criminal charges and civil claims, administrative sanctions and penalties for amounts that could be material to our business, results of operations and financial condition. In addition, we or some of the key personnel of our independent subsidiaries could be temporarily or permanently excluded from future participation in state and federal healthcare reimbursement programs such as Medicaid and Medicare. If any of our independent subsidiaries is decertified or loses its licenses, our revenue, financial condition or results of operations would be adversely affected. In addition, the report of such issues at any of our independent subsidiaries could harm our reputation for quality care and lead to a reduction in the patient referrals to and ultimately a reduction in occupancy at these facilities. Also, responding to auditing and enforcement efforts diverts material time, resources and attention away from our management team and our staff, and could have a materially detrimental impact on our results of operations during and after any such investigation or proceedings, regardless of whether we

prevail on the underlying claim. We, along with other companies in the healthcare industry, are required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things: • licensure and certification; • disclosure of ownership and affiliated parties; • adequacy and quality of healthcare services; • qualifications of healthcare and support personnel; • state- specified and potential federal mandates for specific nurse staffing levels; • quality and maintenance of medical equipment and facilities; • confidentiality, maintenance and security issues associated with medical records and claims processing; • relationships with physicians and other referral sources and recipients; • constraints on protective contractual provisions with patients and third- party payors; • operating policies and procedures; • addition of facilities and services; and • billing for services. The laws and regulations governing our operations, along with the terms of participation in various government programs, regulate how we conduct our business, the services we offer, and our interactions with patients and other healthcare providers. These laws and regulations are subject to frequent change. As noted above, the Biden- Harris Administration ~~has~~ called upon HHS and CMS to study and propose new rules regarding staffing requirements and reimbursement for the nursing home industry, including tying reimbursement to staffing levels, salary, benefits, and retention **. The change in Presidential Administration, including changes to the leadership of HHS and CMS, may not result in any change, abatement, or reduction in the enforcement of these policies, and instead could lead to even greater scrutiny** . CMS' s recently finalized ownership transparency rule **, and similar state disclosure requirements such as California' s** , discussed in Item 1., under Government Regulation, may provide an additional basis for further investigation, administrative action and ultimately fines, penalties, or sanctions if finalized, and may dissuade parties from working with us or our independent subsidiaries due to the reporting and disclosure obligations of being an Additional Disclosable Party under that final rule. We believe that such regulations that may adversely affect our business, operation and profitability **. The quantity and scope of these regulations** may increase in the future **,** and we cannot predict the ultimate content, timing or impact on us of any healthcare reform legislation. If we fail to comply with these applicable laws and regulations, or their interpretations as determined by courts or enforced by regulators, we could suffer civil or criminal penalties and other detrimental consequences, including denial of reimbursement, imposition of fines, temporary suspension of admission of new patients, suspension or decertification from the Medicaid and Medicare programs, restrictions on our ability to acquire new facilities or expand or operate existing facilities, the loss of our licenses to operate and the loss of our ability to participate in federal and state reimbursement programs. Additionally, in the future, different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. As discussed in greater detail in Item 1., under Government Regulation, we are subject to federal and state laws intended to prevent healthcare fraud and abuse. Possible sanctions for violation of any of these laws and regulations include loss of eligibility to participate in federal and state reimbursement programs and civil and criminal penalties. If we fail to comply, even inadvertently, with any of these requirements, we could be required to alter our operations, refund payments to the government, enter into a corporate integrity agreement, deferred prosecution or similar agreements with state or federal government agencies, and become subject to significant civil and criminal penalties. These anti- fraud and abuse laws and regulations are complex, and we do not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. While we do not believe we are in violation of these prohibitions, we cannot assure you that governmental officials charged with the responsibility for enforcing these prohibitions will not assert that we are violating the provisions of such laws and regulations. ~~Our company is currently aware of litigation filed by an individual related to allegations that certain of our independent SNFs may have violated the FCA or the AKS with respect to the relationships between certain SNFs and persons who served as medical directors. While our independent subsidiaries maintain policies and procedures to promote compliance with the FCA, the AKS, and other applicable regulatory requirements, we cannot predict when the investigation will be resolved, the outcome of the investigation or its potential impact on our company. On September 1, 2023, CMS issued a proposed rule setting forth proposed minimum nurse staffing requirements for SNFs. As discussed in more detail in Item 1., under Government Regulation, this proposed rule contains three primary staffing proposals: 1) minimum nurse staffing standards of 0. 55 HPRD for RNs and 2. 45 HPRD for NAs; 2) a requirement to have a RN on- site 24 hours per day, seven days per week; and 3) requirements for enhanced facility assessments. The proposed rule features a staggered implementation of these requirements, with potential accommodations for facilities that can demonstrate financial hardship and a delayed implementation schedule for rural facilities. Within this proposed rule, CMS also seeks comments about other staffing models, including alternate, higher standards for imposing staffing minimums, which will have a potentially adverse effect on our operations and profitability, the extent of which currently is not known. Pending legislation in both the House of Representative and the Senate has been introduced to prevent CMS' s proposed minimum staffing rule from taking effect, however the outcome of this legislation is unknown and we cannot predict proposed legislation might be finalized.~~ We are unable to predict the future course of federal, state and local regulation or legislation, including as it pertains to Medicare, Medicaid, or fraud and abuse laws, and how they are enforced. Changes in the regulatory framework, our failure to obtain or renew required regulatory approvals, credentials, qualifications, or licenses or to comply with applicable regulatory requirements, or the imposition of other enforcement sanctions, fines or penalties could have a material adverse effect upon our business, financial condition or results of operations. Furthermore, should we lose licenses or certifications for a number of our facilities or other businesses as a result of regulatory action or legal proceedings, we could be deemed to be in default under some of our agreements, including agreements governing outstanding indebtedness. Public and government calls for increased survey and enforcement efforts toward SNFs, **past** and potential rulemaking that ~~may result~~ **results** in enhanced enforcement and penalties, could result in increased scrutiny by state and federal survey agencies. In addition, potential sanctions and remedies based upon alleged regulatory deficiencies could negatively affect our financial condition and results of operations. ~~As~~ CMS ~~turns~~ **' s efforts to enhance** its ~~attention to enhancing~~ **enforcement powers and increase** enforcement activities towards SNFs, as discussed in Item 1., under Government Regulation, **result in** state survey

agencies **having** ~~will have~~ more accountability for their survey and enforcement efforts. ~~The~~ **Within the SNF PPS FY 2025 Final Rule, CMS obtained greater ability to impose monetary penalties upon SNFs for incident- based and day- based violations of CMS' s conditions of participation. Further, the** enhanced penalties against SFFs under the Biden- Harris Administration ~~, discussed in greater detail in Item 1., under Government Regulation, represents~~ **represented** further federal calls for **transparency,** oversight and penalties for low- ranked and underperforming SNFs **. These policies may prove to be popular, effective, or otherwise desirable and might not change with a new Presidential Administration, including under new leadership of HHS and CMS** . These enhanced penalties and enforcement activities precedes greater focus by CMS in obtaining oversight over SFFs, and continuing that oversight even after those SFFs improve, and subjecting them to more exacting and routine oversight. The likely result may be more frequent surveys of our independent subsidiaries, with more substantial penalties, fines and **other** consequences if they do not perform well. For low- performing facilities in the SFF program, the standards for successfully emerging from that program and not being subject to ongoing and enhanced government oversight will be higher and measured over a longer period of time, prolonging the risks of monetary penalties, fines and potential suspension or exclusion from the Medicare and Medicaid programs. ~~As discussed in Item 1., under Government Regulation, from~~ **From** time to time in the ordinary course of business, we receive deficiency reports from state and federal regulatory bodies resulting from such inspections or surveys. CMS' s updated guidance to these surveyors incorporate recent changes to CMS' s methods for surveying infection control procedures. Additionally, CMS' s recently finalized rule requiring disclosure of ownership and financial relationships between nursing facilities and property owners or management entities, as well as other state rules over ownership transparency, may provide an additional basis for further investigation, administrative action, and ultimately fines, penalties, or sanctions and could dissuade individuals and businesses from doing business with us or our independent subsidiaries. Although most inspection deficiencies are resolved through an agreed- upon plan of corrective action, the reviewing agency typically has the authority to take further action against a licensed or certified facility. These remedial actions could result in the imposition of fines, imposition of a license to a conditional or provisional status, suspension or revocation of a license, suspension or denial of payment for new admissions, loss of certification as a provider under state or federal healthcare programs, or imposition of other sanctions, including criminal penalties. In the past, we have experienced inspection deficiencies that have resulted in the imposition of a provisional license and could experience these results in the future. Furthermore, in some states, citation of one independent ~~subsidiaries~~ **subsidiary** could negatively impact other independent subsidiaries in the same state. Revocation of a license at a given facility could therefore impair our ability to obtain new licenses or to renew, or maintain, existing licenses at other facilities, which may also trigger defaults or cross- defaults under our leases and our credit arrangements, or adversely affect our ability to operate or obtain financing in the future. CMS' s ~~proposed~~ rules requiring disclosure of ownership, management and the owners of real property lessors or sublessors, which are greater and more intrusive than existing disclosure requirements heighten this risk. Our failure to comply with applicable legal and regulatory requirements in any single facility could negatively impact our financial condition and results of operations. From time to time, we have opted to voluntarily stop accepting new patients pending completion of a **revisit** ~~new state~~ survey, in order to avoid possible denial of payment for new admissions during the deficiency cure period, or simply to avoid straining staff and other resources while retraining staff, upgrading operating systems or making other operational improvements. If we elect to ~~voluntary~~ **voluntarily** close any operations in the future or to opt to stop accepting new patients pending completion of a state or federal survey, it could negatively impact our financial condition and results of operation. We have received notices of potential sanctions and remedies based upon alleged regulatory deficiencies from time to time, and such sanctions have been imposed on some of our independent subsidiaries. We have had independent subsidiaries placed on SFF status in the past and other independent subsidiaries may be identified for such status in the future. We currently have ~~one~~ **no** ~~facility~~ **facilities** placed on SFF status. As discussed in ~~discussed in~~ greater detail in Item 1., under Government Regulation, in ~~October of~~ 2022 CMS updated the SFF program with the intent to reduce the amount of time a SNF spends as an SFF and increase the number of nursing homes that progress through the SFF program **. The OIG has been studying the SFF program, including its 2022 updates, to understand the program' s outcomes, identify factors that aided SFFs that successfully graduated the SFF program with sustained quality improvements, and make further changes based on the data obtained in this study. In June of 2024, the OIG added the SFF program to ts Work Plan for continued attention** . CMS clarified certain details of the SFF program updates in 2023 and how they are to be implemented by each state survey agency (SA). As part of the revisions to the SFF program, a priority in revising the SFF program was to address " yo- yo " noncompliance of SNFs that would graduate from the SFF program only to later see their compliance and quality measures regress after graduation, potentially requiring readmission to the SFF program. Among the measures implemented to avoid this issue of " yo- yo " noncompliance was a three- year ~~lookback~~ **look- back** period for facilities that graduate from the SFF program to ensure that the quality and compliance improvements achieved through the SFF program were sustained. Facilities that graduate from the SFF program but continue to demonstrate poor compliance as evidenced by any SA' s survey, such as for actual harm, substandard quality of care, or immediate jeopardy deficiencies, may be subject to enhanced enforcement by CMS, up to and including termination from the Medicare and / or Medicaid programs. This three- year ~~lookback~~ **look- back** for sustained improvements by facilities that graduate the SFF program poses risk for our independent subsidiaries, specifically those that may be subject to the SFF program or that have been subject to the SFF program in the past. As of December 31, ~~2023~~ **2024** , we have three facilities **that** graduated from the SFF program within the past three years. First, for SNFs that are selected by CMS for participation in the SFF program, or which currently are in the SFF program, even graduation from the program is no longer an assurance that the SNF will be able to continue its operations. Even one survey with a significant compliance deficiency, such as actual harm or an immediate jeopardy deficiency, may result in CMS — acting solely within its discretion — terminating the SNF' s Medicare or Medicaid participation, likely triggering the termination of other payor contracts and rendering the facility economically unviable. Second, ~~and relatedly,~~ for SNFs that have graduated from the SFF program, they

are subject to a three- year period of enhanced scrutiny where adverse findings by a SA and a single survey' s finding of poor compliance may result in CMS ~~discretionarily~~ **discretionally** terminating that facility' s Medicare and / or Medicaid participation, which would likely cause other payors to terminate their agreements with the facility as well. As a result, the financial and manpower resources needed for graduation from the SFF program may be for nothing if, in the three years following graduation from the SFF program, a SNF receives a poor survey result and ~~permits~~ CMS ~~to impose~~ **imposes** fines and penalties up to the termination of the facility' s Medicare and Medicaid participation. As discussed above, Medicare and Medicaid represent significant sources of payment for our independent subsidiaries. Any of our facilities' loss of a Medicare or Medicaid contract would significantly harm the financial performance of that facility. Additionally, if CMS perceived there to be common upstream ownership of multiple facilities that were participants in or graduates of the SFF program, CMS may seek to take enforcement actions against those other facilities due to their common ownership based on another facility' s deficiencies after graduating the SFF program, with CMS imposing penalties up to and potentially including termination of those SNFs' participation in the Medicare and / or Medicaid programs. On ~~September 1~~ **April 22** , ~~2023~~ **2024** , CMS issued ~~a proposed~~ **the Staffing** ~~rule~~ **Rule , establishing** ~~setting forth proposed~~ minimum ~~nurse~~ staffing ~~requirements~~ **standards** for SNFs. As discussed in more detail in Item 1., under Government Regulation, ~~this proposed~~ **the Staffing** ~~rule~~ **Rule** contains three primary staffing ~~proposals: 1) minimum nurse staffing standards of 0. 55 HPRD for RNs and 2. 45 HPRD for NAs; 2) a requirement~~ **requirements which are phased in over the next several years. Due** to ~~have a RN on~~ **pending legislation in both the House of Representatives and the Senate, industry litigation filed to dispute the Staffing Rule' s validity and enforceability, as well as the long phase** ~~-~~ **in of the Staffing Rule' s** ~~site 24 hours per day, seven days per week; and 3)~~ requirements **,** ~~for enhanced facility assessments. The proposed rule features a staggered implementation of these~~ -- **the** ~~requirements, with potential accommodations for facilities that can demonstrate financial hardship and a delayed implementation schedule for rural facilities. Within this proposed rule, CMS also seeks comments about other staffing models, including alternate, higher standards for imposing staffing minimums, which will have a potentially adverse effect on our operations and profitability, the extent of which currently is not known. While the full effects of these proposed federal staff level minimums are not fully known at this time, the expected effects likely will be studied by industry groups in the coming months, to include within responsive comments submitted to CMS for consideration while any final rule is being prepared. The~~ exact effects of ~~these~~ -- **the** ~~proposed minimum staffing~~ **Staffing** ~~levels~~ **Rule** cannot **yet** be ascertained **. Given** ~~without a final rule that will specify~~ the ~~required number~~ **pending legislation before both houses** of ~~staff~~ **Congress, change in control of the Presidency, changes in leadership of HHS and CMS, and change in control of the Senate following the 2024 presidential election, future developments may significantly alter** ~~for~~ -- **or even halt** the **implementation of the Staffing Rule. However** ~~Company' s independent subsidiaries to comply with such a regulation~~ , we expect that ~~such a mandate~~ **the Staffing Rule in its current form** will have adverse financial consequences upon our business **unless or until** ~~. Depending on the requirements of a final mandate and the time period over which its~~ - **it is repealed** ~~requirements are phased in~~ , ~~we~~ **enjoined, or otherwise prevented from taking effect. We** may be required to hire substantially more staff members, particularly nurse practitioners, registered nurses, ~~licensed practical nurses~~ and nursing aides than currently staffed. Additionally, **the Staffing Rule** ~~a federal mandate of this nature~~ would place similar pressure on our competitors and result in sudden, expanded demand for nursing staff across the SNF industry. This sudden demand across the SNF industry may exacerbate an already difficult labor market, with demand for nursing staff far outstripping the supply of qualified individuals, and the salary requirements of both current and prospective staff increasing markedly to increase the likelihood of recruiting and retaining skilled caregivers. Future cost containment initiatives undertaken by private third- party payors may limit our revenue and profitability. Our non- Medicare and non- Medicaid revenue and profitability are affected by continuing efforts of third- party payors to maintain or reduce costs of healthcare, such as by lowering payment rates, narrowing the scope of covered services, increasing case management review of services and negotiating pricing. In addition, sustained unfavorable economic conditions may affect the number of patients enrolled in managed care programs and the profitability of managed care companies, which could result in reduced payment rates. Third- party payors may not make timely payments for our services, and we may be unable to maintain our current payor or revenue mix. We are continuing our efforts to develop our non- Medicare and non- Medicaid sources of revenue and any changes in payment levels from current or future third- party payors could have a material adverse effect on our business and consolidated financial condition, results of operations and cash flows. As discussed in greater detail in Item 1., under Government Regulation, MACRA revised the payment system for physician and non- physician services. The changes to the therapy caps imposed on Medicare Part B outpatient therapy from this law have been changed by the BBA, and are subject to future budgetary changes through rulemaking and legislation, resulting in ongoing uncertainty regarding payment for these Medicare Part B services. Under **both** the ~~CY~~ 2024 **and 2025** ~~PF~~ **PFS** Final ~~Rule~~ **Rules** , reductions in conversion factor, payments to providers and conditions imposed in exchange for higher payments may impose operational requirements and working conditions that further detract from and reduce our financial performance. Similarly, new final rules concerning the PACE program and the information it will collect from our independent subsidiaries may adversely affect the risk- adjusted reimbursement ~~. We face numerous risks related to the COVID- 19 PHE' s expiration and surrounding wind- down and uncertainty, which could individually or in the aggregate have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. The extent to which the COVID- 19 PHE' s termination will affect our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The remains uncertainty as to what changes will be made to HHS' s emergency response requirements for our SNFs and senior living facilities in order to better respond to the issues experienced during the COVID- 19 PHE. Additionally, the expiration of the Emergency Waivers and other flexibilities allowed under the COVID- 19 PHE create the risk of non- compliance and delays in operation as more attention is required to ensure that our operations comply with applicable laws and regulations. As discussed in Item 1., under Government Regulation, federal, state and local regulators implemented new regulations and waived existing~~

~~regulations to promote care delivery during the COVID- 19 PHE, which ended as of May 11, 2023. The ending of the Emergency Waivers and wind- down of other flexibilities may require and continue to require operational change requirements on short notice. The reinstatement of waived state and federal regulations has not occurred simultaneously, requiring heightened monitoring to ensure compliance. We and our independent subsidiaries may face continued challenges from ongoing infection control and emergency preparedness requirements made part of state laws or regulations as a result of the COVID- 19 endemic. Additionally, the long- term effects of the COVID- 19 pandemic may include long- term decline in demand for care in SNFs and senior living facilities, which will be borne out only through time. The extent and duration of the impact of the COVID- 19 pandemic on our stock price is uncertain, our stock price may be more volatile, and our ability to raise capital could be impacted~~ . HIPAA, as amended by the HITECH Act, requires us to adopt and maintain business procedures and systems designed to protect the privacy, security and integrity of patients' individual health information, in addition to state laws governing the privacy of patient information. We must comply with these state privacy laws to the extent that they are more protective of healthcare information or provide additional protections not afforded by HIPAA. The regulations enacting HIPAA periodically change and the last proposed change was issued in late 2022. ~~This proposed rulemaking~~ **In 2024, CMS published the Interoperability Final Rule, which affects the data standards and APIs that entities** may ~~be made~~ **use. Additionally, CMS issued its** final ~~in 2023 and, if adopted as proposed,~~ **rule updating the separate confidentiality requirements for Substance Use Disorder (SUD) records maintained. Changes to these regulations** may require our independent subsidiaries to modify certain policies, procedures and practices regarding the disclosure of residents' information. If we fail to comply with these state and federal laws, we could be subject to criminal penalties, civil sanctions, litigation, and be forced to modify our policies and procedures, in addition to undertaking costly breach notification and remediation efforts, as well as sustaining reputational harm. In addition to breaches of protected patient information, under HIPAA and the 21st Century Cures Act (Cures Act) and other federal regulations, healthcare entities are also required to afford patients with certain rights of access to their health information and to promote sharing of patient data between and among healthcare providers involved in the same patient' s course of care. Recently, the Office for Civil Rights, the agency responsible for HIPAA enforcement, has targeted investigative and enforcement efforts on violations of patients' rights of access, imposing significant fines for violations largely initiated from patient complaints. If we fail to comply with our obligations under HIPAA, we could face significant fines. Likewise, if we fail to comply with our obligations under the Cures Act, we could face fines from the Office of the National Coordinator for Health Information Technology, the agency responsible for Cures Act enforcement. Healthcare businesses are increasingly the target of cyberattacks whereby hackers disrupt business operations or obtain protected health information, often demanding large ransoms. **In** ~~At the end of the first quarter of 2023~~ **2024** , ~~the~~ healthcare **was among the most- breached** sector ~~saw a 60 %~~ **of the economy based on publicly disclosed information. The frequency of this activity has** ~~increase~~ **increased precipitously** ~~in the average weekly number of cyberattacks over 2021. By August of 2023, industry observers note that cybersecurity breaches in the healthcare industry had become less frequent, but larger in scope and affecting more patients than the prior year~~ . Our business is dependent on the proper functioning and availability of our computer systems and networks. We cannot assure you that our safety and security measures and disaster recovery plan will prevent damage, interruption or breach of our information systems and operations. Additionally, we cannot control the safety and security of our information held by third- party vendors with whom we contract. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect, and as such we (or third- party vendors) may be unable to anticipate these techniques or implement adequate preventive measures. In addition, hardware, software or applications we (or third- party vendors) develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise the security of information systems. Unauthorized parties may attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud or other forms of deception. **Additionally, the rapid ongoing evolution and increased adoption of emerging technologies such as artificial intelligence and machine learning may make it more difficult to anticipate and implement protective measures to recognize, detect and prevent the occurrence of data breaches, including but not limited to cybersecurity breaches.** On occasion, we have acquired additional information systems through our business acquisitions, and these acquired systems may expose us to risk. We also license certain third- party software to support our operations and information systems. Our inability, or the inability of third- party vendors, to continue to maintain and upgrade information systems and software could disrupt or reduce the efficiency of our operations. In addition, costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of existing systems also could disrupt or reduce the efficiency of our operations. A cyber- attack or other incident that bypasses the security measures of our information systems could cause a security breach, which may lead to a material disruption to our information systems infrastructure or business, significant costs to remediate (e. g., data recovery) and may involve a significant loss of business or patient health information. If a cyber- attack or other unauthorized attempt to access our systems or facilities were successful, it could also result in the theft, destruction, loss, misappropriation or release of confidential information or intellectual property, and could cause operational or business delays that may materially impact our ability to provide various healthcare services. Any successful cyber- attack or other unauthorized attempt to access our systems or facilities also could result in negative publicity which could damage our reputation or brand with our patients, referral sources, payors or other third parties and could subject us to a number of adverse consequences, the vast majority of which are not insurable, including but not limited to, disruptions in our operations, regulatory and other civil and criminal penalties, fines, investigations and enforcement actions (including, but not limited to, those arising from the SEC, **FTC** ~~Federal Trade Commission~~ , **OCR** ~~Office of Civil Rights~~ , the OIG or state attorneys general), fines, private litigation with those affected by the data breach (including class action litigation), loss of customers, disputes with payors and increased operating expense, which either individually or in the aggregate could have a material adverse effect on our business, financial position, results of operations, liquidity, and stock price. We may not be fully

reimbursed for all services for which each facility bills through consolidated billing, which could adversely affect our revenue, financial condition and results of operations. SNFs are required to perform consolidated billing for certain items and services furnished to patients and residents. The consolidated billing requirement requires the SNF to effectively bill for the entire package of care that its patients receive in these situations. ~~Post- hospitalization skilled nursing services must be " bundled " into the hospital' s diagnostic related group (DRG) payment in certain circumstances, in which case the hospital and SNF must effectively divide the payment that otherwise would have been made to the hospital. Although this practice is uncommon, it adversely affects SNF utilization and payments, whether due to the practical difficulty of this apportionment or hospitals being reluctant to lose revenue by discharging patients to a SNF.~~ If more payments are required to be bundled in the future, this trend may continue, with our SNFs not receiving full reimbursement for all the services they provide, and have a further adverse effect on SNF utilization and revenue. Increased competition for, or a shortage of, nurses and other skilled personnel could increase our staffing and labor costs and subject us to monetary fines. Our success depends upon our ability to retain and attract nurses and other skilled personnel, such as Certified Nurse Assistants, social workers and speech, physical and occupational therapists, as well as skilled management personnel responsible for day- to- day facility operation. Each facility has a facility leader responsible for the overall day- to- day operations of the facility, including quality of care, social services and financial performance. Depending upon the size of the facility, each facility leader is supported by facility staff who are directly responsible for day- to- day care of the patients, marketing and community outreach programs. Other key positions supporting each facility may include individuals responsible for physical, occupational and speech therapy, food service and maintenance. We compete with various healthcare service providers, including other skilled nursing providers, in retaining and attracting qualified and skilled personnel. Our independent SNFs are located in the states of **Alabama,** Arizona, California, Colorado, Idaho, Iowa, Kansas, Nebraska, Nevada, South Carolina, Tennessee, Texas, Utah, Washington and Wisconsin. All states follow the current federal regulation relative to staffing, which establishes that SNFs are required to staff to meet the needs of the residents present in the facility. In addition, several states have established minimum staffing requirements for facilities operating in those states. Failure to comply with these requirements can, among other things, jeopardize a facility' s compliance with the conditions of participation under relevant state and federal healthcare programs. If a facility is determined to be out of compliance with these requirements, it may be subject to a notice of deficiency, a citation, or a significant fine or litigation risk, with penalties including the suspension of patient admissions and the termination of Medicaid participation, or the suspension, revocation or non- renewal of the SNF' s license. ~~On September 1, 2023, CMS published a long- awaited proposed rule setting forth proposed SNF minimum staffing requirements at the federal level. In relevant part, these proposed federal standards require 1) minimum nurse staffing standards of 0. 55 HPRD for RNs and 2. 45 HPRD for NAs; and 2) a requirement to have a RN on- site 24 hours per day, seven days per week. This proposed rule contains numerous other provisions discussed in more detail in Item 1., under Government Regulation. Comments are still being submitted for this proposed rule, and the substance of both the comments and any revisions to the later- issued final rule setting forth minimum staffing requirements may influence the effect that this rule has on our business and its financial performance.~~ Nonetheless, for the federal government or any state government to materially change the way compliance with the minimum staffing standard is calculated or enforced, our labor costs could increase and the current shortage of healthcare workers could impact us more significantly. The broader labor market where we compete is in a state of disequilibrium where the needs of businesses such as ours outstrip the supply of available and willing workers. There is additional upward pressure on wages from different industries and more generally due to the current rate of inflation. Some of these industries compete with us for labor and others that do not, which makes it difficult to make significant hourly wage and salary increases due to the fixed nature of our reimbursement under insurance contracts as well as Medicare and Medicaid, in addition to our increasing variable costs. Due to the limited supply of qualified applicants who seek or are willing to accept employment, these broader concerns, may increase our labor costs or lead to potential staffing shortages, reduced operations to comply with applicable laws and regulations, or difficulty complying with those laws and regulations at current operational levels. Federal laws and regulations, ~~including~~ **such as** the ~~proposed minimum nurse staffing~~ **Staffing Rule** ~~levels if they are made final~~ , may increase our costs of maintaining qualified nursing and skilled personnel, or make it more difficult for us to attract or retain qualified nurses and skilled staff members. Proposed legislation, such as the previously proposed Nursing Home Improvement Act and the proposed HCBS Access Act, may make it more expensive to compete for, hire, and retain nursing staff, if passed into law in substantially the same form as previously introduced to Congress. The Biden- Harris Administration **sought** ~~' s desire~~ to increase staffing level requirements for the nursing home industry and to tie reimbursement to the salary, benefits, and retention of staff ~~also~~ **, which** may increase our labor costs **. The change in Presidential Administration may not result in a change in this policy, and instead it is possible that HHS and CMS, under new leadership, could impose more stringent requirements for staffing** . CMS has published guidance to surveyors addressing topics that specifically include nurse staffing and collection of payroll data to evaluate appropriate staffing levels, which may lead to future ~~regulation~~ **regulations** that increase our staffing requirements and labor costs or lower revenues. Similar state- level requirements in the states where our independent SNFs operate, whether such requirements are passed by statute, regulation, or executive order, may result in a shortage or inability to obtain nurses and skilled staff. Prior concerns about the COVID- 19 vaccination IFR may be abated by the Omnibus Final Rule' s withdrawal of that IFR. The withdrawal of the COVID- 19 vaccination IFR may allow for nursing and other personnel unwilling to receive the COVID- 19 vaccination to re- enter the workforce for Medicare- certified facilities and increase the pool of hirable talent. Increased competition for, or a shortage of, nurses or other trained personnel, or general ongoing inflationary pressures may require that we enhance our pay and benefits packages to compete effectively for such personnel. Turnover rates and the magnitude of the shortage of nurses or other trained personnel vary substantially from ~~facility~~ **operation** to **operation** ~~facility,~~ and may adversely affect those ~~facilities~~ **operations** ' quality ratings based on data reported to CMS. In addition, state laws regarding minimum wage increases, such as California' s minimum wage increases for both ~~health~~ **healthcare** ~~care~~ and fast- food workers, may

intensify competition for unskilled labor in both skilled and unskilled settings. For skilled workers within the skilled care market where we operate, the costs of skilled labor, which are already greater than unskilled labor, could increase further. Similarly, the increased minimum wage of unskilled labor will not only increase the cost of unskilled labor ~~,~~ but may also have effects that dissuade workers from training to join the skilled workforce to earn higher wage growth, resulting in a smaller pool of available skilled workers and further increased competition — and higher wages — for them. If we fail to attract and retain qualified and skilled personnel, our ability to conduct our business operations could be harmed. Annual caps and other cost-reductions for outpatient therapy services may reduce our future revenue and profitability or cause us to incur losses. As discussed in detail in Item 1., under Government Regulation, sub- heading Part B Rehabilitation Requirements, several government actions have been taken in recent years to try and contain the costs of rehabilitation therapy services provided under Medicare Part B, including the MPPR, institution of annual caps, mandatory medical reviews for annual claims beyond a certain monetary threshold, and a reduction in reimbursement rates ~~for therapy assistant claim modifiers~~ . Of specific concern has been CMS efforts to lower Medicare Part B reimbursement rates for outpatient therapy services **, which are reduced by 2. 83 %** in **the** ~~2021~~ **2025 PFS Final Rule** ~~, 2022 and 2023~~ . Such cost- containment measures and ongoing payment changes could have an adverse effect on our revenue. The Office of the Inspector General or other regulatory authorities may choose to more closely scrutinize billing practices in areas where we operate or propose to expand, which could result in an increase in regulatory monitoring and oversight, decreased reimbursement rates, or otherwise adversely affect our business, financial condition and results of operations. As discussed in greater detail in Item 1., under Government Regulation, Civil and Criminal Fraud and Abuse Laws and Enforcement, the OIG regularly conducts investigations regarding certain payment or compliance issues within the healthcare industry. The OIG identified SNF compliance as an issue of concern in its 2021 ~~and~~ **,** 2022 **, 2023 and 2024** semi-annual reports to Congress **. In June 2024** , ~~and~~ **the OIG continued to focus on SNFs, adding the SFF Program to** its **Work Plan. The OIG' s** January 2023 study regarding SNF emergency preparedness identified the need for further oversight and addition of SNF emergency readiness to the OIG' s **fall** 2023 work plan. In November of 2023, OIG added to its work plan an audit of nursing homes' nurse staffing hours reported in CMS' s payroll- based journal, for which OIG expects to issue a report in FY 2025. Nursing homes were also a topic of discussion in the OIG' s 2023 semiannual report to Congress, which emphasized the continued protection and oversight of care that nursing facilities provide to residents. Among other things, the OIG **recommended attention to the rate of reimbursement for professional services rendered within facilities. The OIG' s reports to Congress have also** recommended a reduction in the use of psychotropic drugs in nursing homes and urged CMS to evaluate the appropriateness of psychotropic drug use among residents, including the use of data to identify nursing homes with higher rates of use for potential further scrutiny and action. Based on this information, SNFs in particular are potential targets for more robust scrutiny and examination by regulators. ~~Recent~~ **Prior** publications and statements by the Biden- Harris Administration have also called for greater scrutiny of SNF facilities **. Following the 2024 presidential election, it is not yet known whether the new Presidential Administration will follow the same policies and seek further or escalating scrutiny of SNFs, or whether it will retain any or all of the Biden- Harris Administration' s priorities regarding SNFs** . To respond to the local community needs and the shifting of higher acuity patients from the acute care setting to the SNF setting, over time our overall patient mix has consistently shifted to higher acuity and higher- resource utilization patients in most facilities we operate. We also use specialized care- delivery software that assists our caregivers in more accurately capturing and recording activities of daily living services, among other things. These efforts may place us under greater scrutiny with the OIG, CMS, our fiscal intermediaries, recovery audit contractors and others. Some states require healthcare providers, including SNFs, to obtain prior approval, known as a certificate of need, for: (1) the purchase, construction or expansion of healthcare facilities; (2) capital expenditures exceeding a prescribed amount; or (3) changes in services or bed capacity. Other states that do not require certificates of need have effectively barred the expansion of existing facilities and the establishment of new ones by placing partial or complete moratoria on the number of new Medicaid beds those states will certify in certain areas or throughout the entire state. Still other states have established such stringent development standards and approval procedures for constructing new healthcare facilities that the construction of new facilities, or the expansion or renovation of existing facilities, may become cost- prohibitive or extremely time- consuming. In addition, some states require the approval of the state Attorney General for acquisition of a facility being operated by a non- profit organization. Our ability to acquire or construct new facilities or expand or provide new services at existing facilities would be adversely affected if we are unable to obtain the necessary approvals, if there are changes in the standards applicable to those approvals, or if we experience delays and increased expenses associated with obtaining those approvals. We may not be able to obtain licensure, certificate of need approval, Medicaid certification, state Attorney General approval or other necessary approvals for future expansion projects. Conversely, the elimination or reduction of state regulations that limit the construction, expansion or renovation of new or existing facilities could result in increased competition to us or result in overbuilding of facilities in some of our markets. If overbuilding in the skilled nursing industry in the markets in which we operate were to occur, it could reduce the occupancy rates of existing facilities and, in some cases, might reduce the private rates that we charge for our services. Newly enacted and proposed legislation in the States where our independent subsidiaries are located may affect our operations in terms of individual litigation and the broader regulatory environment. A bill in the State of California was ~~recently~~ signed into law which increases the cap of non- economic damages awarded to plaintiffs who are successful in medical malpractice litigation. The cap increases from $ 0. 25 million to $ 0. 35 million beginning on January 1, 2023, then increases over the following 10 years until the cap reaches a maximum of $ 0. 75 million, with further adjustments for inflation. In wrongful death cases, the cap increases from $ 0. 25 million to $ 0. 5 million on January 1, 2023, with incremental increases over the following 10 years until the cap reaches a maximum of $ 1. 0 million, with adjustments for inflation. Due to California' s influence on other states, other jurisdictions where we operate **have enacted and** may enact similar laws **in the future** . Similar to the potential incentive of increased damages caps, ~~the~~ **recent** Supreme Court ~~' s recent decision~~ **decisions** ~~in certain case~~ may increase public interest in potential claims against SNFs and senior living

facilities, particularly pertaining to specific civil rights claims against governmental actors rather than general liability claims against privately owned SNFs such as those operated by our independent subsidiaries. While there may be additional claims and litigation that arise from the Supreme Court' s decision that have an adverse impact on our cash flow, it is not expected that the decision will have a significant impact on our business. Another example, California' s adoption of the Skilled Nursing Facility Ownership and Management Reform Act of 2022, discussed in Item 1., Government Regulation, imposes new requirements for obtaining licenses to operate SNFs. These new requirements may delay or limit the ability to obtain new SNF licenses within that state, whether through acquisition of existing facilities or opening a new facility. This new law' s obligations may increase the costs of obtaining licensure, make applications more time- consuming and complex, and may result in civil penalties and other sanctions against our independent subsidiaries in the event they are not compliant with these new licensure application requirements. As a result, this new law may delay or impede growth within California. As with the bill that increases the cap of non- economic damages for medical malpractice litigation, California' s influence on other states may result in this legislation becoming a model for other states and having similar, potentially adverse effects within those jurisdictions as well. ~~More recently~~ **Effective October 2024** , California **law SB525 increased** ~~' s legislature has proposed bills related to increasing~~ the minimum wage for **healthcare** workers **. However** , **the law will only impact SNFs upon passage of a companion bill imposing minimum direct** spending requirements **upon SNFs. For the 2023- 2024 California legislative session, this minimum spending bill took the form of AB1537** and ~~increased disclosure~~ **, as of October 2024 has been placed in suspense without further action. A future bill may still be passed that would trigger SB525' s requirements for healthcare workers in SNFs to receive higher minimum wages** . As discussed in Item 1., Government Regulation, these proposed bills would create new and costly obligations on our independent subsidiaries if they became law and if enacted, would adversely affect our business, operations, and profitability. As another example, Texas passed a bill which partially restored Medicaid state relief funding for SNFs through August 31, 2023, while it also considered legislation that contained direct care spending requirements and ownership, similar to proposed federal rulemaking discussed in Item 1., Government Regulation. While this bill provided financial relief to our independent subsidiaries in Texas, other proposed bills may impose the same regulatory requirements and limitations inherent in both the proposed legislation in other states and the federally proposed rule requiring disclosure of such information in applications and change- of- ownership disclosures, which may adversely affect our business, operations, and profitability. Our independent subsidiaries are subject to a variety of federal and state employment- related laws and regulations, including, but not limited to, the U. S. Fair Labor Standards Act that governs such matters as minimum wages, overtime and other working conditions, the ADA and similar state laws that provide civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, the National Labor Relations Act, regulations of the EEOC, regulations of the Office of Civil Rights, regulations of state attorney generals, family leave mandates and a variety of similar laws enacted by the federal and state governments that govern these and other employment law matters. **Changes to federal and state regulations and** ~~On October 13, 2023, the California Governor signed into law~~ **laws are discussed in more detail in Item** ~~a bill that impacts the minimum wage of healthcare workers. Effective June~~ 1 ~~, 2024, the law raises the minimum wage for California healthcare employees and sets a new standard salary threshold for those who are considered exempt healthcare employees~~ . ~~The bill only becomes effective for SNFs if a patient care minimum spending bill is also passed~~ , **under Government Regulation** ~~which is expected to be introduced in the near future. If the minimum wage that must be paid to SNF employees in California increases, this would result in increased labor costs and challenges achieving or maintaining profitability within the state. Further, as states raise industry specific minimum wages employees will anticipate higher pay, placing additional pressure on our business to meet wage demands and compete for skilled talent in an already challenging labor market~~ . The Biden- Harris Administration ~~has~~ requested **that** HHS and CMS study and issue proposed rules regarding care- based careers, including improving access to training, increasing the attractiveness of compensation in care- based positions, and improving the retention and career progression of care workers. The **incoming Presidential** ~~administration~~ **Administration ,** ~~has~~ **as** ~~sought proposed rules~~ **well as new leadership of HHS or CMS, may discontinue these studies, discontinue ongoing rulemaking activity, and may pursue significantly different policy- setting and rulemaking priorities** that ~~tie some~~ **do not include any** of ~~these~~ **the** ~~issues~~ **Biden- Harris Administration' s priorities. Simultaneously, certain actions taken under the Biden- Harris Administration** , such as ~~wages~~ **increased enforcement authority by HHS** and ~~retention~~ **CMS** , ~~to Medicare reimbursement for facilities~~ **may be retained and utilized by the incoming Presidential Administration and its new leaders of HHS and CMS** . Other pending legislation, such as the HCBS Access Act, ~~indicate~~ **indicated** a legislative priority of providing funding for care- based careers that may affect our pool of desired workers **. Due to a change of political party control of both houses of Congress, though, such legislation may have a lower likelihood of passing, even if reintroduced in a subsequent congress** . Rising operating costs due to labor shortages, greater compensation and incentives required to attract and retain qualified personnel and higher- than- usual inflation on items including energy, utilities, food and other goods used in our facilities and the costs for transporting these items could increase our cost and decrease our profits. ~~On September 1, 2023, CMS published a long- awaited proposed rule setting forth proposed SNF minimum staffing requirements at the federal level. In relevant part, these proposed federal standards require 1) minimum nurse staffing standards of 0. 55 HPRD for RNs and 2. 45 HPRD for NAs; and 2) a requirement to have a RN on- site 24 hours per day, seven days per week. This proposed rule contains numerous other provisions discussed in more detail in Item 1., under Government Regulation. Comments are still being submitted for this proposed rule, and the substance of both the comments and any revisions to the later- issued final rule setting forth minimum staffing requirements may influence the effect that this rule has on our business and its financial performance. Any implementation of this proposed rule, however, is likely to increase demand for labor, including skilled caregivers, increase our costs, and may adversely affect our financial performance.~~ The compliance costs associated with these laws and evolving regulations could be substantial. By way of example, all of our independent subsidiaries are required to comply with the ADA, which has separate compliance requirements for " public accommodations " and " commercial

properties, " but generally requires that buildings be made accessible to people with disabilities. Compliance with ADA requirements could require removal of access barriers and non- compliance could result in imposition of government fines or an award of damages to private litigants. Further legislation may impose additional burdens or restrictions with respect to access by disabled persons. In addition, federal proposals to introduce a system of mandated health insurance and flexible work time and other similar initiatives could, if implemented, adversely affect our operations. We also may be subject to employee- related claims such as wrongful discharge, discrimination or violation of equal employment law ~~. While we are insured for these types of claims, we could be subject to damages that are not covered by our insurance policies or that exceed our insurance limits, and we may be required to pay such damages directly, which would negatively impact our cash flow from operations~~ . The operations of our independent subsidiaries must be licensed under applicable state law and, depending upon the type of operation, certified or approved as providers under the Medicare and / or Medicaid programs. In the process of acquiring or transferring operating assets, our operations must receive change of ownership approvals from state licensing agencies, Medicare and Medicaid as well as third- party payors. Proposed rules regarding the disclosure of SNF facility ownership, if made effective, may increase the scrutiny placed on companies that operate, directly or indirectly, multiple SNFs, and may subject our licensing and approval process to additional scrutiny or delays. If there are any delays in receiving regulatory approvals from the applicable federal, state or local government agencies, or the inability to receive such approvals, such delays or denials could result in delayed or lost reimbursement related to periods of service prior to the receipt of such approvals, which could negatively impact our cash position. Compliance with federal and state fair housing, fire, safety and other regulations may require us to make unanticipated expenditures, which could be costly to us. We must comply with the federal Fair Housing Act and similar state laws, which prohibit us from discriminating against individuals if it would cause such individuals to face barriers in gaining residency in any of our independent subsidiaries. Additionally, the Fair Housing Act and other similar state laws require that we **do not** advertise our services in ~~such~~ a way that **may be discriminatory** ~~we promote diversity and not limit it~~ . We may be required, among other things, to change our marketing techniques to comply with these requirements. In addition, our independent subsidiaries are required to operate in compliance with applicable fire and safety regulations, building codes and other land use regulations and food licensing or certification requirements as they may be adopted by governmental agencies and bodies from time to time. Like other healthcare facilities, our independent SNFs are subject to periodic surveys or inspections by governmental authorities to assess and assure compliance with regulatory requirements. Surveys occur on a regular (often annual or biannual) schedule, and special surveys may result from a specific complaint filed by a patient, a family member or one of our competitors. We may be required to make substantial capital expenditures to comply with these requirements. In some cases, we may be unable to comply with new regulations prior to their effective date exposing us to potential fines or regulatory action. We depend largely upon reimbursement from third- party payors, and our revenue, financial condition and results of operations could be negatively impacted by any changes in the acuity mix of patients in our independent subsidiaries as well as payor mix and payment methodologies. Our revenue is affected by the percentage of the patients of our independent subsidiaries who require a high level of skilled nursing and rehabilitative care, whom we refer to as high acuity patients, and by our mix of payment sources. Changes in the acuity level of patients we attract, as well as our payor mix among Medicaid, Medicare, private payors and managed care companies, significantly affect our profitability. We generally receive higher reimbursement rates for high acuity patients, and payors reimburse us at different rates. For the ~~year~~ **years** ended December 31, **2024 and** 2023 ~~and 2022~~ , **70. 9 % and** 72. 6 % ~~and 73. 7 %,~~ of our revenue was provided by government payors that reimburse us at predetermined rates, respectively. If our labor or other operating costs increase, we will be unable to recover such increased costs from government payors. Accordingly, if we fail to maintain our proportion of high acuity patients or if there is any significant increase in the percentage of the patients of our independent subsidiaries for whom we receive Medicaid reimbursement, our results of operations may be adversely affected. Initiatives undertaken by major insurers and managed care companies to contain healthcare costs may adversely affect our business. These tactics include contracting with healthcare providers to obtain services on a discounted basis. We believe that this trend will continue and may limit reimbursements for healthcare services. If insurers or managed care companies from whom we receive substantial payments were to reduce the amounts they pay for services and we did not wish to accept such reductions, we may lose patients if we choose not to renew our contracts with these insurers at lower rates. Additionally, trade publications within the healthcare industry have reported on the trend of payors using the No Surprises Act as a means to force re- negotiation of reimbursement rates for providers and facilities, leading to litigation between these providers and / or facilities against payors and it may adversely affect us as well. As discussed under Item 1., Government Regulation, the Biden- Harris Administration ~~has~~ requested HHS and CMS conduct studies to evaluate potential staffing, data reporting, employee compensation and retention, and resident experience regulations that may result in a reduction of our revenue from Medicare and Medicaid. CMS first requested information regarding these priorities in 2022 and subsequently published further requests for information from the public in the Federal Register to aid in studies and anticipated rulemaking. **The change in Presidential Administration, including new leadership of HHS and** CMS ~~'~~ **, may result in a change in these priorities, and this prior research and rulemaking may be materially altered or abandoned. Certain results of the Biden- Harris Administration'** s ~~proposed rule~~ **rulemaking, including enhanced enforcement ability, may be retained under the new Presidential Administration. We continue to monitor this area and look for public disclosures from the incoming Presidential Administration and expected heads of HHS and CMS to better anticipate what policy priorities and changes we can expect** regarding **Medicare** ~~disclosure of significant information regarding their ownership, operations, management~~ and ~~the owners of real property leased or subleased by~~ **Medicaid reimbursement, including payment models and factors affecting** our independent subsidiaries **' reimbursement** ~~, may result in additional regulatory requirements~~ for ~~participation in those~~ -- **the** ~~programs~~ **services they provide** . The skilled nursing business involves a significant risk of liability given the age and health of the patients and residents of our independent subsidiaries and the services we provide. The industry has experienced an increased trend in the number and severity of

litigation claims, due in part to the number of large verdicts, including large punitive damage awards. These claims are filed based upon a wide variety of claims and theories, including deficiencies under conditions of participation under certain state and federal healthcare programs. Plaintiffs' attorneys have become increasingly more aggressive in their pursuit of claims against healthcare providers, including skilled nursing providers, employing a wide variety of advertising and solicitation activities to generate more claims. The increased caps on damages awarded in such actions, as discussed above, may trigger a larger number of these lawsuits against our independent subsidiaries in California and other states that adopt similar legislation. The defense of lawsuits has in the past, and may in the future, result in significant legal costs, regardless of the outcome. Additionally, increases to the frequency and / or severity of losses from such claims and suits may result in increased liability insurance premiums or a decline in available insurance coverage levels, which could materially and adversely affect our business, financial condition and results of operations. **In addition to carrying third- party liability insurance, our captive insurance subsidiary provides professional liability and general liability insurance to various independent subsidiaries. See the risk factor titled " Our self- insurance programs may expose us to significant and unexpected costs and losses. "** We have in the past been subject to class action litigation involving claims of violations of various regulatory requirements and been able to settle these claims without an ongoing material adverse effect on our business. Future claims could be brought that may materially affect our business, financial condition and results of operations. Other claims and suits, including class actions, continue to be filed against us and other companies in our industry. For example, there has been a general increase in the number of wage and hour class action claims filed in several of the jurisdictions where we operate, typically based on alleged failures to permit or properly compensate for meal and rest periods, or failure to pay for time worked. If there were a significant increase in the number of these claims against us or an increase in amounts owing should plaintiffs be successful in their claims, this could have a material adverse effect ~~to~~ **on** our business, financial condition, results of operations and cash flows. We are subject to potential lawsuits under the FCA and comparable state laws alleging submission of fraudulent claims for services to any healthcare program (such as Medicare or Medicaid) or other payor. Under the qui tam or" whistleblower" provisions of the FCA, a private individual with knowledge of fraud or potential fraud may bring a claim on behalf of the federal government and receive a percentage of the federal government' s recovery. Due to these whistleblower incentives, qui tam lawsuits have become more frequent. For example, despite the decision of the DOJ to decline to participate in litigation based on the subject matter of its ~~previously~~ issued CID, the involved qui tam relator moved forward with the complaint in December 2020. Refer to **Part I,** Item 3. **,** Legal Proceedings for additional information on this case. Beyond our skilled nursing business, we engage in numerous ancillary businesses through one or more of our subsidiaries. These ancillary businesses generally support and provide services complementary to our operations, including but not limited to non- emergent ground transportation for patients and residents. Our ancillary businesses may also be the subject of claims, lawsuits, and regulatory oversight that are specific to the particular services they offer. Noncompliance with the laws and regulations that may apply to our ancillary businesses may result in fines, penalties, and civil claims paid by our affected independent subsidiaries. Specific to our non- emergent ground transportation business, the drivers employed by this business may be subject to additional state- specific regulations regarding working time allowed to be spent driving, waiting time, and break or rest periods, and violations of these rules may lead to regulatory fines, penalties, or claims to be paid to individual drivers, in addition to the general employment risks described above. Our ancillary businesses also are susceptible to general liability claims based on facts and circumstances that are specific to their activities and operations, such as claims for automobile- involved accidents against our non- emergent ground transportation business. The defense of claims and lawsuits relating to our ancillary businesses in the past, and may in the future, result in significant legal costs, regardless of the outcome. As our ancillary businesses grow, the independent subsidiaries may be subject to increased frequency and / or severity of losses from such claims and suits which may result in increased liability insurance premiums and decline in available coverage as described above, which could materially and adversely affect our business, financial condition and results of operations. In addition, we contract with a variety of landlords, lenders, vendors, suppliers, consultants and other individuals and businesses. These contracts typically contain covenants and default provisions. If the other party to one or more of our contracts were to allege that we have violated the contract terms, we could be subject to civil liabilities which could have a material adverse effect on our financial condition and results of operations. If litigation is instituted against one or more of our subsidiaries, a ~~successful~~ plaintiff might attempt to hold us or another subsidiary liable for the alleged wrongdoing of the subsidiary principally targeted by the litigation. If a court in such litigation decided to disregard the corporate form, the resulting judgment could increase our liability and adversely affect our financial condition and results of operations. Congress has repeatedly considered, without passage, a bill that would require, among other things, that agreements to arbitrate nursing home disputes be made after the dispute has arisen rather than before prospective patients move in, to prevent nursing home operators and prospective patients from mutually entering into a pre- admission **,** pre- dispute arbitration agreement. This bill, known as the Fairness in Nursing Home Arbitration Act, was introduced in the House of Representatives in 2021; the bill and its analogue introduced in the Senate have never made it out of the committees to which they were referred for discussion. ~~This legislation or similar bills have not yet~~ **The Fairness in Nursing Home Arbitration Act was re- introduced in the House of Representatives on January 29, 2024 and was referred to the Committee on Ways and Means and the Committee on Energy and Commerce. No action has** been ~~introduced in~~ **taken since** ~~the~~ **these referrals** ~~current session~~ of **the bill to** ~~Congress, which commenced at the~~ **these committees** ~~beginning of 2023~~ . Our independent subsidiaries use arbitration agreements, which have generally been favored by the courts, to streamline the dispute resolution process and reduce our exposure to legal fees and excessive jury awards. CMS has identified these arbitration agreements as an area of focus and issued guidance to state surveyors regarding federal requirements for the use of arbitration agreements in nursing home care, with non- compliance potentially resulting in fines and other sanctions. If we are not able to secure pre- admission arbitration agreements, our litigation exposure and costs of defense in patient liability actions could increase, our liability insurance premiums could increase, and our business may be adversely affected. The outcomes of any of these litigation matters are difficult to predict and

litigation and other legal claims are subject to inherent uncertainties. Those uncertainties include, but are not limited to, litigation costs and attorneys' fees, unpredictable judicial or jury decisions and the differing laws and judicial proclivities regarding damage awards among the states in which we operate. A further complication is that even where the possibility of an adverse outcome is remote under traditional legal analysis, juries sometimes substitute their subjective views in place of facts and established legal principles. Unexpected outcomes in such legal proceedings, or changes in management' s evaluation or predictions of the likely outcomes of such proceedings (possibly resulting in changes in established reserves) could have a material adverse effect on our business, financial condition, and results of operations. We conduct regular internal investigations into the care delivery, recordkeeping and billing processes of our independent subsidiaries. These reviews sometimes detect instances of noncompliance which we attempt to correct, which can decrease our revenue. As an operator of healthcare facilities **through our independent subsidiaries** , we have a program to ~~help us~~ **aid them in** ~~comply~~ **complying** with various requirements of federal and private healthcare programs. Our compliance program includes, among other things, (1) policies and procedures modeled after applicable laws, regulations, sub- regulatory guidance and industry practices and customs that govern the clinical, reimbursement and operational aspects of our subsidiaries; (2) training about our compliance process for all of the employees of our independent subsidiaries, our directors and officers, and training about Medicare and Medicaid laws, fraud and abuse prevention, clinical standards and practices, and claim submission and reimbursement policies and procedures for appropriate employees; and (3) internal controls that monitor, among other things, the accuracy of claims, reimbursement submissions, cost reports and source documents, provision of patient care, services, and supplies as required by applicable standards and laws, accuracy of clinical assessment and treatment documentation, and implementation of judicial and regulatory requirements (i. e., background checks, licensing and training). From time to time our systems and controls highlight potential compliance issues, which we investigate as they arise. Historically, we have **initiated** , and will continue to do so in the future, ~~initiated~~ internal inquiries into possible recordkeeping and related irregularities at our independent ~~SNFs~~ **subsidiaries** , which were detected by our internal compliance team in the course of its ongoing reviews. Through these internal inquiries, we have identified potential deficiencies in the assessment of and recordkeeping for small subsets of patients. We have assisted in implementing, targeted improvements in the assessment and recordkeeping practices to make them consistent with the existing standards and policies applicable to our independent ~~SNFs~~ **subsidiaries** . We continue to monitor the measures implemented for effectiveness and perform follow- up reviews to ensure compliance. Consistent with healthcare industry accounting practices, we record any charge for refunded payments against revenue in the period in which the claim adjustment becomes known. If additional reviews result in identification and quantification of additional amounts to be refunded, we will accrue additional liabilities for claim costs and interest, and repay any amounts due in normal course and within the time permitted by law. Failure to refund overpayments within required time frames (as described in greater detail above) could result in FCA liability and our business, financial condition and results of operations could be materially and adversely affected and our stock price could decline. We may be unable to complete future ~~facility~~ **asset** or business acquisitions at attractive prices or at all, which may adversely affect our revenue; we may also elect to dispose of underperforming or non- strategic independent subsidiaries, which would also decrease our revenue. To date, our revenue growth has been significantly impacted by our acquisition of new facilities and businesses. Subject to general market conditions and the availability of essential resources and leadership within our company, we continue to seek both single- and multi- facility acquisition and business acquisition opportunities that are consistent with our geographic, financial and operating objectives. We face competition for the acquisition of facilities and businesses and expect this competition to increase. Based upon factors such as our ability to identify suitable acquisition candidates, future regulations affecting our ability to purchase facilities, the purchase price of the facilities, increasing interest rates for debt- financed purchases, prevailing market conditions, the availability of leadership to manage new facilities and our own willingness to take on new operations, the rate at which we have historically acquired facilities has fluctuated significantly. In the future, we anticipate the rate at which we may acquire facilities will continue to fluctuate, which may affect our revenue. We have also previously acquired a few ~~facilities~~ **operations** , which were or have proven to be non- strategic or less desirable, and we may consider disposing of such ~~facilities~~ **operations** or exchanging them for ~~facilities~~ **operations** that are more desirable, either because they were included in larger, indivisible groups of ~~facilities~~ **operations** or under other circumstances. To the extent we dispose of such ~~a facility~~ **an operation** without simultaneously acquiring ~~a facility~~ **an operation** in exchange, our revenue may decrease. We may not be able to successfully integrate acquired ~~facilities~~ **assets** and businesses into our operations, and we may not achieve the benefits we expect from any of our ~~facility~~ acquisitions. We may not be able to successfully or efficiently integrate new acquisitions of ~~facilities~~ **assets** and businesses with our existing independent subsidiaries, culture and systems. The process of integrating acquisitions into our existing operations may result in unforeseen operating difficulties, divert management' s attention from existing operations, or require an unexpected commitment of staff and financial resources, and may ultimately be unsuccessful. Existing operations available for acquisition frequently serve or target different markets than those that we currently serve. We also may determine that renovations of acquired facilities and changes in staff and operating management personnel are necessary to successfully integrate those acquisitions into our existing operations. We may not be able to recover the costs incurred to reposition or renovate newly independent subsidiaries. The financial benefits we expect to realize from many of our acquisitions are largely dependent upon our ability to improve clinical performance, overcome regulatory deficiencies, rehabilitate or improve the reputation of the operations in the community, increase and maintain occupancy, control costs, and in some cases change the patient acuity mix. If we are unable to accomplish any of these objectives at the independent subsidiaries we acquire, we will not realize the anticipated benefits and we may experience lower than anticipated profits, or even losses. During the year ended December 31, ~~2023~~ **2024** , we expanded our operations ~~and real estate portfolio~~ through a combination of long- term leases and real estate purchases, with the addition of ~~26~~ **28 stand- alone** skilled nursing **operations and three campus** operations. This growth has placed and will continue to place significant demands on our current management resources. Our ability to manage our growth effectively and to successfully

integrate new acquisitions into our existing business will require us to continue to expand our operational, financial and management information systems and to continue to retain, attract, train, motivate and manage key employees, including facility- level leaders and our local directors of nursing. We may not be successful in attracting qualified individuals necessary for future acquisitions to be successful, and our management team may expend significant time and energy working to attract qualified personnel to manage ~~facilities~~ **operations** we may acquire in the future. Also, the newly acquired ~~facilities~~ **operations** may require us to spend significant time improving services that have historically been substandard, and if we are unable to improve such ~~facilities~~ **operations** quickly enough, we may be subject to litigation and / or loss of licensure or certification. If we are not able to successfully overcome these and other integration challenges, we may not achieve the benefits we expect from any of our acquisitions, and our business may suffer. In undertaking acquisitions, we also may be adversely impacted by unforeseen liabilities attributable to the prior providers who operated those ~~facilities~~ **businesses** , against whom we may have little or no recourse. Many ~~facilities~~ **operations** we have historically acquired were underperforming financially and had clinical and regulatory issues prior to and at the time of acquisition. Even where we have improved independent subsidiaries and patient care ~~at facilities that we have acquired~~ , we still may face post- acquisition regulatory issues related to pre- acquisition events. These may include, without limitation, payment recoupment related to our predecessors' prior noncompliance, the imposition of fines, penalties, operational restrictions or special regulatory status. Further, we may incur post- acquisition compliance risk due to the difficulty or impossibility of immediately or quickly bringing non- compliant ~~facilities~~ **operations** into full compliance. Diligence materials pertaining to acquisition targets, especially the underperforming facilities that often represent the greatest opportunity for return, are often inadequate, inaccurate or impossible to obtain, sometimes requiring us to make acquisition decisions with incomplete information. Despite our due diligence procedures, ~~facilities~~ **operations** that we have acquired or may acquire in the future may generate unexpectedly low returns, may cause us to incur substantial losses, may require unexpected levels of management time, expenditures or other resources, or may otherwise not meet a risk profile that our investors find acceptable. In addition, we might encounter unanticipated difficulties and expenditures relating to any of the acquired ~~facilities~~ **operations** , including contingent liabilities. For example, when we acquire **operations** ~~a facility~~ , we generally assume the ~~facility~~ **operation** ' s existing Medicare provider number for purposes of billing Medicare for services. If CMS later determines that the prior owner of the ~~facility~~ **operation** had received overpayments from Medicare for the period of time during which it ~~operated~~ **ran** the ~~facility~~ **operation** , or had incurred fines ~~in connection with the operation of the facility~~ , CMS could hold us liable for repayment of the overpayments or fines. We may be unable to improve every ~~facility~~ **operation** that we acquire. In addition, operation of these ~~facilities~~ **newly acquired operations** may divert management time and attention from other operations and priorities, negatively impact cash flows, result in adverse or unanticipated accounting charges, or otherwise damage other areas of our company if they are not timely and adequately improved. We also incur regulatory risk in acquiring certain facilities due to the licensing, certification and other regulatory requirements affecting our right to operate the acquired facilities. For example, in order to acquire facilities on a predictable schedule, or to acquire declining operations quickly to prevent further pre- acquisition declines, we frequently acquire such facilities prior to receiving license approval or provider certification. We operate such facilities as the interim manager for the outgoing licensee, assuming financial responsibility, among other obligations for the facility. To the extent that we may be unable or delayed in obtaining a license, we may need to operate the facility under a management agreement from the prior operator. Any inability in obtaining consent from the prior operator of a target acquisition to utilizing its license in this manner could impact our ability to acquire additional facilities. Further, anticipated future regulations may cause delays in acquiring the required licenses and certifications, if it is possible to do so at all. If we were subsequently denied licensure or certification for any reason, we might not realize the expected benefits of the acquisition and would likely incur unanticipated costs and other challenges which could cause our business to suffer. As discussed in Item 1., under Government Regulation, CMS provides comparative public data, rating every SNF operating in each state based upon quality- of- care indicators. Certain private organizations engage in similar monitoring and ranking activities. CMS' s system is the Five- Star Quality Rating System which gives each nursing home a rating of between one and five stars in various categories, with five- star ratings harder to obtain over time. The ratings are available on a consumer- facing website, Nursing Home Compare. In cases of acquisitions, the previous operator' s clinical ratings are included in our overall Five- Star Quality Rating and the rating may not reflect the improvements we were able to make until it is recalculated. Based on CMS' s guidance and regulations, we expect more data to be collected by CMS and reported on the Nursing Home Compare website in the future. Additionally, CMS' s ownership transparency final rule, which requires the disclosure of SNF ownership and affiliated parties, will ultimately provide for the public disclosure of information reported to CMS under that rule. **Other states, including Iowa and California, have adopted similar statutes and regulations requiring the disclosure of** ~~This~~ **this information. The** publicly available information **disclosed as a result of these laws and rules** may result in potential residents perceiving our highly rated facilities to be less desirable if they share ownership with lower rated facilities, even if the lower rated facility is a new acquisition or has a lower score for reasons beyond our control. CMS continues to increase quality measure thresholds, **which are regularly increased every six months,** making it more difficult to achieve upward and five- star ratings. CMS increased its quality measure thresholds in ~~October of~~ 2022, making it more difficult for facilities to obtain or maintain four- and five- star ratings ~~, which were most recently re- calculated in July of 2023, allowing only 10 % of nursing facilities within a state to receive a five- star rating. CMS discloses the increasing standards for four- and five- star ratings in its star rating cut point table, which discloses the points needed for each star rating within every state. CMS has indicated that it will increase these quality measure thresholds every six months~~ . Some facilities may see a decline in their overall five- star rating absent any new inspection information, and as a result the five- star ratings of our independent subsidiaries may decline even as their quality measures remain unchanged or improve. Additionally, on the Nursing Home Compare website, CMS recently began displaying a consumer alert icon next to nursing homes that have been cited on inspection reports for incidents of abuse, neglect, or exploitation. In ~~July of~~ 2022, CMS updated the scoring measures used for

SNFs to include six dimensions of staffing and turnover ~~, which may adversely affect the rating of our facilities on the Nursing Home Compare website~~ . In July 2023, CMS revised the nursing- home level exclusion criteria used on the administrator turnover measure, adding information regarding its calculation of the staff turnover measure and publishing an updated ratings table, which identifies the points needed for each nursing facility to obtain certain star ratings within its state. This change made it more competitive to obtain a five- star rating, and more difficult to maintain such a rating once achieved. Only 10 % of nursing facilities can receive a five- star rating in the state where ~~it~~ **they** ~~operates~~ **operate** . ~~The~~ **These** ~~July 2023 change~~ **changes** also ~~increases~~ **increase** the pressure on our independent subsidiaries to obtain a smaller number of available five- star ratings, as lower ratings may make it more difficult to attract prospective residents to receive our services. In September 2023, CMS announced that it will update the staffing level case- mix adjustment methodology and freeze four of the quality measures used in the Nursing Home Five- Star Quality Rating System beginning with the April 2024 refresh of the Nursing Home Compare website data. In **April 2024, CMS announced the freezing of four quality measures, with one short- stay measure updated effective October 2024 with the new Discharge Function Score Measure and the other three measures unfrozen in January 2025. CMS has unfrozen its staffing level measures with changes to the time period needed to constitute the cessation of employment for the purposes of turnover measurement. CMS announced that it is changing its staffing rating methodology to give the lowest possible score to and penalize providers that fail to provide staffing data or provide erroneous staffing data. These changes risk our independent subsidiaries' facilities being incorrectly awarded a lower star rating, or prevented from attaining a deserved higher ranking due to favorable data not being reflected in CMS' s five- star ratings due to the freeze or replacement of certain measures. These lower ratings may cause potential residents to evaluate these independent subsidiaries' facilities as less desirable, and result in fewer admissions and thus reduced revenue. In** July 2024, CMS ~~will change~~ **changed** the staffing case- mix adjustment methodology to a model based on PDPM. The Nursing Home Compare website **has** ~~will then begin~~ **begun** posting staffing level measures that use this methodology. CMS will revise the staffing rating thresholds to maintain the same distribution of points for staffing measures that will be affected by this freeze and replacement. Further, CMS will penalize SNFs that submit erroneous data, or fail to submit data, by awarding them the lowest possible rating on that measure. We may be significantly affected if any of our independent subsidiaries fail to submit information for the MDS in 2024, or if CMS deems their MDS submissions to be erroneous. In addition to the uncertainty created by ~~coming~~ **future** changes to CMS' s five- star ratings that currently are unknown, the potential negative consequences of freezing unfavorable data may adversely affect our star rating and negatively impact our ability to attract residents. Providing quality patient care is the cornerstone of our business. We believe that hospitals, physicians and other referral sources refer patients to us in large part because of our reputation for delivering quality care. If we should fail to achieve our internal rating goals or fail to exceed the national average rating on the Five- Star Quality Rating System, including due to nursing and administrative staffing and turnover, or have facilities displaying a consumer alert icon for incidents of abuse, neglect, or exploitation, it may affect our ability to generate referrals, which could have a material adverse effect upon our business and consolidated financial condition, results of operations and cash flows. If we are unable to obtain insurance, or if insurance becomes more costly for us to obtain, our business may be adversely affected. It may become more difficult and costly for us to obtain coverage for resident care liabilities and other risks, including property, automobile and casualty insurance. For example, the following circumstances may adversely affect our ability to obtain insurance at favorable rates: • we experience higher- than- expected professional liability, property and casualty, or other types of claims or losses; • we receive survey deficiencies or citations of higher- than- normal scope or severity; • we acquire especially troubled operations or facilities that present unattractive risks to current or prospective insurers; • insurers choose to stop operating or offering policies in certain states due to changes in economic conditions or laws; • insurers tighten underwriting standards applicable to us or our industry; or • insurers or reinsurers are unable or unwilling to insure us or the industry at historical premiums and coverage levels. If any of these potential circumstances were to occur, our insurance carriers may cancel or not renew our policies, or require us to significantly increase our self- insured retention levels or pay substantially higher premiums for the same or reduced coverage for insurance, including workers compensation, property and casualty, automobile, employment practices liability, directors and officers liability, employee healthcare and general and professional liability coverages. In some states, the law prohibits or limits insurance coverage for the risk of punitive damages arising from professional liability and general liability claims or litigation. Other states where we operate have experienced a withdrawal of insurers from the marketplace due to prior losses, or are at risk of insurers leaving the market due to changes in the law that make it difficult for those insurers to operate within the state. Coverage for punitive damages is also excluded under some insurance policies. As a result, we may be liable for punitive damage awards in these states that either are not covered or are in excess of our insurance policy limits. Claims against us, regardless of their merit or eventual outcome, could also inhibit our ability to attract patients or expand our business and could require our management to devote time to matters unrelated to the day- to- day operation of our business. With few exceptions, **general and professional,** workers compensation and employee health insurance costs have also increased markedly in recent years and are expected to increase in the future. To partially offset these increases, we have increased the amounts of our self- insured retention and deductibles in connection with general and professional liability claims. We also have implemented a self- insurance program for workers compensation in all states, and elected non- subscriber status for workers compensation in Texas. Due to the nature of our business and the residents we serve, including the risk of claims from residents as well as potential governmental action, it may be difficult to complete the underwriting process and obtain insurance at commercially reasonable rates. If we are unable to obtain insurance, or if insurance becomes more costly for us to obtain, or if the coverage levels we can economically obtain decline, our business may be adversely affected. ~~Our self- insurance programs may expose us to significant and unexpected costs and losses.~~ We ~~have maintained~~ -- **maintain** general and professional liability insurance ~~since 2002~~ and workers compensation insurance ~~since 2005~~ through a wholly- owned captive insurance subsidiary to insure our self- insurance reimbursements and deductibles as part of a continually evolving overall risk

management strategy. We establish the insurance loss reserves based on an estimation process that uses information obtained from both company- specific and industry data. The estimation process requires us to continuously monitor and evaluate the life cycle of the claims. Using data obtained from this monitoring and our assumptions about emerging trends, we, along with an independent actuary, develop information about the size of ultimate claims based on our historical experience and other available industry information. The most significant assumptions used in the estimation process include determining the trend in costs, the expected cost of claims incurred but not reported and the expected costs to settle or pay damages with respect to unpaid claims. It is possible, however, that the actual liabilities may exceed our estimates of loss. We may also experience an unexpectedly large number of successful claims or claims that result in costs or liability significantly in excess of our projections. For these and other reasons, our self- insurance reserves could prove to be inadequate, resulting in liabilities in excess of our available insurance and self- insurance. If a successful claim is made against us and it is not covered by our insurance or exceeds the insurance policy limits, our business may be negatively and materially impacted. Further, because our self- insurance reimbursements under our general and professional liability and workers compensation programs applies on a per claim basis, there is no limit to the maximum number of claims or the total amount for which we could incur liability in any policy period. We also self- insure our employee health benefits. With respect to our health benefits self- insurance, our reserves and premiums are computed based on a mix of company specific and general industry data that is not specific to our own company. Even with a combination of limited company- specific loss data and general industry data, our loss reserves are based on actuarial estimates that may not correlate to actual loss experience in the future. Therefore, our reserves may prove to be insufficient and we may be exposed to significant and unexpected losses. The geographic concentration of our independent subsidiaries could leave us vulnerable to an economic downturn, regulatory changes or acts of nature in those areas. Our independent subsidiaries located in Arizona, California, and Texas account for the majority of our total revenue. As a result of this concentration, the conditions of local economies and real estate markets, changes in governmental rules, presence and participation of insurers, 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 revenue, costs and results of operations. Moreover, since over ~~24~~ **21** % of our independent subsidiaries are located in California, we are particularly susceptible to revenue loss, cost increase or damage caused by natural disasters such as electrical power shortages, fires, earthquakes or mudslides, or increased liabilities that may arise from regulations as discussed within Item 1., under Government Regulation. In addition, our independent subsidiaries in **certain states** ~~Iowa, Nebraska, Kansas, South Carolina, Washington and Texas~~ are more susceptible to revenue loss, cost increases or damage caused by natural disasters including hurricanes, tornadoes and flooding. These acts of nature may cause disruption to us, the employees of our independent subsidiaries, which could have an adverse impact on the patients of our independent subsidiaries and our business. In order to provide care for the patients of our independent subsidiaries, we are dependent on consistent and reliable delivery of food, pharmaceuticals, utilities and other goods to our independent subsidiaries, and the availability of employees to provide services. If the delivery of goods or the ability of employees to reach our independent subsidiaries were interrupted in any material respect due to a natural disaster or other reasons, it would have a significant impact on our independent subsidiaries and our business. Furthermore, the impact, or impending threat, of a natural disaster may require that we evacuate one or more facilities, which would be costly and would involve risks, including potentially fatal risks, for the patients. The impact of disasters and similar events is inherently uncertain. Such events could harm the patients and employees of our independent subsidiaries, severely damage or destroy one or more of our independent subsidiaries, harm our business, reputation and financial performance, or otherwise cause our business to suffer in ways that we currently cannot predict. We continue to maintain our right to inform the employees of our independent subsidiaries about our views of the potential impact of unionization upon the workplace generally and upon individual employees. Historically, the staff at our independent subsidiaries that have been approached to unionize have uniformly rejected union organizing efforts. **We previously indicated there may be** ~~Forthcoming~~ **forthcoming** proposed rules from CMS ~~, which~~ , based on the Biden-Harris Administration' s executive orders discussed under Government Regulation in Item 1., as well as potential legislation such as the HCBS Access Act aimed toward providing more resources to those considering care- based careers, may increase the likelihood of employee unionization due to increased emphasis on care- based careers in SNF facilities. **The outcome of the 2024 presidential election, including change in control of the Senate and Presidency from the Democratic to the Republican party, may result in a reversal of these orders, significant changes in HHS and CMS policy and rulemaking, and a reduced likelihood of successful legislation that seeks to provide more resources to creating pathways to care-based careers. This change in Presidential Administration may also affect the favorability of unionization efforts before the Department of Labor.** If employees **successfully** decide to unionize, our cost of doing business could increase, and we could experience contract delays, difficulty in adapting to a changing regulatory and economic environment, cultural conflicts between unionized and non- unionized employees, strikes and work stoppages, and we may conclude that affected facilities or operations would be uneconomical to continue operating. Because we lease the majority of **the facilities operated by** our independent subsidiaries, we are subject to risks associated with leased real property, including risks relating to lease termination, lease extensions and special charges, any of which could adversely affect our business, financial position or results of operations. As of December 31, ~~2023~~ **2024** , ~~we leased 214 of~~ our ~~297~~ independent subsidiaries **operated 231 of our 327 facilities under long term lease arrangements** . Most of our leases are triple- net leases, which means that, in addition to rent, we are required to pay for the costs related to the property (including property taxes, insurance, and maintenance and repair costs). We are responsible for paying these costs notwithstanding the fact that some of the benefits associated with paying these costs accrue to the landlords as owners of the associated facilities. Each lease provides that the landlord may terminate the lease for a variety of reasons, including the default in any payment of rent, taxes or other payment obligations or the breach of any other covenant or agreement in the lease. Termination of a lease could result in a default under our debt agreements and could

adversely affect our business, financial position or results of operations. There can be no assurance that we will be able to comply with all of our obligations under the leases in the future. Our Credit Facility has a borrowing capacity of up to $ 600. 0 million in aggregate principal amount. As of December 31, ~~2023~~ **2024** and through the filing date of this report, we had no outstanding borrowings under our Credit Facility. Twenty- three of our subsidiaries have mortgage loans insured with the Department of Housing and Urban Development (HUD) for an aggregate amount of $ ~~150~~ **146** . ~~2~~ **9** million, which subjects these subsidiaries to HUD oversight and periodic inspections. The terms of the mortgage loans range from 25- to 35- years. We also have one outstanding promissory note with an aggregate principal amount of approximately $ ~~2.~~1 **. 5** million as of December 31, ~~2023~~ **2024** . The term of the note is 12 years. Because this promissory note is insured with HUD, our borrower subsidiary under the note is subject to HUD oversight and periodic inspections. In addition, we had $ 2. ~~7~~ **8** billion of future operating lease obligations as of December 31, ~~2023~~ **2024** . We intend to continue financing our independent subsidiaries through mortgage financing, long- term operating leases and other types of financing, including borrowings under our lines of credit and future credit facilities we may obtain. We may not generate sufficient cash flow from operations to cover required interest, principal and lease payments. In addition, our outstanding Credit Facility and mortgage loans contain restrictive covenants and require us to maintain or satisfy specified coverage tests on a consolidated basis and on a facility or facilities basis. These restrictions and operating covenants include, among other things, requirements with respect to occupancy, debt service coverage, project yield, net leverage ratios, minimum interest coverage ratios and minimum asset coverage ratios. These restrictions may interfere with our ability to obtain additional advances under our Credit Facility or to obtain new financing or to engage in other business activities, which may inhibit our ability to grow our business and increase revenue. From time to time, the financial performance of one or more of our mortgaged facilities may not comply with the required operating covenants under the terms of the mortgage. Any non- payment, noncompliance or other default under our financing arrangements could, subject to cure provisions, cause the lender to foreclose upon the facility or facilities securing such indebtedness or, in the case of a lease, cause the lessor to terminate the lease, each with a consequent loss of revenue and asset value to us or a loss of property. Furthermore, in many cases, indebtedness is secured by both a mortgage on one or more facilities, and a guaranty by us. In the event of a default under one of these scenarios, the lender could avoid judicial procedures required to foreclose on real property by declaring all amounts outstanding under the guaranty immediately due and payable, and requiring us to fulfill our obligations to make such payments. If any of these scenarios were to occur, our financial condition would be adversely affected. For tax purposes, a foreclosure on any of our properties would be treated as a sale of the property for a price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which would negatively impact our earnings and cash position. Further, because our mortgages and operating leases generally contain cross- default and cross- collateralization provisions, a default by us related to one facility could affect a significant number of other facilities and their corresponding financing arrangements and operating leases. Because our term loans, promissory note, bonds, mortgages and lease obligations are fixed expenses and secured by specific assets, and because our revolving loan obligations are secured by virtually all of our assets, if reimbursement rates, patient acuity mix or occupancy levels decline, or if for any reason we are unable to meet our loan or lease obligations, we may not be able to cover our costs and some or all of our assets may become at risk. Our ability to make payments of principal and interest on our indebtedness and to make lease payments on our operating leases depends upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our independent subsidiaries, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt or to make lease payments on our operating leases, we may be required, among other things, to seek additional financing in the debt or equity markets, refinance or restructure all or a portion of our indebtedness, sell selected assets, reduce or delay planned capital expenditures or delay or abandon desirable acquisitions. Such measures might not be sufficient to enable us to service our debt or to make lease payments on our operating leases. The failure to make required payments on our debt or operating leases or the delay or abandonment of our planned growth strategy could result in an adverse effect on our future ability to generate revenue and sustain profitability. In addition, any such financing, refinancing or sale of assets might not be available on terms that are economically favorable to us, or at all. ~~Move- in and occupancy rates may remain unpredictable even after the COVID- 19 pandemic is over. Occupancy levels at our operations have not returned to pre- COVID- 19 rates despite the end of the PHE. Facilities experiencing decreases in move- in rates cite resident or family member concerns as the basis for such decreases. These and other similar concerns may continue to impact our ability to attract new residents and our ability to retain existing residents.~~ A housing downturn could decrease demand for senior living services. Seniors often use the proceeds of home sales to fund their admission to senior living facilities. A downturn in the housing markets, including reductions in sales prices caused by increasing mortgage interest rates, economic uncertainty, recession, or a reduction in activity in the market for residential real estate, could adversely affect seniors' ability to afford our resident fees and entrance fees. If national or local housing markets enter a persistent decline, our occupancy rates, revenues, results of operations and cash flow could be negatively impacted. ~~We~~ **As of December 31, 2024, we** lease ~~30~~ **33** of our properties to third- party operators. In the future, we might expand our leasing property portfolio to additional tenants. We have very limited control over the success or failure of our tenants' and operators' businesses and, at any time, a tenant or operator may experience a downturn in its business that weakens its financial condition. If that happens, the tenant or operator may fail to make its payments to us when due. Although our lease agreements give us the right to exercise certain remedies in the event of default on the obligations owing to us, we may determine not to do so if we believe that enforcement of our rights would be more detrimental to our business than seeking alternative approaches. An important part of our business strategy is to continue to expand and diversify our real estate portfolio through accretive acquisition and investment opportunities in healthcare properties. Our execution of this strategy by successfully identifying, securing and consummating beneficial transactions is made more challenging by increased competition and can be affected by

many factors, including our relationships with current and prospective tenants, our ability to obtain debt and equity capital at costs comparable to or better than our competitors and our ability to negotiate favorable terms with property owners seeking to sell and other contractual counterparties. Our competitors for these opportunities include healthcare REITs, real estate partnerships, healthcare providers, healthcare lenders and other investors, including developers, banks, insurance companies, pension funds, government- sponsored entities and private equity firms, some of whom may have greater financial resources and lower costs of capital than we do. Potential regulations may affect the ability of these entities, as well as ourselves, to compete for these opportunities or enter into transactions for real estate related to our business. If we are unsuccessful at identifying and capitalizing on investment or acquisition opportunities, our growth and profitability in our real estate investment portfolio may be adversely affected. Investments in and acquisitions of healthcare properties entail risks associated with real estate investments generally, including risks that the investment will not achieve expected returns, that the cost estimates for necessary property improvements will prove inaccurate or that the tenant or operator will fail to meet performance expectations. Income from properties and yields from investments in our properties may be affected by many factors, including changes in governmental regulation (such as licensing and government payment), general or local economic conditions (such as fluctuations in interest rates, senior savings, and employment conditions), the available local supply of and demand for improved real estate, a reduction in rental income as the result of an inability to maintain occupancy levels, natural disasters (such as hurricanes, earthquakes and floods) or similar factors. Furthermore, healthcare properties are often highly customized, and the development or redevelopment of such properties may require costly tenant- specific improvements. As a result, we cannot assure you that we will achieve the economic benefit we expect from acquisition or investment opportunities. The majority of our independent subsidiaries have historically been SNFs. As we expand our presence in other relevant healthcare industries, our existing overall business model will continue to change and expose our company to risks in markets in which we have limited experience, such as the Eliminating Kickbacks in Recovery Act and other state laws that are not as well- developed in regulation and decisional authority as their federal equivalents. We expect that we will have to adjust certain elements of our existing business model, which could have an adverse effect on our business. We rely significantly on appropriate referrals from hospitals, physicians, and other healthcare providers in the communities in which we deliver our services to attract appropriate residents and patients to our independent subsidiaries. Our referral sources are not obligated to refer business to us and may refer business to other healthcare providers. We believe many of our referral sources refer business to us as a result of the quality of our patient care and our efforts to establish and build a relationship with our referral sources. If we lose, or fail to maintain, existing relationships with our referral resources, fail to develop new relationships, or if we are perceived by our referral sources as not providing high quality patient care, our occupancy rate and the quality of our patient mix could suffer. In addition, if any of our referral sources have a reduction in patients whom they can refer due to a decrease in their business, our occupancy rate and the quality of our patient mix could suffer. Our ability to maintain and enhance our independent subsidiaries and equipment in a suitable condition to meet regulatory standards, operate efficiently and remain competitive in our markets requires us to commit substantial resources to continued investment in our independent subsidiaries and equipment. We are sometimes more aggressive than our competitors in capital spending to address issues that arise in connection with aging and obsolete facilities and equipment. In addition, continued expansion of our business through the acquisition of existing facilities, expansion of our existing facilities and construction of new facilities may require additional capital, particularly if we were to accelerate our acquisition and expansion plans. Financing may not be available to us or may be available to us only on terms that are not favorable, including being subject to interest rates that are higher than those incurred in the recent past. In addition, some of our outstanding indebtedness and long- term leases restrict, among other things, our ability to incur additional debt. If we are unable to raise additional funds or obtain additional funds on terms acceptable to us, we may have to delay or abandon some or all of our growth strategies. Further, if additional funds are raised through the issuance of additional equity securities, the percentage ownership of our stockholders would be diluted. Any newly issued equity securities may have rights, preferences or privileges senior to those of our common stock. The condition of the financial markets, including volatility and deterioration in the capital and credit markets, could limit the availability of debt and equity financing sources to fund the capital and liquidity requirements of our business, as well as negatively impact or impair the value of our current portfolio of cash, cash equivalents and investments, including U. S. Treasury securities and U. S.- backed investments. Our cash, cash equivalents and investments are held in a variety of interest- bearing instruments, including U. S. treasury securities. As a result of the uncertain domestic and global political, economic, credit and financial market conditions, including the ~~significant~~ increases in the federal funds rate since 2021, **with limited decreases in 2024,** ~~an~~ **and** ~~increase in the Consumer Price Index of 7 % in 2022, expected~~ Consumer Price Index increases above historical norms for ~~2023~~ **2024** , investments in these types of financial instruments pose risks arising from liquidity and credit concerns. Given that future deterioration in the U. S. and global credit and financial markets is a possibility, no assurance can be made that losses or significant deterioration in the fair value of our cash, cash equivalents, or investments will not occur. Uncertainty surrounding the trading market for U. S. government securities or impairment of the U. S. government' s ability to satisfy its obligations under such treasury securities could impact the liquidity or valuation of our current portfolio of cash, cash equivalents, and investments, a substantial portion of which were invested in U. S. treasury securities. Further, continued domestic and international political uncertainty, along with credit, and financial market uncertainty, may make it difficult for us to liquidate our investments prior to their maturity without incurring a loss, which would have a material adverse effect on our consolidated financial position, results of operations or cash flows. We may need additional capital if a substantial acquisition or other growth opportunity becomes available or if unexpected events occur or opportunities arise. U. S. capital markets can be volatile. We cannot assure you that additional capital will be available or available on terms acceptable to us. If capital is not available, we may not be able to fund internal or external business expansion or respond to competitive pressures or other market conditions. If we experience problems with our billing information systems or if issues arise with Medicare, Medicaid or other payors, we may encounter delays in our payment cycle. From time to time,

we have experienced such delays as a result of government payors instituting planned reimbursement delays for budget balancing purposes or as a result of prepayment reviews. Some states in which we operate are operating with budget deficits or could have budget ~~deficit~~ **deficits** in the future, which may delay reimbursement in a manner that would adversely affect our liquidity. In addition, from time to time, procedural issues require us to resubmit or appeal claims before payment is remitted, which contributes to our aged receivables. Unanticipated delays in receiving reimbursement from state programs or commercial payors due to changes in their policies or billing or audit procedures may adversely impact our liquidity and working capital. The continued use and growth of managed care organizations (MCOs) may contribute to delays or reductions in our reimbursement, including Managed Medicaid. In forty- one states, including some of the largest where we operate, state Medicaid benefits are administered through MCOs. Typically, these MCOs manage commercial health and federal Medicare Advantage benefits under a managed care contract. Nationally, **more than two- thirds of all Medicaid beneficiaries receive most or all of their care from** MCOs ~~cover approximately 57 million and 30 million Medicaid and Medicare Advantage beneficiaries, respectively~~ . MCOs may be more aggressive than state Medicaid and federal Medicare agencies in denying claims or seeking recoupment of payments so that their services under these managed contracts are profitable. The additional steps created by the use of MCOs in disbursement of funds creates more risk of delayed, reduced, or recouped payments for our independent subsidiaries, and additional avenues for risks that include fines and other sanctions, including suspension or exclusion from participation in various governmental programs. Twenty- three of our independent subsidiaries are currently subject to regulatory agreements with HUD that give the Commissioner of HUD broad authority to require us to be replaced as the operator of those facilities in the event that the Commissioner determines there are operational deficiencies at such facilities under HUD regulations. Compliance with HUD' s requirements can often be difficult because these requirements are not always consistent with the requirements of other federal and state agencies. Appealing a failed inspection can be costly and time-consuming and, if we do not successfully remediate the failed inspection, we could be precluded from obtaining HUD financing in the future or we may encounter limitations or prohibitions on our operation of HUD- insured facilities. If we fail to safeguard the monies held in our patient trust funds, we will be required to reimburse such monies, and we may be subject to citations, fines and penalties. Each of our independent subsidiaries is required by federal law to maintain a patient trust fund to safeguard certain assets of their residents and patients. If any money held in a patient trust fund is misappropriated, we are required to reimburse the patient trust fund for the amount of money that was misappropriated. If any monies held in our patient trust funds are misappropriated in the future and are unrecoverable, we will be required to reimburse such monies, and we may be subject to citations, fines and penalties pursuant to federal and state laws. We are a holding company with no operations and rely upon our multiple independent subsidiaries to provide us with the funds necessary to meet our financial obligations. Liabilities of any one or more of our subsidiaries could be imposed upon us or our other subsidiaries. We are a holding company with no direct operating assets, employees or revenue. Each of our independent subsidiaries is operated through a separate, wholly- owned, independent subsidiary, which has its own management, employees and assets. Our principal assets are the equity interests we directly or indirectly hold in our multiple operating and real estate holding subsidiaries. As a result, we are dependent upon distributions from our subsidiaries to generate the funds necessary to meet our financial obligations and pay dividends. Our subsidiaries are legally distinct from us and have no obligation to make funds available to us. The ability of our subsidiaries to make distributions to us will depend substantially on their respective operating results and will be subject to restrictions under, among other things, the laws of their jurisdiction of organization, which may limit the amount of funds available for distribution to investors or stockholders, agreements of those subsidiaries, the terms of our financing arrangements and the terms of any future financing arrangements of our subsidiaries. ~~If the separation of Pennant fails to qualify as generally tax- free for U. S. federal income tax purposes, we and our stockholders could be subject to significant tax liabilities. The spin- off in 2019 is intended to qualify for tax- free treatment to us and our stockholders for U. S. federal income tax purposes. Accordingly, completion of the transaction was conditioned upon, among other things, our receipt of opinions from outside tax advisors that the distributions would qualify as a transaction that is intended to be tax- free to both us and our stockholders for U. S. federal income tax purposes under Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code. The opinions were based on and relied on, among other things, certain facts and assumptions, as well as certain representations, statements and undertakings, including those relating to the past and future conduct. If any of these facts, assumptions, representations, statements or undertakings is, or becomes, inaccurate or incomplete, or if any of the parties' breach any of their respective covenants relating to the transactions, the tax opinions may be invalid. Moreover, the opinions are not binding on the IRS or any courts. Accordingly, notwithstanding receipt of the opinion, the IRS could determine that the distribution and certain related transactions should be treated as taxable transactions for U. S. federal income tax purposes. If the spin- off fails to qualify as a transaction that is generally tax- free under Sections 355 and 368 (a) (1) (D) of the Internal Revenue Code, in general, for U. S. federal income tax purposes, we would recognize taxable gain with respect to the distributed securities and our stockholders who received securities in such distribution would be subject to tax as if they had received a taxable distribution equal to the fair market value of such shares. We also have obligations to provide indemnification to a number of parties as a result of the transaction. Any indemnity obligations for tax issues or other liabilities related to the spin- off, could be significant and could adversely impact our business.~~ Certain of our directors who serve on our Board of Directors also serve on the board of directors of Pennant. This may create, or appear to create, conflicts of interest when our, or Pennant' s management and directors face decisions that could have different implications for us and Pennant, including the resolution of any dispute regarding the terms of the agreements governing the spin- off transaction and the relationship between us and Pennant after the spin- off transaction or any other commercial agreements entered into in the future between us and Pennant and the allocation of such directors' time between us and Pennant. All of our executive officers and some of our non- employee directors own shares of the common stock of Pennant. The continued ownership of such common stock by our directors and executive officers following the spin- off creates, or may create, the appearance of a conflict of interest when these directors and executive officers are faced with

decisions that could have different implications for us and Pennant. If Standard Bearer fails to ~~qualify or~~ remain qualified as a REIT, it will be subject to U. S. federal income tax as a regular corporation and could face substantial tax liability. Standard Bearer currently operates, and intends to continue to operate, in a manner that allows it to qualify to be taxed as a REIT for U. S. federal income tax purposes. ~~Standard Bearer elected to be taxed as a REIT for U. S. federal income tax purposes beginning with its taxable year ended December 31, 2022.~~ If Standard Bearer fails to **remain** ~~qualify~~ **qualified** to be taxed as a REIT in any year, it 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 its shareholders would not be deductible by it in computing its taxable income. Any resulting corporate liability could be substantial and would reduce the amount of cash available for distribution to its shareholders. Unless it was entitled to relief under certain Code provisions, it also would be disqualified from re- electing to be taxed as a REIT for the four taxable years following the year in which it failed to qualify to be taxed as a REIT. Legislative or other actions affecting REITs could have a negative effect on Standard Bearer. 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 (Treasury). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect Standard Bearer' s investors or Standard Bearer. We cannot predict how changes in the tax laws, including any tax reform called for by the current presidential administration, might affect Standard Bearer or its investors. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect its ability to qualify to be taxed as a REIT or the U. S. federal income tax consequences to Standard Bearer or its investors of such qualification. ~~For instance, the Tax Cuts and Jobs Act (TCJA) significantly changed the U. S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders. Technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. We cannot predict the long- term effect of the TCJA or any future law changes on REITs or their shareholders.~~ Changes to the U. S. federal tax laws and interpretations thereof, whether under the TCJA or otherwise, could adversely affect an investment in our stock. Additionally, REIT' s that are related to our operation will likely be subject to the disclosure requirements of CMS' s ownership transparency final rule **(and analogous state rules)** , and may subject these REITs to additional public scrutiny. 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. Standard Bearer could fail to qualify to be taxed as a REIT if income it receives from our tenants is not treated as qualifying income. Under applicable provisions of the Code, Standard Bearer will not be treated as a REIT unless it satisfies various requirements, including requirements relating to the sources of its gross income. Rents received or accrued by it from its 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 other arrangements. If the leases are not respected as true leases for U. S. federal income tax purposes, Standard Bearer will likely fail to qualify to be taxed as a REIT. Even if Standard Bearer remains qualified as a REIT, it may face other tax liabilities that reduce its cash flow. Even if Standard Bearer remain qualified for taxation as a REIT, it may be subject to certain U. S. federal, state, and local taxes on its income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. For example, Standard Bearer may hold some of its assets or conduct certain of its 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, it 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 its shareholders. Our **independent subsidiaries are subject to regulations under various federal, state and local environmental laws, primarily those relating to the handling, storage, transportation, treatment and disposal of medical waste; the identification and warning of the presence of asbestos- containing materials in buildings, as well as the encapsulation or removal of such materials; and the presence of other substances in the indoor environment. Our independent subsidiaries generate infectious or other hazardous medical waste due to the illness or physical condition of the patients. Each of our independent subsidiaries has an agreement with a waste management company for the proper disposal of all infectious medical waste, but the use of a waste management company does not immunize us from alleged violations of such laws even if carried out by a third party, nor does it immunize us from third- party claims for the cost to cleanup disposal sites at which such wastes have been disposed. Some of the independently operated facilities we lease, own or may acquire may have asbestos- containing materials. Federal regulations require building owners and those exercising control over a building' s management to identify and warn their employees and other employers operating in the building of potential hazards posed by workplace exposure to installed asbestos- containing materials and known or suspected asbestos- containing materials in their buildings. Significant fines can be assessed for violation of these regulations. Building owners and those exercising control over a building' s management may be subject to an increased risk of personal injury lawsuits. Federal, state and local laws and regulations also govern the removal, encapsulation, disturbance, handling and disposal of asbestos- containing materials and potential asbestos- containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation or demolition of a building. Such laws may impose liability for improper handling or a release into the environment of asbestos containing materials and potential asbestos- containing materials and may provide for fines to, and for third parties to seek recovery from, owners or operators of real properties for personal injury or improper work exposure associated with asbestos- containing materials and potential asbestos- containing materials. The presence of mold, lead- based paint, underground storage tanks, contaminants in drinking water, radon and / or other substances at our independent subsidiaries may lead to the incurrence of costs for remediation, mitigation or the**

implementation of an operations and maintenance plan and may result in third party litigation for personal injury or property damage. If we fail to comply with applicable environmental laws, we would face increased expenditures in terms of fines and remediation of the underlying problems, potential litigation relating to exposure to such materials, and a potential decrease in value to our business and in the value of our underlying assets. Our ability to pay and maintain cash dividends is based on many factors, including our ability to make and finance acquisitions, our ability to negotiate favorable lease and other contractual terms, anticipated operating cost levels, the level of demand for occupancy at our facilities, the rates we charge and actual results that may vary substantially from estimates. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay or maintain dividends. The Credit Facility restricts our ability to pay dividends to stockholders if we receive notice that we are in default under the agreement. The failure to pay or maintain dividends could adversely affect our stock price. Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that may enable our Board of Directors to resist a change in control. These provisions may discourage, delay or prevent a change in the ownership of our company or a change in our management, even if doing so might be beneficial to our stockholders. In addition, these provisions could limit the price that investors would be willing to pay in the future for shares of our common stock. Such provisions set forth in our amended and restated certificate of incorporation or our amended and restated bylaws include: • our Board of Directors is authorized, without prior stockholder approval, to create and issue preferred stock, commonly referred to as " blank check " preferred stock, with rights senior to those of common stock; • advance notice requirements for stockholders to nominate individuals to serve on our Board of Directors or to submit proposals that can be acted upon at stockholder meetings; • our Board of Directors is classified so not all members of our board are elected at one time, which may make it more difficult for a person who acquires control of a majority of our outstanding voting stock to replace our directors; • stockholder action by written consent is limited; • special meetings of the stockholders are permitted to be called only by the chairman of our Board of Directors, our chief executive officer or by a majority of our Board of Directors; • stockholders are not permitted to cumulate their votes for the election of directors; • newly created directorships resulting from an increase in the authorized number of directors or vacancies on our Board of Directors are filled only by majority vote of the remaining directors; • our Board of Directors is expressly authorized to make, alter or repeal our bylaws; and • stockholders are permitted to amend our bylaws only upon receiving the affirmative vote of at least a majority of our outstanding common stock. We are also subject to the anti- takeover provisions of Section 203 of the General Corporation Law of the State of Delaware. Under these provisions, if anyone becomes an " interested stockholder, " we may not enter into a " business combination " with that person for three years without special approval, which could discourage a third- party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, " interested stockholder " means, generally, someone owning more than 15 % or more of our outstanding voting stock or an affiliate of ours that owned 15 % or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203. These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could discourage acquisition proposals and make it more difficult or expensive for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then- current Board of Directors, including delaying or impeding a merger, tender offer or proxy contest involving us. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline.