

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2016-08-05** | Period of Report: **2016-06-30**
SEC Accession No. [0001558370-16-007494](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

Genesis Healthcare, Inc.

CIK: **1351051** | IRS No.: **000000000** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-33459** | Film No.: **161810077**
SIC: **8051** Skilled nursing care facilities

Mailing Address

101 EAST STATE STREET
KENNETT SQUARE PA 19348

Business Address

101 EAST STATE STREET
KENNETT SQUARE PA 19348
610-444-6350

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2016.

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission file number: 001-33459

Genesis Healthcare, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-3934755
(IRS Employer
Identification No.)

101 East State Street
Kennett Square, Pennsylvania
(Address of principal executive offices)

19348
(Zip Code)

(610) 444-6350

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if smaller reporting company)

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

The number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on August 4, 2016, was:

Class A common stock, \$0.001 par value – 74,479,788 shares

Class B common stock, \$0.001 par value – 15,511,603 shares

Class C common stock, \$0.001 par value – 64,449,380 shares



Genesis Healthcare, Inc.

**Form 10-Q
Index**

	<u>Page Number</u>
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements (Unaudited)</u>	3
<u>Consolidated Balance Sheets — June 30, 2016 and December 31, 2015</u>	3
<u>Consolidated Statements of Operations — Three and six months ended June 30, 2016 and 2015</u>	4
<u>Consolidated Statements of Comprehensive Loss — Three and six months ended June 30, 2016 and 2015</u>	5
<u>Consolidated Statements of Cash Flows — Six months ended June 30, 2016 and 2015</u>	6
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	59
<u>Item 4. Controls and Procedures</u>	60
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	61
<u>Item 1A. Risk Factors</u>	61
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	61
<u>Item 3. Defaults Upon Senior Securities</u>	61
<u>Item 4. Mine Safety Disclosures</u>	61
<u>Item 5. Other Information</u>	61
<u>Item 6. Exhibits</u>	61
<u>Signatures</u>	63
<u>Exhibit Index</u>	64

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements .
GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	June 30, 2016	December 31, 2015
Assets:		
Current assets:		
Cash and cash equivalents	\$ 46,678	\$ 61,543
Restricted cash and investments in marketable securities	52,577	52,917
Accounts receivable, net of allowances for doubtful accounts of \$215,058 and \$189,739 at June 30, 2016 and December 31, 2015, respectively	819,919	789,387
Prepaid expenses	80,743	58,622
Other current assets	56,979	49,024
Total current assets	<u>1,056,896</u>	<u>1,011,493</u>
Property and equipment, net of accumulated depreciation of \$728,967 and \$638,768 at June 30, 2016 and December 31, 2015, respectively	3,957,245	4,085,247
Restricted cash and investments in marketable securities	135,370	145,210
Other long-term assets	129,874	130,869
Deferred income taxes	16,559	7,144
Identifiable intangible assets, net of accumulated amortization of \$80,250 and \$66,570 at June 30, 2016 and December 31, 2015, respectively	192,566	209,967
Goodwill	444,508	470,019
Total assets	<u>\$ 5,933,018</u>	<u>\$ 6,059,949</u>
Liabilities and Stockholders' Deficit:		
Current liabilities:		
Current installments of long-term debt	\$ 8,328	\$ 12,477
Capital lease obligations	1,849	1,842
Financing obligations	1,431	989
Accounts payable	211,127	233,801
Accrued expenses	207,155	197,741
Accrued compensation	225,382	185,054
Self-insurance reserves	161,382	166,761
Total current liabilities	<u>816,654</u>	<u>798,665</u>
Long-term debt	1,126,258	1,186,159
Capital lease obligations	1,010,314	1,053,816
Financing obligations	3,107,733	3,064,077
Deferred income taxes	19,426	14,939
Self-insurance reserves	444,443	428,569
Other long-term liabilities	130,898	133,111
Commitments and contingencies		
Stockholders' deficit:		
Class A common stock, (par \$0.001, 1,000,000,000 shares authorized, issued and outstanding - 74,479,788 at June 30, 2016 and 73,593,732 at December 31, 2015)	74	74
Class B common stock, (par \$0.001, 20,000,000 shares authorized, issued and outstanding - 15,511,603 at June 30, 2016 and December 31, 2015)	16	16
Class C common stock, (par \$0.001, 150,000,000 shares authorized, issued and outstanding - 64,449,380 at June 30, 2016 and December 31, 2015)	64	64
Additional paid-in-capital	298,536	295,359
Accumulated deficit	(797,614)	(731,602)
Accumulated other comprehensive income (loss)	379	(218)
Total stockholders' deficit before noncontrolling interests	<u>(498,545)</u>	<u>(436,307)</u>
Noncontrolling interests	<u>(224,163)</u>	<u>(183,080)</u>
Total stockholders' deficit	<u>(722,708)</u>	<u>(619,387)</u>

Total liabilities and stockholders' deficit	<u>\$ 5,933,018</u>	<u>\$ 6,059,949</u>
---	---------------------	---------------------

See accompanying notes to unaudited consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATION S
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net revenues	\$ 1,438,358	\$ 1,419,475	\$ 2,910,576	\$ 2,762,476
Salaries, wages and benefits	832,693	820,926	1,700,410	1,611,659
Other operating expenses	350,161	348,236	711,258	660,797
General and administrative costs	45,026	43,483	93,453	85,016
Provision for losses on accounts receivable	29,681	22,113	56,174	45,509
Lease expense	36,968	38,959	74,284	75,378
Depreciation and amortization expense	67,953	53,605	129,718	113,538
Interest expense	133,860	126,385	269,041	247,698
Loss on early extinguishment of debt	468	—	468	3,234
Investment income	(658)	(431)	(1,139)	(847)
Other (income) loss	(42,923)	50	(42,911)	(7,560)
Transaction costs	4,993	2,642	6,747	88,710
Skilled Healthcare and other loss contingency expense	13,566	1,500	15,192	1,500
Equity in net income of unconsolidated affiliates	(497)	(360)	(1,260)	(513)
Loss before income tax expense (benefit)	(32,933)	(37,633)	(100,859)	(161,643)
Income tax expense (benefit)	3,086	(4,419)	6,150	(10,067)
Loss from continuing operations	(36,019)	(33,214)	(107,009)	(151,576)
Income (loss) from discontinued operations, net of taxes	61	(1,722)	23	(1,610)
Net loss	(35,958)	(34,936)	(106,986)	(153,186)
Less net loss attributable to noncontrolling interests	12,985	15,750	40,974	21,434
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (22,973)</u>	<u>\$ (19,186)</u>	<u>\$ (66,012)</u>	<u>\$ (131,752)</u>
Loss per common share:				
Basic and diluted:				
Weighted-average shares outstanding for basic and diluted loss from continuing operations per share	89,421	89,211	89,310	82,279
Basic and diluted net loss per common share:				
Loss from continuing operations attributable to Genesis Healthcare, Inc.	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
Income (loss) from discontinued operations, net of taxes	<u>0.00</u>	<u>(0.02)</u>	<u>0.00</u>	<u>(0.02)</u>
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (0.74)</u>	<u>\$ (1.60)</u>

See accompanying notes to unaudited consolidated financial statements.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)
(UNAUDITED)

	<u>Three Months Ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net loss	\$ (35,958)	\$ (34,936)	\$(106,986)	\$(153,186)
Net unrealized gain (loss) on marketable securities, net of tax	184	(539)	1,028	33
Comprehensive loss	(35,774)	(35,475)	(105,958)	(153,153)
Less: comprehensive loss attributable to noncontrolling interests	12,908	15,976	40,543	21,358
Comprehensive loss attributable to Genesis Healthcare, Inc.	<u>\$ (22,866)</u>	<u>\$ (19,499)</u>	<u>\$ (65,415)</u>	<u>\$ (131,795)</u>

See accompanying notes to unaudited consolidated financial statements.

[Table of Contents](#)

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW S
(IN THOUSANDS)
(UNAUDITED)

	Six months ended June 30,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (106,986)	\$ (153,186)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash interest and leasing arrangements, net	47,639	47,605
Other non-cash charges and gains, net	(42,910)	(7,345)
Share based compensation	3,180	25,903
Depreciation and amortization	129,718	113,693
Provision for losses on accounts receivable	56,174	45,509
Equity in net income of unconsolidated affiliates	(1,260)	(513)
Provision (benefit) for deferred taxes	3,998	(23,306)
Loss on early extinguishment of debt	468	—
Changes in assets and liabilities:		
Accounts receivable	(103,078)	(78,695)
Accounts payable and other accrued expenses and other	36,572	22,606
Net cash provided by (used in) operating activities	23,515	(7,729)
Cash flows from investing activities:		
Capital expenditures	(47,897)	(36,858)
Purchases of marketable securities	(34,992)	(21,836)
Proceeds on maturity or sale of marketable securities	46,274	17,423
Net change in restricted cash and equivalents	388	(5,475)
Sale of investment in joint venture	1,010	26,358
Purchases of inpatient assets, net of cash acquired	(69,482)	(9,703)
Sales of assets	148,347	1,263
Restricted deposits	(5,843)	—
Investments in joint venture	(612)	—
Other, net	1,631	(39)
Net cash provided by (used in) investing activities	38,824	(28,867)
Cash flows from financing activities:		
Borrowings under revolving credit facility	467,000	366,500
Repayments under revolving credit facility	(459,000)	(328,000)
Proceeds from issuance of long-term debt	182,986	360,000
Proceeds from tenant improvement draws under lease arrangements	1,109	95
Repayment of long-term debt	(263,933)	(341,893)
Debt issuance costs	(4,826)	(17,775)
Distributions to noncontrolling interests and stockholders	(540)	(6,916)
Net cash (used in) provided by financing activities	(77,204)	32,011
Net decrease in cash and cash equivalents	(14,865)	(4,585)
Cash and cash equivalents:		
Beginning of period	61,543	87,548
End of period	\$ 46,678	\$ 82,963
Supplemental cash flow information:		
Interest paid	\$ 224,072	\$ 200,087
Net taxes (refunded) paid	(13,984)	13,669
Non-cash financing activities:		
Capital leases	\$ (49,622)	\$ 43,322
Financing obligations	7,928	26,479
Assumption of long-term debt	—	436,776

See accompanying notes to unaudited consolidated financial statements.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

(1) General Information

Description of Business

Genesis Healthcare, Inc. is a healthcare services company that through its subsidiaries (collectively, the Company) owns and operates skilled nursing facilities, assisted/senior living facilities and a rehabilitation therapy business. The Company has an administrative services company that provides a full complement of administrative and consultative services that allows its affiliated operators and third-party operators with whom the Company contracts to better focus on delivery of healthcare services. The Company provides inpatient services through 509 skilled nursing, assisted/senior living and behavioral health centers located in 34 states. Revenues of the Company's owned, leased and otherwise consolidated centers constitute approximately 85% of its revenues.

The Company provides a range of rehabilitation therapy services, including speech pathology, physical therapy, occupational therapy and respiratory therapy. These services are provided by rehabilitation therapists and assistants employed or contracted at substantially all of the centers operated by the Company, as well as by contract to healthcare facilities operated by others. After the elimination of intercompany revenues, the rehabilitation therapy services business constitutes approximately 12% of the Company's revenues.

The Company provides an array of other specialty medical services, including management services, physician services, staffing services, and other healthcare related services, which comprise the balance of the Company's revenues.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In the opinion of management, the consolidated financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Company presents noncontrolling interests within the stockholders' deficit section of its consolidated balance sheets. The Company presents the amount of net loss attributable to Genesis Healthcare, Inc. and net loss (income) attributable to noncontrolling interests in its consolidated statements of operations.

The consolidated financial statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest and the accounts of any variable interest entities (VIEs) where the Company is subject to a majority of the risk of loss from the VIE's activities, or entitled to receive a majority of the entity's residual returns, or both. The Company assesses the requirements related to the consolidation of VIEs, including a qualitative assessment of power and economics that considers which entity has the power to direct the activities that "most significantly impact" the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits that could be potentially significant to, the VIE. The Company's composition of variable interest entities was not material at June 30, 2016.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q of Regulation S-X and do not include all of the disclosures normally required by U.S. GAAP or those normally required in annual reports on Form 10-K. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of the

Company for the year ended December 31, 2015 filed with the U.S. Securities and Exchange Commission (the SEC) on Form 10-K on March 14, 2016.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Certain prior year amounts have been reclassified to conform to current period presentation, the effect of which was not material. Upon adoption of new accounting guidance, debt issuance costs have been presented as a direct deduction from long-term debt rather than as an other long-term asset in all periods presented.

The Company's financial position at June 30, 2016 includes the impact of certain significant transactions and events, as disclosed within Note 3 – "*Significant Transactions and Events.*"

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. The Company is still evaluating the effect, if any, ASU 2014-09 will have on the Company's consolidated financial condition and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15), requiring management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern and to provide disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim periods ending after December 31, 2016. The Company is still evaluating the effect, if any, ASU 2014-15 will have on its consolidated financial condition and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which is intended to improve the recognition and measurement of financial instruments. The new guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company is still evaluating the effect, if any, ASU 2016-01 will have on its consolidated financial condition and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which amended authoritative guidance on accounting for leases. The new provisions require that a lessee of operating leases recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The lease liability will be equal to the present value of lease payments, with the right-of-use asset based upon the lease liability. The classification criteria for distinguishing between finance (or capital) leases and operating leases are substantially similar to the previous lease guidance, but with no explicit bright lines. As such, operating leases will result in straight-line rent expense similar to current practice. For short term leases (term of 12 months or less), a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities, which would generally result in lease expense being recognized on a straight-line basis over the lease term. The guidance is effective for annual and interim periods beginning after December 15, 2018, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition. The adoption of ASU 2016-02 is expected to have a material impact on the Company's financial position. The Company is still evaluating the impact on its results of operations and does not expect the adoption of this standard to have an impact on liquidity.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09), which is intended to improve

the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company is still evaluating the effect, if any, ASU 2016-09 will have on its consolidated financial condition and results of operations.

(2) Certain Significant Risks and Uncertainties

Revenue Sources

The Company receives revenues from Medicare, Medicaid, private insurance, self-pay residents, other third-party payors and long-term care facilities that utilize its rehabilitation therapy and other services. The Company's inpatient services segment derives approximately 78% of its revenue from Medicare and various state Medicaid programs. The following table depicts the Company's inpatient services segment revenue by source for the three and six months ended June 30, 2016 and 2015.

	Three months ended		Six months ended June 30,	
	June 30,			
	2016	2015	2016	2015
Medicare	24 %	26 %	25 %	27 %
Medicaid	54 %	52 %	53 %	51 %
Insurance	12 %	12 %	12 %	12 %
Private and other	10 %	10 %	10 %	10 %
Total	100 %	100 %	100 %	100 %

The sources and amounts of the Company's revenues are determined by a number of factors, including licensed bed capacity and occupancy rates of inpatient facilities, the mix of patients and the rates of reimbursement among payors. Likewise, payment for ancillary medical services, including services provided by the Company's rehabilitation therapy services business, varies based upon the type of payor and payment methodologies. Changes in the case mix of the patients as well as payor mix among Medicare, Medicaid and private pay can significantly affect the Company's profitability.

It is not possible to quantify fully the effect of legislative changes, the interpretation or administration of such legislation or other governmental initiatives on the Company's business and the business of the customers served by the Company's rehabilitation therapy business. The potential impact of reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payors, is uncertain at this time. Also, initiatives among managed care payors, conveners and referring acute care hospital systems to reduce lengths of stay and avoidable hospital admissions and to divert referrals to home health or other community-based care settings could have an adverse impact on the Company's business. Accordingly, there can be no assurance that the impact of any future healthcare legislation, regulation or actions by participants in the health care continuum will not adversely affect the Company's business. There can be no assurance that payments under governmental and private third-party payor programs will be timely, will remain at levels similar to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Company's financial condition and results of operations are and will continue to be affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

Laws and regulations governing the Medicare and Medicaid programs, and the Company's business generally, are complex and are often subject to a number of ambiguities in their application and interpretation. The Company believes that it is in substantial compliance with all applicable laws and

regulations. However, from time to time the Company and its affiliates are subject to pending or threatened lawsuits and investigations involving allegations of potential wrongdoing, some of which may be material or involve significant costs to resolve and/or defend against, or may lead to

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

other adverse effects on the Company and its affiliates including, but not limited to, fines, penalties and exclusion from participation in the Medicare and/or Medicaid programs. The Company's business is subject to a number of other known and unknown risks and uncertainties, which are discussed in Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the SEC on March 14, 2016.

(3) Significant Transactions and Events

The Combination with Skilled

On August 18, 2014, Skilled Healthcare Group, Inc., a Delaware corporation (Skilled) entered into a Purchase and Contribution Agreement with FC-GEN Operations Investment, LLC (FC-GEN) pursuant to which the businesses and operations of FC-GEN and Skilled were combined (the Combination). On February 2, 2015, the Combination was completed.

Pro forma information

The acquired business contributed net revenues of \$382.6 million and net loss of \$9.5 million to the Company for the period from February 1, 2015 to June 30, 2015. The unaudited pro forma net effect of the Combination assuming the acquisition occurred as of January 1, 2015 is as follows (in thousands, except per share amounts):

	Pro forma six months ended June 30, 2015
Revenues	\$ 2,833,764
Loss attributable to Genesis Healthcare, Inc.	(30,846)
Loss per common share:	
Basic	\$ (0.35)
Diluted	\$ (0.35)

The unaudited pro forma financial data have been derived by combining the historical financial results of the Company and the operations acquired in the Combination for the periods presented. The unaudited results of operations include transaction and financing costs totaling \$86.9 million incurred by both the Company and Skilled in connection with the Combination. These costs have been eliminated from the results of operations for the three and six months ended June 30, 2015 for purposes of the pro forma financial presentation.

Sale of Kansas ALFs

On January 1, 2016, the Company sold 18 Kansas assisted/senior living facilities acquired in the Combination for \$67.0 million. Of the proceeds received, \$54.2 million were used to pay down partially the Real Estate Bridge Loans. See Note 7 – “*Long-Term Debt – Real Estate Bridge Loans.*”

Sale of Hospice and Home Health

On March 9, 2016, the Company announced that it had signed an agreement with FC Compassus LLC, a nationwide network of community-based hospice and palliative care programs, to sell its hospice and home health operations for \$84 million. Through the asset purchase agreement, the Company retained certain liabilities. See Note 11 – “*Commitments and Contingencies – Legal Proceedings - Creekside*”

Hospice Litigation.” Certain members of the Company’s board of directors indirectly beneficially hold ownership interests in FC Compassus LLC totaling less than 10% in the aggregate.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Effective May 1, 2016, the Company completed the sale and received \$72 million in cash and a \$12 million short-term note. The sale resulted in a gain of \$43.8 million. The cash proceeds were used to pay down partially the Company's Term Loan Facility. See Note 7 – "Long-Term Debt – Term Loan Facility."

HUD Insured Loans

In the three and six months ended June 30, 2016, the Company closed on the HUD insured financings of eight and 18 skilled nursing facilities for \$61.2 million and \$129.1 million, respectively. The total proceeds from the financings were used to pay down partially the Real Estate Bridge Loans. See Note 7 – "Long-Term Debt – Real Estate Bridge Loans."

(4) Earnings (Loss) Per Share

The Company has three classes of common stock. Classes A and B are identical in economic and voting interests. Class C has a 1:1 voting ratio with the other two classes, representing the voting interests of the approximate 42% noncontrolling interest of the legacy FC-GEN owners. Class C common stock is a participating security; however, it shares in a de minimis economic interest and is therefore excluded from the denominator of the basic earnings (loss) per share (EPS) calculation.

Basic EPS was computed by dividing net loss by the weighted-average number of outstanding common shares for the period. Diluted EPS is computed by dividing loss plus the effect of assumed conversions (if applicable) by the weighted-average number of outstanding shares after giving effect to all potential dilutive common stock, including options, warrants, common stock subject to repurchase and convertible preferred stock, if any.

The computations of basic and diluted EPS are consistent with any potentially dilutive adjustments to the numerator or denominator being anti-dilutive and therefore excluded from the dilutive calculation. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per common share follows (in thousands, except per share data):

	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Numerator:				
Loss from continuing operations	\$(36,019)	\$(33,214)	\$(107,009)	\$(151,576)
Less: Net loss attributable to noncontrolling interests	<u>(12,985)</u>	<u>(15,750)</u>	<u>(40,974)</u>	<u>(21,434)</u>
Loss from continuing operations attributable to Genesis Healthcare, Inc.	<u>\$ (23,034)</u>	<u>\$ (17,464)</u>	<u>\$ (66,035)</u>	<u>\$ (130,142)</u>
Income (loss) from discontinued operations, net of taxes	<u>61</u>	<u>(1,722)</u>	<u>23</u>	<u>(1,610)</u>
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (22,973)</u>	<u>\$ (19,186)</u>	<u>\$ (66,012)</u>	<u>\$ (131,752)</u>
Denominator:				
Weighted average shares outstanding for basic and diluted net loss per share	89,421	89,211	89,310	82,279
Basic and diluted net loss per common share:				
Loss from continuing operations attributable to Genesis Healthcare, Inc.	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
Income (loss) from discontinued operations, net of taxes	<u>0.00</u>	<u>(0.02)</u>	<u>0.00</u>	<u>(0.02)</u>
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (0.74)</u>	<u>\$ (1.60)</u>

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

The following were excluded from net loss attributable to Genesis Healthcare, Inc. and the weighted-average diluted shares computation for the three and six months ended June 30, 2016 and 2015, as their inclusion would have been anti-dilutive (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	Net loss attributable to		Net loss attributable to		Net loss attributable to		Net loss attributable to	
	Genesis Healthcare, Inc.	Antidilutive shares	Genesis Healthcare, Inc.	Antidilutive shares	Genesis Healthcare, Inc.	Antidilutive shares	Genesis Healthcare, Inc.	Antidilutive shares
Exchange of restricted stock units of noncontrolling interests	\$ (7,504)	64,461	\$ (7,088)	64,461	\$ (29,833)	64,461	\$ (11,306)	53,066
Employee and director unvested restricted stock units	—	(2,442)	—	38	—	(2,656)	—	19

Because the Company is in a net loss position for the three and six months ended June 30, 2016, the combined impact of the assumed conversion of the approximate 42% noncontrolling interest to common stock and the related tax implications are anti-dilutive to EPS. As of June 30, 2016, there were 64,449,380 units attributed to the noncontrolling interests outstanding. In addition to the outstanding units attributed to the noncontrolling interests, the conversion of all of those units will result in the issuance of an incremental 11,222 shares of Class A common stock. On June 3, 2015, the shareholders approved the 2015 Omnibus Equity Incentive Plan, which authorized the grant of 4,116,870 restricted stock units to employees and 178,218 restricted stock units to non-employee directors. In the three months ended June 30, 2016, 984,849 shares vested and 849,233 were issued with respect to the June 3, 2015 grant. On October 26, 2015, an additional 653,130 restricted stock units were granted to employees. On June 8, 2016, an additional 4,339,932 restricted stock units were granted to employees and 360,000 restricted stock units to non-employee directors. Because the Company is in a net loss position for the three and six months ended June 30, 2016, the combined impact of the grants under the 2015 Omnibus Equity Incentive Plan to common stock and the related tax implications are anti-dilutive to EPS.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(5) Segment Information

The Company has three reportable operating segments: (i) inpatient services; (ii) rehabilitation therapy services; and (iii) other services. For additional information on these reportable segments see Note 1 – “General Information – Description of Business.”

A summary of the Company’s segmented revenues follows:

	Three months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue	Revenue	Revenue	Revenue	Increase / (Decrease)	Increase / (Decrease)
	Dollars	Percentage	Dollars	Percentage	Dollars	Percentage
(in thousands, except percentages)						
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$1,194,326	83.0 %	\$1,164,674	82.0 %	\$ 29,652	2.5 %
Assisted/Senior living facilities	30,431	2.1 %	36,206	2.6 %	(5,775)	(16.0)%
Administration of third party facilities	2,870	0.2 %	2,828	0.2 %	42	1.5 %
Elimination of administrative services	(362)	— %	(523)	— %	161	(30.8)%
Inpatient services, net	<u>1,227,265</u>	<u>85.3 %</u>	<u>1,203,185</u>	<u>84.8 %</u>	<u>24,080</u>	<u>2.0 %</u>
Rehabilitation therapy services:						
Total therapy services	275,049	19.1 %	274,133	19.3 %	916	0.3 %
Elimination intersegment rehabilitation therapy services	(103,472)	(7.2)%	(110,002)	(7.7)%	6,530	(5.9)%
Third party rehabilitation therapy services	171,577	11.9 %	164,131	11.6 %	7,446	4.5 %
Other services:						
Total other services	45,334	3.2 %	61,409	4.3 %	(16,075)	(26.2)%
Elimination intersegment other services	(5,818)	(0.4)%	(9,250)	(0.7)%	3,432	(37.1)%
Third party other services	39,516	2.8 %	52,159	3.6 %	(12,643)	(24.2)%
Net revenues	<u>\$1,438,358</u>	<u>100.0 %</u>	<u>\$1,419,475</u>	<u>100.0 %</u>	<u>\$ 18,883</u>	<u>1.3 %</u>

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	<u>Six months ended June 30,</u>					
	<u>2016</u>		<u>2015</u>		<u>Increase / (Decrease)</u>	
	<u>Revenue</u> <u>Dollars</u>	<u>Revenue</u> <u>Percentage</u>	<u>Revenue</u> <u>Dollars</u>	<u>Revenue</u> <u>Percentage</u>	<u>Dollars</u>	<u>Percentage</u>
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$2,402,759	82.5 %	\$2,269,665	82.2 %	\$133,094	5.9 %
Assisted/Senior living facilities	61,350	2.1 %	69,862	2.5 %	(8,512)	(12.2)%
Administration of third party facilities	5,949	0.2 %	5,499	0.2 %	450	8.2 %
Elimination of administrative services	(737)	— %	(1,024)	— %	287	(28.0)%
Inpatient services, net	<u>2,469,321</u>	<u>84.8 %</u>	<u>2,344,002</u>	<u>84.9 %</u>	<u>125,319</u>	<u>5.3 %</u>
Rehabilitation therapy services:						
Total therapy services	560,161	19.3 %	537,184	19.4 %	22,977	4.3 %
Elimination intersegment rehabilitation therapy services	(209,904)	(7.2)%	(215,908)	(7.8)%	6,004	(2.8)%
Third party rehabilitation therapy services	350,257	12.1 %	321,276	11.6 %	28,981	9.0 %
Other services:						
Total other services	101,960	3.5 %	113,955	4.1 %	(11,995)	(10.5)%
Elimination intersegment other services	(10,962)	(0.4)%	(16,757)	(0.6)%	5,795	(34.6)%
Third party other services	<u>90,998</u>	<u>3.1 %</u>	<u>97,198</u>	<u>3.5 %</u>	<u>(6,200)</u>	<u>(6.4)%</u>
Net revenues	<u>\$2,910,576</u>	<u>100.0 %</u>	<u>\$2,762,476</u>	<u>100.0 %</u>	<u>\$148,100</u>	<u>5.4 %</u>

[Table of Contents](#)

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

A summary of the Company's unaudited condensed consolidated statement of operations follows:

	Three months ended June 30, 2016					
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
	(In thousands)					
Net revenues	\$ 1,227,627	\$ 275,049	\$ 45,220	\$ 114	\$ (109,652)	\$ 1,438,358
Salaries, wages and benefits	572,676	229,533	30,484	—	—	832,693
Other operating expenses	428,550	19,683	11,580	—	(109,652)	350,161
General and administrative costs	—	—	—	45,026	—	45,026
Provision for losses on accounts receivable	24,324	4,795	608	(46)	—	29,681
Lease expense	36,006	23	410	529	—	36,968
Depreciation and amortization expense	60,056	3,074	328	4,495	—	67,953
Interest expense	110,057	15	4	23,784	—	133,860
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(658)	—	(658)
Other income	—	—	—	(42,923)	—	(42,923)
Transaction costs	—	—	—	4,993	—	4,993
Skilled Healthcare and other loss contingency expense	—	—	—	13,566	—	13,566
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,174)	677	(497)
(Loss) income before income tax expense	(4,042)	17,926	1,806	(47,946)	(677)	(32,933)
Income tax expense	—	—	—	3,086	—	3,086
(Loss) income from continuing operations	<u>\$ (4,042)</u>	<u>\$ 17,926</u>	<u>\$ 1,806</u>	<u>\$ (51,032)</u>	<u>\$ (677)</u>	<u>\$ (36,019)</u>

	Three months ended June 30, 2015					
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
	(In thousands)					
Net revenues	\$ 1,203,708	\$ 274,133	\$ 60,338	\$ 1,071	\$ (119,775)	\$ 1,419,475
Salaries, wages and benefits	562,682	220,782	37,462	—	—	820,926
Other operating expenses	430,954	19,595	17,463	—	(119,776)	348,236
General and administrative costs	—	—	1	43,482	—	43,483
Provision for losses on accounts receivable	17,271	4,106	779	(43)	—	22,113
Lease expense	37,738	14	747	460	—	38,959
Depreciation and amortization expense	51,032	3,032	198	(657)	—	53,605
Interest expense	105,815	1	10	20,683	(124)	126,385
Investment (income) loss	—	—	—	(555)	124	(431)
Other loss	—	—	—	50	—	50
Transaction costs	—	—	—	2,642	—	2,642
Skilled Healthcare and other loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(928)	568	(360)
(Loss) income before income tax benefit	(1,784)	26,603	3,678	(65,563)	(567)	(37,633)
Income tax benefit	—	—	—	(4,419)	—	(4,419)
(Loss) income from continuing operations	<u>\$ (1,784)</u>	<u>\$ 26,603</u>	<u>\$ 3,678</u>	<u>\$ (61,144)</u>	<u>\$ (567)</u>	<u>\$ (33,214)</u>

[Table of Contents](#)

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Six months ended June 30, 2016						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$2,470,058	\$ 560,161	\$101,744	\$ 216	\$ (221,603)	\$ 2,910,576
Salaries, wages and benefits	1,161,578	469,969	68,863	—	—	1,700,410
Other operating expenses	867,249	40,024	25,588	—	(221,603)	711,258
General and administrative costs	—	—	—	93,453	—	93,453
Provision for losses on accounts receivable	47,669	7,443	1,154	(92)	—	56,174
Lease expense	72,302	47	940	995	—	74,284
Depreciation and amortization expense	113,895	6,194	642	8,987	—	129,718
Interest expense	219,046	29	20	49,946	—	269,041
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(1,139)	—	(1,139)
Other income	—	—	—	(42,911)	—	(42,911)
Transaction costs	—	—	—	6,747	—	6,747
Skilled Healthcare and other loss contingency expense	—	—	—	15,192	—	15,192
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(2,286)	1,026	(1,260)
(Loss) income before income tax expense	(11,681)	36,455	4,537	(129,144)	(1,026)	(100,859)
Income tax expense	—	—	—	6,150	—	6,150
(Loss) income from continuing operations	<u>\$ (11,681)</u>	<u>\$ 36,455</u>	<u>\$ 4,537</u>	<u>\$ (135,294)</u>	<u>\$ (1,026)</u>	<u>\$ (107,009)</u>

Six months ended June 30, 2015						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$2,345,026	\$ 537,184	\$112,674	\$ 1,281	\$ (233,689)	\$ 2,762,476
Salaries, wages and benefits	1,105,374	435,579	70,706	—	—	1,611,659
Other operating expenses	827,496	34,994	31,996	—	(233,689)	660,797
General and administrative costs	—	—	3	85,013	—	85,016
Provision for losses on accounts receivable	36,344	7,933	1,318	(86)	—	45,509
Lease expense	73,266	55	1,206	851	—	75,378
Depreciation and amortization expense	99,257	5,899	560	7,822	—	113,538
Interest expense	209,469	2	20	38,454	(247)	247,698
Loss on extinguishment of debt	—	—	—	3,234	—	3,234
Investment (income) loss	—	—	—	(1,094)	247	(847)
Other income	—	—	—	(7,560)	—	(7,560)
Transaction costs	—	—	—	88,710	—	88,710
Skilled Healthcare loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,457)	944	(513)
(Loss) income before income tax benefit	(6,180)	52,722	6,865	(214,106)	(944)	(161,643)
Income tax benefit	—	—	—	(10,067)	—	(10,067)

(Loss) income from continuing operations	<u>\$ (6,180)</u>	<u>\$ 52,722</u>	<u>\$ 6,865</u>	<u>\$(204,039)</u>	<u>\$ (944)</u>	<u>\$ (151,576)</u>
--	-------------------	------------------	-----------------	--------------------	-----------------	---------------------

[Table of Contents](#)

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table presents the segment assets as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$ 5,324,300	\$ 5,437,518
Rehabilitation services	453,213	442,969
Other services	62,539	91,775
Corporate and eliminations	92,966	87,687
Total assets	<u>\$ 5,933,018</u>	<u>\$ 6,059,949</u>

The following table presents segment goodwill as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$ 358,866	\$ 357,649
Rehabilitation services	73,814	73,098
Other services	11,828	39,272
Total goodwill	<u>\$ 444,508</u>	<u>\$ 470,019</u>

(6) Property and Equipment

Property and equipment consisted of the following as of June 30, 2016 and December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Land, buildings and improvements	\$ 714,872	\$ 714,766
Capital lease land, buildings and improvements	840,139	903,977
Financing obligation land, buildings and improvements	2,655,875	2,644,307
Equipment, furniture and fixtures	440,077	436,300
Construction in progress	35,249	24,665
Gross property and equipment	4,686,212	4,724,015
Less: accumulated depreciation	(728,967)	(638,768)
Net property and equipment	<u>\$ 3,957,245</u>	<u>\$ 4,085,247</u>

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(7) Long-Term Debt

Long-term debt at June 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Revolving credit facilities, net of debt issuance costs of \$8,766 at June 30, 2016 and \$10,254 at December 31, 2015	\$ 362,234	\$ 352,746
Term loan facility, net of original issue discount of \$5,525 at June 30, 2016 and \$7,475 at December 31, 2015, and net of debt issuance costs of \$7,487 at June 30, 2016 and \$10,129 at December 31, 2015	140,430	210,842
Real estate bridge loans, net of debt issuance costs of \$6,396 at June 30, 2016 and \$9,567 at December 31, 2015	358,351	484,533
HUD insured loans, net of debt issuance costs of \$5,368 at June 30, 2016 and \$1,395 at December 31, 2015	230,186	106,250
Mortgages and other secured debt (recourse)	13,586	13,934
Mortgages and other secured debt (non-recourse), net of debt issuance costs of \$154 at June 30, 2016 and \$176 at December 31, 2015	29,799	30,331
	<u>1,134,586</u>	<u>1,198,636</u>
Less: Current installments of long-term debt	(8,328)	(12,477)
Long-term debt	<u>\$1,126,258</u>	<u>\$ 1,186,159</u>

Revolving Credit Facilities

The Company's revolving credit facilities (the Revolving Credit Facilities) consist of a senior secured, asset-based revolving credit facility of up to \$550 million under three separate tranches: Tranche A-1, Tranche A-2 and FILO Tranche. Interest accrues at a per annum rate equal to either (x) a base rate (calculated as the highest of the (i) prime rate, (ii) the federal funds rate plus 3.00%, or (iii) LIBOR plus the excess of the applicable margin between LIBOR loans and base rate loans) plus an applicable margin or (y) LIBOR plus an applicable margin. The applicable margin is based on the level of commitments for all three tranches, and in regards to LIBOR loans (i) for Tranche A-1 ranges from 3.25% to 2.75%; (ii) for Tranche A-2 ranges from 3.00% to 2.50%; and (iii) for FILO Tranche is 5.00%. The Revolving Credit Facilities mature on February 2, 2020, provided that if the Skilled Real Estate Bridge Loan (defined below) or the Revera Real Estate Bridge Loan (defined below) is not refinanced with longer term debt or their terms not extended prior to their extension option maturities of February 23, 2018 and May 29, 2018, respectively, the Revolving Credit Facilities will mature 90 days prior to such maturity date, as applicable (November 23, 2017 and February 28, 2018, respectively). Borrowing levels under the Revolving Credit Facilities are limited to a borrowing base that is computed based upon the level of the Company's eligible accounts receivable, as defined therein. In addition to paying interest on the outstanding principal borrowed under the Revolving Credit Facilities, the Company is required to pay a commitment fee to the lenders for any unutilized commitments. The commitment fee rate ranges from 0.375% per annum to 0.50% depending upon the level of unused commitment.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Borrowings and interest rates under the three tranches were as follows at June 30, 2016:

Revolving credit facility	<u>Borrowings</u>	Weighted
		Average
		<u>Interest</u>
FILO tranche	\$ 25,000	5.87 %
Tranche A-1	296,000	4.69 %
Tranche A-2	50,000	3.63 %
	<u>\$371,000</u>	<u>4.62 %</u>

As of June 30, 2016, the Company had a total borrowing base capacity of \$550.0 million with outstanding borrowings under the Revolving Credit Facilities of \$371.0 million and \$68.4 million of drawn letters of credit securing insurance and lease obligations, leaving the Company with approximately \$110.6 million of available borrowing capacity under the Revolving Credit Facilities.

On July 29, 2016, the Company entered into an amendment (the ABL Amendment) to its Revolving Credit Facilities. Among other things, the ABL Amendment (i) modifies financial covenants effective June 30, 2016 to provide additional flexibility to the Company; (ii) permits the Company to enter into certain other transactions; and (iii) increases the interest rate margin applicable to the revolving loans under the ABL Credit Agreement (the New Applicable Margin). The New Applicable Margin for LIBOR loans increased (i) for Tranche A-1 loans, from a range of 2.75% to 3.25% to a range of 3.00% to 3.50%, (ii) for Tranche A-2 loans, from a range of 2.50% to 3.00% to a range of 3.00% to 3.50% and (iii) for FILO Tranche, from 5.00% to 6.00%. The New Applicable Margin for Base Rate (calculated as the highest of the (i) prime rate, (ii) the federal funds rate plus 3.00%, or (iii) LIBOR plus the excess of the applicable margin between LIBOR loans and base rate loans) loans increased (i) for Tranche A-1 loans, from a range of 1.75% to 2.25% to a range of 2.00% to 2.50%, (ii) for Tranche A-2 loans, from a range of 1.50% to 2.00% to a range of 2.00% to 2.50% and (iii) for FILO Tranche, from 4.00% to 5.00%.

The amended Revolving Credit Facilities contain financial, affirmative and negative covenants, and events of default effective as of June 30, 2016 that are substantially identical to those of the New Term Loan Agreement (as defined below), but also contain a minimum liquidity covenant and a springing minimum fixed charge coverage covenant tied to the minimum liquidity requirement. The most restrictive financial covenant is the maximum leverage ratio which requires the Company to maintain a leverage ratio, as defined, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Term Loan Facility and New Term Loan Agreement

The five-year term loan facility (Term Loan Facility) was secured by a first priority lien on the membership interests in the Company and on substantially all of the Company's and its subsidiaries' assets other than collateral held on a first priority basis by the Revolving Credit Facilities lender. Borrowings under the Term Loan Facility bore interest at a rate per annum equal to the applicable margin plus, at the Company's option, either (x) LIBOR or (y) a base rate determined by reference to the highest of (i) the lender defined prime rate, (ii) the federal funds rate effective plus one half of one percent and (iii) LIBOR described in subclause (x) plus 1.0%. LIBOR based loans were subject to an interest rate floor of 1.5% and base rate loans were subject to a floor of 2.5%. The Term Loan Facility was set to mature on the earliest of (i) December 4, 2017 and (ii) 90 days prior to the maturity of the Skilled Real Estate Bridge Loan, including extensions. As of June 30, 2016, the Term Loan Facility had an outstanding principal balance of \$153.4 million. Base rate borrowings under the Term Loan Facility bore interest of approximately 11.0% at June 30, 2016. One-month LIBOR borrowings under the Term Loan Facility bore interest of approximately 10.0% at June 30, 2016.

Principal payments for the six months ended June 30, 2016 were \$75.0 million, which includes \$72 million in cash proceeds received in connection with the sale of the Company's hospice and home health business effective May 1, 2016.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

See Note 3 – “*Significant Transactions and Events – Sale of Hospice and Home Health.*” The Term Loan Facility amortizes at a rate of 5% per annum. The lenders have the right to elect ratable principal payments or defer principal recoupment until the end of the term.

On July 29, 2016, the Company paid the outstanding balance of \$153.4 million under the Term Loan Facility. In addition, the Company paid an early termination fee of approximately \$3.1 million. The Term Loan Facility and all guarantees and liens related thereto were terminated upon such payments.

On July 29, 2016, the Company and certain of its affiliates, including FC-GEN Operations Investment, LLC (the Borrower) entered into a four year term loan agreement (the New Term Loan Agreement) with an affiliate of Welltower Inc. (Welltower) and an affiliate of Omega Healthcare Investors, Inc. (Omega). The New Term Loan Agreement provides for term loans (the New Term Loans) in the aggregate principal amount of \$120.0 million, with scheduled annual amortization of 2.5% of the initial principal balance in years one and two, and 6.0% in years three and four. Borrowings under the New Term Loan Agreement bear interest at a rate equal to a base rate (subject to a floor of 1.00%) or an ABR rate (subject to a floor of 2.0%), plus in each case a specified applicable margin. The initial applicable margin for base rate loans is 13.0% per annum and the initial applicable margin for ABR rate loans is 12.0% per annum. At the Company’s election, with respect to either base rate or ABR rate loans, up to 2.0% of the interest may be paid either in cash or paid-in-kind. The proceeds of the New Term Loan, along with cash on hand, were used to repay all outstanding term loans and other obligations under the Term Loan Facility.

The New Term Loan Agreement is secured by a first priority lien on the equity interests of the subsidiaries of the Company and the Borrower as well as certain other assets of the Company, the Borrower and their subsidiaries, subject to certain exceptions. The New Term Loan Agreement is also secured by a junior lien on the assets that secure the Revolving Credit Facilities, as amended, on a first priority basis.

Welltower and Omega, or their respective affiliates, are each currently landlords under certain master lease agreements to which the Company and/or its affiliates are tenants. In addition, Welltower currently provides funding, pursuant to two bridge loans, to certain affiliates of the Company.

The New Term Loan Agreement contains financial, affirmative and negative covenants, and events of default that are customary for debt securities of this type. Financial covenants include four maintenance covenants which require the Company to maintain a maximum leverage ratio, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and maximum capital expenditures. The most restrictive financial covenant is the maximum leverage ratio which requires the Company to maintain a leverage ratio, as defined therein, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Real Estate Bridge Loans

In connection with the Combination on February 2, 2015, the Company entered into a \$360.0 million real estate bridge loan (the Skilled Real Estate Bridge Loan), which is secured by a mortgage lien on the real property of 67 facilities and a second lien on certain receivables of the operators of such facilities. The Skilled Real Estate Bridge Loan is subject to a 24-month term with two extension options of 90 days each followed by one extension option of 180 days. The loan accrues interest at a rate equal to LIBOR, plus 6.75%, plus an additional margin that ranges up to 7.00% based on the aggregate number of days the Skilled Real Estate Bridge Loan is outstanding. The interest rate is also subject to a LIBOR interest rate floor of 0.5%. The Skilled Real Estate Bridge Loan bore interest of 11.75% at June 30, 2016. The Skilled Real Estate Bridge Loan is subject to payments of interest only during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to repay the outstanding

principal balance of the Skilled Real Estate Bridge Loan. The proceeds of the Skilled Real Estate Bridge Loan were used to repay Skilled's first lien senior secured term loan, repay Skilled's mortgage loans and asset based revolving credit facility with MidCap Financial

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

with excess proceeds used to fund direct costs of the Combination with the Company. The Skilled Real Estate Bridge Loan has an outstanding principal balance of \$176.7 million at June 30, 2016.

In connection with the acquisition of 19 skilled nursing facilities on December 1, 2015 from Revera Assisted Living, Inc. (Revera), the Company entered into a \$134.1 million real estate bridge loan (the Revera Real Estate Bridge Loan and, together with the Skilled Real Estate Bridge Loan, the Welltower Real Estate Bridge Loans), which is secured by a mortgage lien on the real property of 15 facilities. The Revera Real Estate Bridge Loan is subject to a 24-month term with two extension options of 90 days each and accrues interest at a rate equal to LIBOR, plus 6.75%, plus an additional margin that ranges up to 7.00% based on the aggregate number of days the Revera Real Estate Bridge Loan is outstanding, plus 0.25% multiplied by the result of dividing the number of percentage points by which the loan-to-value ratio, defined as the ratio, expressed as a percentage, of (i) the outstanding principal balance to (ii) the total appraised value of the facilities as of the closing date, exceeds 75% by five. The interest rate is also subject to a LIBOR interest rate floor of 0.5%. The Revera Real Estate Bridge Loan bore interest of 8.50% at June 30, 2016. The Revera Real Estate Bridge Loan is subject to payments of interest only during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to repay the outstanding principal balance of the Revera Real Estate Bridge Loan. The proceeds of the Revera Real Estate Bridge Loan were used to finance the acquisition of 15 Revera facilities. The Revera Real Estate Bridge Loan has an outstanding principal balance of \$134.1 million at June 30, 2016.

On April 1, 2016, the Company acquired one skilled nursing facility and entered into a \$9.9 million real estate bridge loan. On May 23, 2016, the Company acquired the real property of five skilled nursing facilities it operated under a leasing arrangement and entered into a \$44.0 million real estate bridge loan (collectively, the Other Real Estate Bridge Loans). Each of the Other Real Estate Bridge Loans has a term of three years and accrues interest at a rate equal to LIBOR plus a margin of 4.00%. The Other Real Estate Bridge Loans bore interest of 4.50% at June 30, 2016. The Other Real Estate Bridge Loans are subject to payments primarily of interest only, with some principal payments in the second and third years, during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to pay down the outstanding principal balance of the Other Real Estate Bridge Loans. The Other Real Estate Bridge Loans have an outstanding principal balance of \$53.9 million at June 30, 2016.

HUD Insured Loans

As of June 30, 2016, the Company has 29 skilled nursing facility loans insured by the U.S. Department of Housing and Urban Development (HUD). The HUD insured loans have an original amortization term of 30 to 35 years. As of June 30, 2016 the Company has HUD insured loans with a combined aggregate principal balance of \$221.3 million, including a \$14.3 million debt premium on 10 skilled nursing facility loans established in purchase accounting in connection with the Combination.

These loans have an average remaining term of 32 years with fixed interest rates ranging from 3.1% to 4.6% and a weighted average interest rate of 3.7%. Depending on the mortgage agreement, prepayments are generally allowed only after 12 months from the inception of the mortgage. Prepayments are subject to a penalty of 10% of the remaining principal balances in the first year and the prepayment penalty decreases each subsequent year by 1% until no penalty is required thereafter. Any further HUD insured loans will require additional HUD approval.

All HUD insured loans are non-recourse loans to the Company. All loans are subject to HUD regulatory agreements that require escrow reserve funds to be deposited with the loan servicer for mortgage insurance premiums, property taxes, insurance and for capital replacement expenditures. As of

June 30, 2016, the Company has total escrow reserve funds of \$12.9 million with the loan servicer that are reported within prepaid expenses.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Other Debt

Mortgages and other secured debt (recourse). The Company carries mortgage loans and notes payable on certain of its corporate office buildings and other acquired assets. The loans are secured by the underlying real property and have fixed or variable rates of interest ranging from 2.2% to 6.0% at June 30, 2016, with maturity dates ranging from 2018 to 2020.

Mortgages and other secured debt (non-recourse). Loans are carried by certain of the Company's consolidated joint ventures. The loans consist principally of revenue bonds and secured bank loans. Loans are secured by the underlying real and personal property of individual facilities and have fixed or variable rates of interest ranging from 2.5% to 22.7%, with a weighted average interest rate of 4.2%, at June 30, 2016. Maturity dates range from 2018 to 2034. Loans are labeled "non-recourse" because neither the Company nor any of its wholly owned subsidiaries is obligated to perform under the respective loan agreements.

Debt Covenants

The Revolving Credit Facilities, the New Term Loan Agreement and the Welltower Real Estate Bridge Loans (collectively, the Credit Facilities) each contain a number of restrictive covenants that, among other things, impose operating and financial restrictions on the Company and its subsidiaries. The Credit Facilities also require the Company to meet defined financial covenants, including interest coverage ratio, a maximum consolidated net leverage ratio and a minimum consolidated fixed charge coverage ratio, all as defined in the applicable agreements. The Credit Facilities also contain other customary covenants and events of default and cross default. Following the amendments to certain of these agreements, which are effective June 30, 2016, the Company is in compliance with all covenants contained in the Credit Facilities.

The Company's ability to maintain compliance with its debt covenants depends in part on management's ability to increase revenue and control costs. Should the Company fail to comply with its debt covenants at a future measurement date, it could, absent necessary and timely waivers and/or amendments, be in default under certain of its existing credit agreements. To the extent any cross-default provisions may apply, the default could have an even more significant impact on the Company's financial position.

As of June 30, 2016, considering the combination of scheduled debt maturities or accelerated maturity features in other debt agreements, the Company has \$468.9 million in debt obligations due in the next two years. The liquidity and financial condition of the Company will be adversely impacted in the event these obligations cannot be extended or refinanced prior to their scheduled or accelerated maturity dates. The table below does not reflect the effect of the New Term Loan and the ABL Amendment executed on July 29, 2016.

The maturity of total debt of \$1,134.6 million at June 30, 2016 is as follows (in thousands):

Twelve months ended June 30,	
2017	\$ 8,328
2018	460,556
2019	67,212
2020	368,260
2021	6,511
Thereafter	223,719
Total debt maturity	\$1,134,586

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(8) Leases and Lease Commitments

The Company leases certain facilities under capital and operating leases. Future minimum payments for the next five years and thereafter under such leases at June 30, 2016 are as follows (in thousands):

<u>Twelve months ended June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2017	\$ 93,041	\$ 139,555
2018	89,929	137,912
2019	91,880	135,339
2020	94,163	134,828
2021	96,369	117,749
Thereafter	3,237,791	226,183
Total future minimum lease payments	3,703,173	\$ 891,566
Less amount representing interest	(2,691,010)	
Capital lease obligation	1,012,163	
Less current portion	(1,849)	
Long-term capital lease obligation	\$ 1,010,314	

Capital Lease Obligations

The capital lease obligations represent the present value of minimum lease payments under such capital lease and cease use arrangements and bear imputed interest at rates ranging from 3.5% to 12.8% at June 30, 2016, and mature at dates ranging from 2016 to 2047.

Deferred Lease Balances

At June 30, 2016 and December 31, 2015, the Company had \$50.3 million and \$54.7 million, respectively, of favorable leases net of accumulated amortization, included in identifiable intangible assets, and \$31.9 million and \$35.5 million, respectively, of unfavorable leases net of accumulated amortization included in other long-term liabilities on the consolidated balance sheet. Favorable and unfavorable lease assets and liabilities arise through the acquisition of operating leases in place that requires those contracts be recorded at their then fair value. The fair value of a lease is determined through a comparison of the actual rental rate with rental rates prevalent for similar assets in similar markets. A favorable lease asset to the Company represents a rental stream that is below market, and conversely an unfavorable lease is one with its cost above market rates. These assets and liabilities amortize as lease expense over the remaining term of the respective leases on a straight-line basis. At June 30, 2016 and December 31, 2015, the Company had \$29.3 million and \$27.3 million, respectively, of deferred straight-line rent balances included in other long-term liabilities on the consolidated balance sheet.

Lease Covenants

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exceptions, impose operating and financial restrictions on the Company and its subsidiaries. These leases also require the Company to meet defined financial covenants, including a minimum level of consolidated liquidity, a maximum consolidated net leverage ratio and a minimum consolidated fixed charge coverage.

On July 29, 2016, the Company entered into amendments to its master lease agreements with Welltower, Sabra Health Care REIT, Inc. (Sabra) and Omega (collectively, the Master Lease Amendments). Among other things, the Master Lease Amendments modified financial covenants effective as of June 30, 2016 to provide the Company with additional flexibility.

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The Master Lease Amendments each contain a number of financial, affirmative and negative covenants. Following the amendments to these agreements, which are effective June 30, 2016, the Company is in compliance with all covenants contained in the Master Lease Amendments.

At June 30, 2016, the Company did not meet certain financial covenants contained in three leases related to 11 of its facilities. The Company is and expects to continue to be current in the timely payment of its obligations under such leases. These leases do not have cross default provisions, nor do they trigger cross default provisions in any of the Company's other loan or lease agreements. The Company will continue to work with the related credit parties to amend such leases and the related financial covenants. The Company does not believe the breach of such financial covenants at June 30, 2016 will have a material adverse impact on it. The Company has been afforded certain cure rights to such defaults by posting collateral in the form of additional letters of credit or security deposit.

The Company's ability to maintain compliance with its lease covenants depends in part on management's ability to increase revenue and control costs. Due to continuing changes in the healthcare industry, as well as the uncertainty with respect to changing referral patterns, patient mix, and reimbursement rates, it is possible that future operating performance may not generate sufficient operating results to maintain compliance with its quarterly lease covenant compliance requirements. Should the Company fail to comply with its lease covenants at a future measurement date, it could, absent necessary and timely waivers and/or amendments, be in default under certain of its existing lease agreements. To the extent any cross-default provisions may apply, the default could have an even more significant impact on the Company's financial position.

(9) Financing Obligation

Future minimum payments for the next five years and thereafter under leases classified as financing obligations at June 30, 2016 are as follows (in thousands):

Twelve months ended June 30,	
2017	\$ 279,799
2018	288,243
2019	296,482
2020	304,961
2021	313,675
Thereafter	9,782,020
Total future minimum lease payments	11,265,180
Less amount representing interest	(8,156,016)
Financing obligations	\$ 3,109,164
Less current portion	(1,431)
Long-term financing obligations	\$ 3,107,733

(10) Income Taxes

The Company effectively owns 58% of FC-GEN, an entity taxed as a partnership for U.S. income tax purposes. This is the Company's only source of taxable income. FC-GEN is subject to income taxes in several U.S. state and local

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

jurisdictions. The income taxes assessed by these jurisdictions are included in the Company's tax provision, but at its 58% ownership of FC-GEN.

For the three months ended June 30, 2016, the Company recorded an income tax expense of \$3.1 million from continuing operations, representing an effective tax rate of (9.4)%, compared to an income tax benefit of \$4.4 million from continuing operations, representing an effective tax rate of 11.7%, for the same period in 2015.

For the six months ended June 30, 2016, the Company recorded an income tax expense of \$6.2 million from continuing operations, representing an effective tax rate of (6.1)%, compared to an income tax benefit of \$10.1 million from continuing operations, representing an effective tax rate of 6.2%, for the same period in 2015.

The decrease in the effective tax rate for each of the respective periods is attributable to the full valuation allowance against the Company's deferred tax assets, excluding the reversal of deferred tax liabilities related to indefinite-lived assets, and the Company's deferred tax asset on its Bermuda captive insurance company's discounted unpaid loss reserve. On December 31, 2015, in assessing the requirement for, and amount of, a valuation allowance in accordance with the "more likely than not" standard, management determined that the Company would not realize its deferred tax assets and established a valuation allowance against the deferred tax assets. As of June 30, 2016, management has determined that the valuation allowance is still necessary. The Company's Bermuda captive insurance company is expected to generate positive U.S. federal taxable income in 2016, with no net operating loss to offset its taxable income.

Beginning with the fourth quarter of 2014, the Company initiated rehabilitation therapy services within the People's Republic of China. In the quarter ended March 31, 2016, the Company initiated rehabilitation therapy services within Hong Kong. At June 30, 2016, these business operations remain in their respective startup stage. Management does not anticipate these operations will generate taxable income in the near term. The operations currently do not have a material effect on the Company's effective tax rate.

Exchange Rights and Tax Receivable Agreement

Following the Combination, the owners of FC-GEN will have the right to exchange their membership interests in FC-GEN for shares of Class A Common Stock of the Company or cash, at the Company's option. As a result of such exchanges, the Company's membership interest in FC-GEN will increase and its purchase price will be reflected in its share of the tax basis of FC-GEN's tangible and intangible assets.

Any resulting increases in tax basis are likely to increase tax depreciation and amortization deductions and, therefore, reduce the amount of income tax the Company would otherwise be required to pay in the future.

Any such increase would also decrease gain (or increase loss) on future dispositions of the affected assets. There have been no exchanges for the three or six months ended June 30, 2016 and 2015, respectively.

Concurrent with the Combination, the Company entered into a tax receivable agreement (TRA) with the owners of FC-GEN. The agreement provides for the payment by the Company to the owners of FC-GEN of 90% of the cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of (i) the increases in tax basis attributable to the owners of FC-GEN and (ii) tax benefits related to imputed interest deemed to be paid by the Company as a result of the TRA. Under the TRA, the benefits deemed realized by the Company as a result of the increase in tax basis attributable to the owners of FC-GEN generally will be computed by comparing the actual income tax liability of the Company to the amount of such taxes that the Company would have been required to pay had there been no such increase in tax basis.

Estimating the amount of payments that may be made under the TRA is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis and deductions, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including:

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair value of the depreciable or amortizable assets of FC-GEN and its subsidiaries at the time of each exchange, which fair value may fluctuate over time;
- the price of shares of Company Class A Common Stock at the time of the exchange—the increase in any tax deductions, and the tax basis increase in other assets of FC-GEN and its subsidiaries is directly proportional to the price of shares of Company Class A Common Stock at the time of the exchange;
- the amount and timing of the Company's income—the Company is required to pay 90% of the deemed benefits as and when deemed realized. If FC-GEN does not have taxable income, the Company is generally not required (absent a change of control or circumstances requiring an early termination payment) to make payments under the TRA for that taxable year because no benefit will have been actually realized. However, any tax benefits that do not result in realized benefits in a given tax year likely will generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the TRA; and
- future tax rates of jurisdictions in which the Company has tax liability.

The TRA also provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, FC-GEN (or its successor's) obligations under the TRA would be based on certain assumptions defined in the TRA. As a result of these assumptions, FC-GEN could be required to make payments under the TRA that are greater or less than the specified percentage of the actual benefits realized by the Company that are subject to the TRA. In addition, if FC-GEN elects to terminate the TRA early, it would be required to make an early termination payment, which upfront payment may be made significantly in advance of the anticipated future tax benefits.

Payments generally are due under the TRA within a specified period of time following the filing of FC-GEN's U.S. federal and state income tax return for the taxable year with respect to which the payment obligation arises. Payments under the TRA generally will be based on the tax reporting positions that FC-GEN will determine. Although FC-GEN does not expect the Internal Revenue Service (IRS) to challenge the Company's tax reporting positions, FC-GEN will not be reimbursed for any overpayments previously made under the TRA, but any overpayments will reduce future payments. As a result, in certain circumstances, payments could be made under the TRA in excess of the benefits that FC-GEN actually realizes in respect of the tax attributes subject to the TRA.

The term of the TRA generally will continue until all applicable tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA and make an early termination payment.

In certain circumstances (such as certain changes in control, the election of the Company to exercise its right to terminate the agreement and make an early termination payment or an IRS challenge to a tax basis increase) it is possible that cash payments under the TRA may exceed actual cash savings.

(11) Commitments and Contingencies

Loss Reserves For Certain Self-Insured Programs

General and Professional Liability and Workers' Compensation

The Company self-insures for certain insurable risks, including general and professional liabilities and workers' compensation liabilities through the use of self-insurance or retrospective and self-funded insurance policies and other hybrid policies, which vary among states in which the Company operates, including wholly owned captive insurance

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

subsidiaries, to provide for potential liabilities for general and professional liability claims and workers' compensation claims. Policies are typically written for a duration of twelve months and are measured on a "claims made" basis. Regarding workers' compensation, the Company self-insures to its deductible and purchases statutorily required insurance coverage in excess of its deductible. There is a risk that amounts funded by the Company's self-insurance programs may not be sufficient to respond to all claims asserted under those programs. Insurance reserves represent estimates of future claims payments. This liability includes an estimate of the development of reported losses and losses incurred but not reported. Provisions for changes in insurance reserves are made in the period of the related coverage. The Company also considers amounts that may be recovered from excess insurance carriers in estimating the ultimate net liability for such risks.

The Company's management employs its judgment and periodic independent actuarial analysis in determining the adequacy of certain self-insured workers' compensation and general and professional liability obligations recorded as liabilities in the Company's financial statements. The Company evaluates the adequacy of its self-insurance reserves on a semi-annual basis or more often when it is aware of changes to its incurred loss patterns that could impact the accuracy of those reserves. The methods of making such estimates and establishing the resulting reserves are reviewed periodically and are based on historical paid claims information and nationwide nursing home trends. The foundation for most of these methods is the Company's actual historical reported and/or paid loss data. Any adjustments resulting therefrom are reflected in current earnings. Claims are paid over varying periods, and future payments may be different than the estimated reserves.

The Company utilizes third-party administrators (TPAs) to process claims and to provide it with the data utilized in its assessments of reserve adequacy. The TPAs are under the oversight of the Company's in-house risk management and legal functions. These functions ensure that the claims are properly administered so that the historical data is reliable for estimation purposes. Case reserves, which are approved by the Company's legal and risk management departments, are determined based on an estimate of the ultimate settlement and/or ultimate loss exposure of individual claims.

The reserves for loss for workers' compensation risks are discounted based on actuarial estimates of claim payment patterns using a discount rate of approximately 1% for each policy period presented. The discount rate for the current policy year is 0.96%. The discount rates are based upon the risk-free rate for the appropriate duration for the respective policy year. The removal of discounting would have resulted in an increased reserve for workers' compensation risks of \$8.5 million and \$8.6 million as of June 30, 2016 and December 31, 2015, respectively. The reserves for general and professional liability are recorded on an undiscounted basis.

For the three months ended June 30, 2016 and 2015, the provision for general and professional liability risk totaled \$35.3 million and \$45.4 million, respectively. For the six months ended June 30, 2016 and 2015, the provision for general and professional liability risk totaled \$70.2 million and \$71.6 million, respectively. The reserves for general and professional liability were \$390.0 million and \$371.6 million as of June 30, 2016 and December 31, 2015, respectively.

For the three months ended June 30, 2016 and 2015, the provision for workers' compensation risk totaled \$3.9 million and \$13.9 million, respectively. For the six months ended June 30, 2016 and 2015, the provision for workers' compensation risk totaled \$22.1 million and \$31.8 million, respectively. The reserves for workers' compensation risks were \$215.8 million and \$223.7 million as of June 30, 2016 and December 31, 2015, respectively.

Health Insurance

The Company offers employees an option to participate in self-insured health plans. Health insurance claims are paid as they are submitted to the plans' administrators. The Company maintains an accrual for claims that have been incurred but not yet reported to the plans' administrators and therefore have not yet been paid. The liability for the self-insured health plan is recorded in accrued compensation in the consolidated balance sheets. Although management

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

believes that the amounts provided in the Company's consolidated financial statements are adequate and reasonable, there can be no assurances that the ultimate liability for such self-insured risks will not exceed management's estimates.

Legal Proceedings

The Company and certain of its subsidiaries are involved in various litigation and regulatory investigations arising in the ordinary course of business. While there can be no assurance, based on the Company's evaluation of information currently available, with the exception of the specific matters noted below, management does not believe the results of such litigation and regulatory investigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company. However, the Company's assessment of materiality may be affected by limited information (particularly in the early stages of government investigations). Accordingly, the Company's assessment of materiality may change in the future based upon availability of discovery and further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

From time to time the Company may enter into confidential discussions regarding the potential settlement of pending investigations or litigation. There are a variety of factors that influence the Company's decisions to settle and the amount it may choose to pay, including the strength of the Company's case, developments in the investigation or litigation, the behavior of other interested parties, the demand on management time and the possible distraction of the Company's employees associated with the case and/or the possibility that the Company may be subject to an injunction or other equitable remedy. The settlement of any pending investigation, litigation or other proceedings could require the Company to make substantial settlement payments and result in its incurring substantial costs.

Agreement in Principle on Financial Terms of a Settlement

In July 2016, the Company and the U.S. Department of Justice (the DOJ) reached an agreement in principle on the financial terms of a settlement regarding four matters arising out of the activities of Skilled or Sun Healthcare prior to their operations becoming part of the Company's operations (collectively, the Successor Matters). The four matters are: the Creekside Hospice Litigation, the Therapy Matters Investigation, the Staffing Matters Investigation and the SunDance Part B Therapy Matter (each as defined below). The Company has agreed to the settlement in principle in order to resolve the allegations underlying the Successor Matters and to avoid the uncertainty and expense of litigation.

Based on the agreement in principle and in anticipation of the execution of final agreements and payment of a settlement amount of \$52.7 million (the Settlement Amount), the Company recorded an additional loss contingency expense in the amount of \$13.6 million in the second quarter of 2016, to increase its previously estimated and recorded liability. The Company expects to remit the Settlement Amount to the government over a period of five (5) years, once the agreement has been fully documented.

The agreement in principle is subject to negotiation, completion and execution of appropriate implementing agreements, including a settlement agreement or agreements, which are expected to be finalized in the second half of 2016, and the final approval of the respective parties. There can be no assurance that the Company will enter into a final settlement agreement with the DOJ. At this time, management believes that the ultimate outcome of the Successor Matters will not have a material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

Creekside Hospice Litigation

On August 2, 2013, the United States Attorney for the District of Nevada and the Civil Division of the DOJ informed Skilled that its Civil Division was investigating Skilled, as well as its then subsidiary, Creekside Hospice II, LLC, for possible violations of federal and state healthcare fraud and abuse laws and regulations (the Creekside Hospice Litigation). Those laws could have included the federal False Claims Act (FCA) and the Nevada False Claims Act

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

(NFCA). The FCA provides for civil and administrative fines and penalties, plus treble damages. The NFCA provides for similar fines and penalties, including treble damages. Violations of those federal or state laws could also subject the Company and/or its subsidiaries to exclusion from participation in the Medicare and Medicaid programs.

On or about August 6, 2014, in relation to the investigation the DOJ filed a notice of intervention in two pending qui tam proceedings filed by private party relators under the FCA and the NFCA and advised that it intended to take over the actions. The DOJ filed its complaint in intervention on November 25, 2014, against Creekside, Skilled Healthcare Group, Inc., and Skilled Healthcare, LLC, asserting, among other things, that certain claims for hospice services provided by Creekside in the time period 2010 to 2013 (prior to the Combination) did not meet Medicare requirements for reimbursement and were in violation of the civil False Claims Act.

Therapy Matters Investigation

In February 2015, representatives of the DOJ informed the Company that they were investigating the provision of therapy services at certain Skilled facilities from 2005 through 2013 (prior to the Combination) and may pursue legal action against the Company and certain of its subsidiaries including Hallmark Rehabilitation GP, LLC for alleged violations of the federal and state healthcare fraud and abuse laws and regulations related to such services (the Therapy Matters Investigation). Those laws could have included the FCA and similar state laws.

Staffing Matters Investigation

In February 2015, representatives of the DOJ informed the Company that it intended to pursue legal action against the Company and certain of its subsidiaries related to staffing and certain quality of care allegations at certain Skilled facilities that occurred prior to the Combination, related to the issues adjudicated against the Company and those subsidiaries in a previously disclosed class action lawsuit that Skilled settled in 2010 (the Staffing Matters Investigation). Those laws could have included the FCA and similar state laws.

SunDance Part B Therapy Matter

A subsidiary of Sun Healthcare, SunDance Rehabilitation Corp. (SunDance), operates an outpatient agency licensed to provide Medicare Part B therapy services at assisted/senior living facilities in Georgia and is a party to a qui tam proceeding that was filed by a private party relator under the FCA. No SunDance agencies outside of Georgia are part of the qui tam proceeding. The Civil Division of the United States Attorney's Office for the District of Georgia has filed a notice of intervention in this matter in March 2016 and asserts that certain SunDance claims for therapy services did not meet Medicare requirements for reimbursement.

(12) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and equivalents, restricted cash, trade accounts receivable, investments in marketable securities, accounts payable, short and long-term debt and derivative financial instruments.

The Company's financial instruments, other than its trade accounts receivable and accounts payable, are spread across a number of large financial institutions whose credit ratings the Company monitors and believes do not currently carry a material risk of non-performance. Certain of the Company's financial instruments, including its interest rate cap arrangements, contain an off-balance-sheet risk.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Recurring Fair Value Measures

Fair value is defined as an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as shown below. An instrument's classification within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

—

Level 2 Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability.

—

Level 3 Inputs that are unobservable for the asset or liability based on the Company's own assumptions (about the assumptions market participants would use in pricing the asset or liability).

—

The tables below presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Fair Value Measurements at Reporting Date Using			
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 46,678	\$ 46,678	\$ —	\$ —
Restricted cash and equivalents	33,310	33,310	—	—
Restricted investments in marketable securities	154,637	154,637	—	—
Total	<u>\$234,625</u>	<u>\$ 234,625</u>	<u>\$ —</u>	<u>\$ —</u>

	Fair Value Measurements at Reporting Date Using			
	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 61,543	\$ 61,543	\$ —	\$ —
Restricted cash and equivalents	34,370	34,370	—	—
Restricted investments in marketable securities	163,757	163,757	—	—
Total	<u>\$ 259,670</u>	<u>\$ 259,670</u>	<u>\$ —</u>	<u>\$ —</u>

The Company places its cash and equivalents and restricted investments in marketable securities in quality financial instruments and limits the amount invested in any one institution or in any one type of instrument. The Company has not experienced any significant losses on such investments.

[Table of Contents](#)

GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Debt Instruments

The table below shows the carrying amounts and estimated fair values of the Company's primary long-term debt instruments:

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facilities	\$ 362,234	\$ 362,234	\$ 352,746	\$ 352,746
Term loan facility	140,430	139,087	210,842	210,271
Real estate bridge loans	358,351	358,351	484,533	484,533
HUD insured loans	230,186	227,154	106,250	106,250
Mortgages and other secured debt (recourse)	13,586	13,586	13,934	13,934
Mortgages and other secured debt (non-recourse)	29,799	29,799	30,331	30,331
	<u>\$ 1,134,586</u>	<u>\$1,130,211</u>	<u>\$ 1,198,636</u>	<u>\$1,198,065</u>

The fair value of debt is based upon market prices or is computed using discounted cash flow analysis, based on the Company's estimated borrowing rate at the end of each fiscal period presented. The Company believes that the inputs to the pricing models qualify as Level 2 measurements.

Non-Recurring Fair Value Measures

The Company recently applied the fair value measurement principles to certain of its non-recurring nonfinancial assets in connection with an impairment test.

The following table presents the Company's hierarchy for nonfinancial assets measured at fair value on a non-recurring basis (in thousands):

	Carrying Value	Impairment Charges -
	June 30, 2016	Six months ended June 30, 2016
Assets:		
Property and equipment, net	\$ 3,957,245	\$ —
Goodwill	444,508	—
Intangible assets	192,566	—
	Carrying Value	Impairment Charges -
	December 31, 2015	Six months ended June 30, 2015
Assets:		
Property and equipment, net	\$ 4,085,247	\$ —
Goodwill	470,019	—
Intangible assets	209,967	—

The fair value of tangible and intangible assets is determined using a discounted cash flow approach, which is a significant unobservable input (Level 3). The Company estimates the fair value using the income approach (which is a discounted cash flow technique). These valuation methods required management to make various assumptions, including, but not limited to, future profitability, cash flows and discount rates. The Company's estimates are based upon historical trends, management's knowledge and experience and overall economic factors, including projections of future earnings potential.

**GENESIS HEALTHCARE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Developing discounted future cash flows in applying the income approach requires the Company to evaluate its intermediate to longer-term strategies, including, but not limited to, estimates of revenue growth, operating margins, capital requirements, inflation and working capital management. The development of appropriate rates to discount the estimated future cash flows requires the selection of risk premiums, which can materially affect the present value of future cash flows.

The Company estimated the fair value of acquired tangible and intangible assets using discounted cash flow techniques that included an estimate of future cash flows, consistent with overall cash flow projections used to determine the purchase price paid to acquire the business, discounted at a rate of return that reflects the relative risk of the cash flows.

The Company believes the estimates and assumptions used in the valuation methods are reasonable.

The Company performs a goodwill assessment every September 30 and more frequently if circumstances warrant. The last assessment was performed on December 31, 2015 and resulted in no impairment charges. Since that time, management has not identified any triggering events that suggest that goodwill may be impaired.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to assist in understanding and assessing the trends and significant changes in our results of operations and financial condition as of the dates and for the periods presented and should be read in conjunction with the consolidated financial statements and related notes thereto included in Item 1, "Financial Statements" in this Quarterly Report on Form 10-Q. As used in this MD&A, the words "we," "our," "us" and the "Company," and similar terms, refer collectively to Genesis Healthcare, Inc. and its wholly-owned subsidiaries, unless the context requires otherwise. This MD&A should be read in conjunction with our condensed consolidated financial statements and related notes included in this report, as well as the financial information and MD&A contained in the our Annual Report (defined below).

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q, other than statements or characterizations of historical fact, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. These statements contain words such as "may," "will," "project," "might," "expect," "believe," "anticipate," "intend," "could," "would," "estimate," "continue," "pursue," "plans" or "prospect," or the negative or other variations thereof or comparable terminology. They include, but are not limited to, statements about the Company's expectations and beliefs regarding its future operations and financial performance. Historical results may not indicate future performance. Our forward-looking statements are based on current expectations and projections about future events, and there can be no assurance that they will be achieved or occur, in whole or in part, in the timeframes anticipated by the Company or at all. Investors are cautioned that forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties that cannot be predicted or quantified and, consequently, the actual performance of the Company may differ materially from that expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2015, particularly in Item 1A, "Risk Factors," which was filed with the SEC on March 14, 2016 (the Annual Report), as well as others that are discussed in this Form 10-Q. These risks and uncertainties could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. Our business is also subject to the risks that affect many other companies, such as employment relations, natural disasters, general economic conditions and geopolitical events. Further, additional risks not currently known to us or that we currently believe are immaterial may in the future materially and adversely affect our business, operations, liquidity and stock price. Any forward-looking statements contained herein are made only as of the date of this report. The Company disclaims any obligation to update the forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements.

Business Overview

Genesis is a healthcare services company that through its subsidiaries owns and operates skilled nursing facilities, assisted living facilities and a rehabilitation therapy business. We have an administrative services company that provides a full complement of administrative and consultative services that allows our affiliated operators and third-party operators with whom we contract to better focus on delivery of healthcare services. We provide inpatient services through 509 skilled nursing, senior/assisted living and behavioral health centers located in 34 states. Revenues of our owned, leased and otherwise consolidated centers constitute approximately 85% of our revenues.

We also provide a range of rehabilitation therapy services, including speech pathology, physical therapy, occupational therapy and respiratory therapy. These services are provided by rehabilitation therapists and assistants employed or contracted at substantially all of the centers operated by us, as well as by contract to healthcare facilities operated by others. After the elimination of intercompany revenues, the rehabilitation therapy services business constitutes approximately 12% of our revenues.

We provide an array of other specialty medical services, including management services, physician services, staffing services, and other healthcare related services, which comprise the balance of our revenues.

Recent Transactions and Events

The Combination with Skilled

On August 18, 2014, Skilled Healthcare Group, Inc., a Delaware corporation (Skilled) entered into a Purchase and Contribution Agreement with FC-GEN Operations Investment, LLC (FC-GEN) pursuant to which the businesses and operations of FC-GEN and Skilled were combined (the Combination). On February 2, 2015, the Combination was completed.

Sale of Kansas ALFs

On January 1, 2016, we sold 18 Kansas assisted/senior living facilities acquired in the Combination for \$67.0 million. Of the proceeds received, \$54.2 million were used to pay down partially the Real Estate Bridge Loans. See Note 7 – “*Long-Term Debt – Real Estate Bridge Loans.*”

Sale of Hospice and Home Health

On March 9, 2016, we announced that we had signed an agreement with FC Compassus LLC, a nationwide network of community-based hospice and palliative care programs, to sell its hospice and home health operations for \$84 million. Through the asset purchase agreement, we retained certain liabilities. See Note 11 – “*Commitments and Contingencies – Legal Proceedings - Creekside Hospice Litigation.*” Certain members of our board of directors indirectly beneficially hold ownership interests in FC Compassus LLC totaling less than 10% in the aggregate.

Effective May 1, 2016, we completed the sale and received \$72 million in cash and a \$12 million short-term note. The sale resulted in a gain of \$43.8 million. The cash proceeds were used to pay down partially our Term Loan Facility. See Note 7 – “*Long-Term Debt – Term Loan Facility.*”

HUD Insured Loans

In the three and six months ended June 30, 2016, we closed on the HUD insured financings of eight and 18 skilled nursing facilities for \$61.2 million and \$129.1 million, respectively. The total proceeds from the financings were used to pay down partially the Real Estate Bridge Loans. See Note 7 – “*Long-Term Debt – Real Estate Bridge Loans.*”

Agreement in Principle on Financial Terms of a Settlement

See Note 11 – “*Commitments and Contingencies – Legal Proceedings*” for further description of the matters discussed below.

In July 2016, we and the DOJ reached an agreement in principle on the financial terms of a settlement regarding the four matters arising out of the activities of Skilled and Sun Healthcare prior to their operations becoming part of our operations (collectively, the Successor Matters). The four matters are: the Creekside Hospice Litigation, the Therapy Matters Investigation, the Staffing Matters Investigation and the SunDance Part B Therapy Matter. We have agreed to the settlement in principle in order to resolve the allegations underlying the Successor Matters and to avoid the uncertainty and expense of litigation.

Based on the agreement in principle and in anticipation of the execution of final agreements and payment of a settlement amount of \$52.7 million (the Settlement Amount), we have recorded an additional loss contingency expense in the amount of \$13.6 million in the second quarter of 2016, to increase our previously estimated and recorded liability. We expect to remit the Settlement Amount to the government over a period of five (5) years, once the agreement has been fully documented.

The agreement in principle is subject to negotiation, completion and execution of appropriate implementing agreements, including a settlement agreement or agreements, which are expected to be finalized in the second half of

2016, and the final approval of the respective parties. There can be no assurance that we will enter into a final settlement agreement with the DOJ. At this time, we believe that the ultimate outcome of the Successor Matters will not have a material adverse effect on our consolidated financial condition, results of operations and cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. We are still evaluating the effect, if any, ASU 2014-09 will have on our consolidated financial condition and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15) requiring management to evaluate whether there are conditions and events that raise substantial doubt about the entity’s ability to continue as a going concern and to provide disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim periods ending after December 31, 2016. We are still evaluating the effect, if any, ASU 2014-15 will have on our consolidated financial condition and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which is intended to improve the recognition and measurement of financial instruments. The new guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. We are still evaluating the effect, if any, ASU 2016-01 will have on our consolidated financial condition and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which amended authoritative guidance on accounting for leases. The new provisions require that a lessee of operating leases recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The lease liability will be equal to the present value of lease payments, with the right-of-use asset based upon the lease liability. The classification criteria for distinguishing between finance (or capital) leases and operating leases are substantially similar to the previous lease guidance, but with no explicit bright lines. As such, operating leases will result in straight-line rent expense similar to current practice. For short term leases (term of 12 months or less), a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities, which would generally result in lease expense being recognized on a straight-line basis over the lease term. The guidance is effective for annual and interim periods beginning after December 15, 2018, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition. The adoption of ASU 2016-02 is expected to have a material impact on our financial position. We are still evaluating the impact on our results of operations and does not expect the adoption of this standard to have an impact on liquidity.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09), which is intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. We are still evaluating the effect, if any, ASU 2016-09 will have on our consolidated financial condition and results of operations.

Industry Trends

Healthcare Reform Initiatives

Many provisions within the Patient Protection and Affordable Care Act of 2010 (PPACA) have had an impact, or could in the future impact, our business. The expansive potential impact of the PPACA is discussed in Item 1, “Business” and Item 1A, “Risk Factors” in our Annual Report and in Part II, “Other Information,” Item 1A, “Risk Factors” in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016.

We believe we are transforming our business and operations for success in a post-healthcare reform environment. As healthcare reform continues to be implemented, we believe post-acute healthcare providers who provide quality diversified care, have density and strong reputations in local markets, have good relationships with acute care hospitals and payors and operate with scale will have a competitive advantage in an episodic payment environment. We believe our previously described organic and strategic growth strategies should position us to become a valuable partner to acute care hospitals and managed care organizations that are seeking to increase care coordination, reduce lengths of stay and hospital readmissions, more effectively manage healthcare costs and develop new care delivery and payment models.

As the industry and its regulators engage in this new environment, we are positioning ourselves to adapt to changes that are ultimately made to the delivery system:

- **Medicare Shared Savings Program (MSSP)** – Effective January 1, 2016, we entered Genesis Physician Services (GPS), our physician services subsidiary, into the MSSP. While beneficiary attribution is retrospective, preliminary data show that we are managing approximately 15,000 Medicare fee for service beneficiaries with annualized Medicare spending of more than \$800 million. While these numbers are subject to modification and will not be reconciled by the Centers for Medicare and Medicaid Services (CMS) until mid-2017, we have received sufficient benchmark data to measure and monitor performance in this program beginning in the third quarter of this year. The gain share track requires us to save at least approximately three percent of the total Medicare spend under management in order to share in up to 50 percent of the savings with CMS predicated upon achieving certain quality initiatives. Once the savings hurdle has been reached, Genesis begins sharing based on the first dollar of savings.
- **Bundled Payments for Care Improvement (BPCI)** – Participation success is determined retrospectively given the lack of available historical data around the bundles, however, we have received three quarterly reconciliations in 2016 representing the last three fiscal quarters of 2015. The reconciliations for the three fiscal quarters of 2015 netted a positive \$0.6 million. We expect to receive the reconciliation from the first quarter of 2016 in September 2016 and believe we will continue to see positive outcomes for that quarter.
- **Comprehensive Care for Joint Replacement (CJR)** – On April 1, 2016, the CJR Program went into effect in 67 metropolitan statistical areas (MSAs) throughout the country. We have approximately 100 facilities in roughly 22 of those MSAs. While the program was recently enacted, we have already experienced a significant decline from this class of DRGs from recent years primarily due to the proliferation of Accountable Care Organizations (ACOs) and the BPCI program resulting from the PPACA. For the 2009-2012 period compared to the average number of CJR cases coming to our facilities in key states in 2014, we have already experienced a 29% decrease in applicable CJR type admissions. There were several states that saw slight increases, but many averaged decreases between 13% - 65%. Moreover, in studying our 32 facilities in the model 3 BPCI program from 2009-2012 compared to 2015, we have observed a decrease of nearly 16% in total CJR type admissions.

- Vitality to You – We continue to make great progress with our new Vitality to You service offering that extends our rehabilitation therapy services into the community. In the second quarter of 2016, Vitality to You saw revenue expand by 18.3%, as compared to the first quarter of 2016, and 179% compared to the same period in the prior year.

Medicare Rate Increase

On July 29, 2016, CMS issued a final rule for fiscal year 2017 outlining a net increase of 2.4% to Medicare reimbursement rates for skilled nursing facilities attributable to a 2.7% market basket increase, reduced by a 0.3% multi-factor productivity adjustment required by law. The final rule continues the shift to move the Medicare program, and the health care system at large, toward paying providers based on the quality, rather than the quantity of care. The final rule also further defines and notes changes in Consolidated Billing for skilled nursing facilities for fiscal year 2017; the Value-Based Purchasing Program; the Quality Reporting Program and the Payments Models Research.

Key Financial Performance Indicators

In order to assess our financial performance between periods, we evaluate certain key performance indicators for each of our operating segments separately for the periods presented. Results and statistics presented in the Key Performance Indicators may not be comparable period-over-period due to the impact of acquisitions and dispositions, or the impact of new and lost therapy contracts.

The following is a glossary of terms for some of our key performance indicators and non-GAAP measures:

“Actual Patient Days” is defined as the number of residents occupying a bed (or units in the case of an assisted/senior living center) for one qualifying day in that period.

“Adjusted EBITDA” is defined as EBITDA adjusted for certain excluded items to provide supplemental information regarding our operating performance. See “*Reasons for Non-GAAP Financial Disclosure*” for an explanation of the adjustments and a description of our uses of, and the limitations associated with, non-GAAP measures.

“Adjusted EBITDAR” is defined as EBITDAR adjusted for certain excluded items to provide supplemental information regarding our operating performance. See “*Reasons for Non-GAAP Financial Disclosure*” for an explanation of the adjustments and a description of our uses of, and the limitations associated with, non-GAAP measures.

“Available Patient Days” is defined as the number of available beds (or units in the case of an assisted/senior living center) multiplied by the number of days in that period.

“Average Daily Census” or “ADC” is the number of residents occupying a bed (or units in the case of an assisted/senior living center) over a period of time, divided by the number of calendar days in that period.

“EBITDAR” is defined as net income or loss attributable to Genesis Healthcare, Inc. before net income or loss of non-controlling interests, net income or loss from discontinued operations, depreciation and amortization expense, interest expense and lease expense. See “*Reasons for Non-GAAP Financial Disclosure*” for an explanation of the adjustments and a description of our uses of, and the limitations associated with, non-GAAP measures.

“EBITDA” is defined as EBITDAR less lease expense. See “*Reasons for Non-GAAP Financial Disclosure*” for an explanation of the adjustments and a description of our uses of, and the limitations associated with, non-GAAP measures.

“Insurance” refers collectively to commercial insurance and managed care payor sources, including Medicare Advantage beneficiaries, but does not include managed care payors serving Medicaid residents, which are included in the Medicaid category.

“Occupancy Percentage” is measured as the percentage of Actual Patient Days relative to the Available Patient Days.

“Skilled Mix” refers collectively to Medicare and Insurance payor sources.

[Table of Contents](#)

“Therapist Efficiency” is computed by dividing billable labor minutes related to patient care by total labor minutes for the period.

Key performance indicators for our businesses are set forth below, followed by a comparison and analysis of our financial results:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	(In thousands)		(In thousands)	
Financial Results				
Net revenues	\$1,438,358	\$1,419,475	\$2,910,576	\$2,762,476
EBITDAR	205,848	181,316	372,184	274,971
EBITDA	168,880	142,357	297,900	199,593
Adjusted EBITDAR	189,352	197,974	367,702	375,777
Adjusted EBITDA	62,975	76,557	116,508	136,982
Net loss attributable to Genesis Healthcare, Inc.	(22,973)	(19,186)	(66,012)	(131,752)

[Table of Contents](#)

INPATIENT SEGMENT:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Occupancy Statistics - Inpatient				
Available licensed beds in service at end of period	57,873	56,730	57,873	56,730
Available operating beds in service at end of period	56,320	55,087	56,320	55,087
Available patient days based on licensed beds	5,247,424	5,154,768	10,521,485	9,930,941
Available patient days based on operating beds	5,109,740	4,996,311	10,242,959	9,625,192
Actual patient days	4,373,938	4,338,337	8,791,285	8,427,184
Occupancy percentage - licensed beds	83.4 %	84.2 %	83.6 %	84.9
Occupancy percentage - operating beds	85.6 %	86.8 %	85.8 %	87.6
Skilled mix	20.2 %	21.8 %	20.7 %	22.3
Average daily census	48,065	47,674	48,304	46,559
Revenue per patient day (skilled nursing facilities)				
Medicare Part A	\$ 513	\$ 503	\$ 513	\$ 502
Medicare total (including Part B)	555	543	554	538
Insurance	464	454	452	446
Private and other	305	310	304	312
Medicaid	218	217	219	216
Medicaid (net of provider taxes)	199	195	200	195
Weighted average (net of provider taxes)	\$ 272	\$ 272	\$ 273	\$ 273
Patient days by payor (skilled nursing facilities)				
Medicare	533,758	573,295	1,103,507	1,153,193
Insurance	303,005	307,163	615,153	594,922
Total skilled mix days	836,763	880,458	1,718,660	1,748,115
Private and other	299,654	277,038	598,406	563,624
Medicaid	2,992,530	2,866,194	5,968,281	5,512,696
Total Days	4,128,947	4,023,690	8,285,347	7,824,435
Patient days as a percentage of total patient days (skilled nursing facilities)				
Medicare	12.9 %	14.2 %	13.3 %	14.7
Insurance	7.3 %	7.6 %	7.4 %	7.6
Skilled mix	20.2 %	21.8 %	20.7 %	22.3
Private and other	7.3 %	6.9 %	7.2 %	7.2
Medicaid	72.5 %	71.3 %	72.1 %	70.5
Total	100.0 %	100.0 %	100.0 %	100.0
Facilities at end of period				
Skilled nursing facilities				
Leased	375	384	375	384
Owned	55	33	55	33
Joint Venture	5	5	5	5
Managed *	39	36	39	36
Total skilled nursing facilities	474	458	474	458
Total licensed beds	57,909	55,605	57,909	55,605
Assisted/Senior living facilities:				
Leased	28	29	28	29
Owned	4	22	4	22
Joint Venture	1	1	1	1

Managed	2	4	2	4
Total assisted/senior living facilities	35	56	35	56
Total licensed beds	2,803	3,962	2,803	3,962
Total facilities	509	514	509	514
Total Jointly Owned and Managed— (Unconsolidated)	20	19	20	19

* Includes 20 facilities located in Texas for which the real estate is owned by Genesis

REHABILITATION THERAPY SEGMENT:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Revenue mix %:				
Company-operated	36 %	39 %	36 %	39 %
Non-affiliated	64 %	61 %	64 %	61 %
Sites of service (at end of period)	1,627	1,499	1,627	1,499
Revenue per site	\$162,236	\$171,570	\$330,879	\$336,478
Therapist efficiency %	69 %	70 %	69 %	70 %

Reasons for Non-GAAP Financial Disclosure

The following discussion includes references to EBITDAR, Adjusted EBITDAR, EBITDA and Adjusted EBITDA, which are non-GAAP financial measures (collectively, Non-GAAP Financial Measures). For purposes of SEC Regulation G, a non-GAAP financial measure is a numerical measure of a registrant's historical or future financial performance, financial position and cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable financial measure calculated and presented in accordance with GAAP in the statement of operations, balance sheet or statement of cash flows (or equivalent statements) of the registrant; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable financial measure so calculated and presented. In this regard, GAAP refers to generally accepted accounting principles in the United States. Pursuant to the requirements of Regulation G, we have provided reconciliations of the Non-GAAP Financial Measures to the most directly comparable GAAP financial measures.

We believe the presentation of Non-GAAP Financial Measures provides useful information to investors regarding our results of operations because these financial measures are useful for trending, analyzing and benchmarking the performance and value of our business. By excluding certain expenses and other items that may not be indicative of our core business operating results, these Non-GAAP Financial Measures:

- allow investors to evaluate our performance from management's perspective, resulting in greater transparency with respect to supplemental information used by us in our financial and operational decision making;
- facilitate comparisons with prior periods and reflect the principal basis on which management monitors financial performance;
- facilitate comparisons with the performance of others in the post-acute industry;
- provide better transparency as to the relationship each reporting period between our cash basis lease expense and the level of operating earnings available to fund lease expense; and
- allow investors to view our financial performance and condition in the same manner its significant landlords and lenders require us to report financial information to them in connection with determining our compliance with financial covenants.

We use Non-GAAP Financial Measures primarily as performance measures and believe that the GAAP financial measure most directly comparable to them is net income (loss) attributable to Genesis Healthcare, Inc. We use Non-GAAP Financial Measures to assess the relative performance of our operating businesses, as well as the employees responsible for operating such businesses. Non-GAAP Financial Measures are useful in this regard because they do not include such costs as interest expense, income taxes and depreciation and amortization expense which may vary from business unit to business unit depending upon

such factors as the method used to finance the original purchase of the business unit or the tax law in the state in which a business unit operates. By excluding such factors when measuring

[Table of Contents](#)

financial performance, many of which are outside of the control of the employees responsible for operating our business units, we are better able to evaluate the operating performance of the business unit and the employees responsible for business unit performance. Consequently, we use these Non-GAAP Financial Measures to determine the extent to which our employees have met performance goals, and therefore may or may not be eligible for incentive compensation awards.

We also use Non-GAAP Financial Measures in our annual budget process. We believe these Non-GAAP Financial Measures facilitate internal comparisons to historical operating performance of prior periods and external comparisons to competitors' historical operating performance. The presentation of these Non-GAAP Financial Measures is consistent with our past practice and we believe these measures further enable investors and analysts to compare current non-GAAP measures with non-GAAP measures presented in prior periods.

Although we use Non-GAAP Financial Measures as financial measures to assess the performance of our business, the use of these Non-GAAP Financial Measures is limited because they do not consider certain material costs necessary to operate the business. Because Non-GAAP Financial Measures do not consider these important elements of our cost structure, a user of our financial information who relies on Non-GAAP Financial Measures as the only measures of our performance could draw an incomplete or misleading conclusion regarding our financial performance. Consequently, a user of our financial information should consider net income (loss) attributable to Genesis Healthcare, Inc. as an important measure of its financial performance because it provides the most complete measure of our performance.

Other companies may define Non-GAAP Financial Measures differently and, as a result, our Non-GAAP Financial Measures may not be directly comparable to those of other companies. Non-GAAP Financial Measures do not represent net income (loss), as defined by GAAP. Non-GAAP Financial Measures should be considered in addition to, not a substitute for, or superior to, GAAP financial measures.

We use the following Non-GAAP Financial Measures that we believe are useful to investors as key measures of our operating performance:

EBITDAR and EBITDA

We believe EBITDAR is useful to an investor in evaluating our operating performance because it helps investors evaluate and compare the results of our operations from period to period by removing the impact of our capital structure (interest and lease expense) and our asset base (depreciation and amortization expense) from our operating results. We also use EBITDAR as one measure in determining the value of prospective acquisitions or divestitures. EBITDAR is also a commonly used measure to estimate the enterprise value of businesses in the healthcare industry. In addition, covenants in our lease agreements use EBITDAR as a measure of financial compliance.

We believe EBITDA is useful to an investor in evaluating our operating performance for the same reasons identified with respect to EBITDAR. EBITDA is a commonly used measure to estimate the enterprise value of businesses in the healthcare industry. In addition, covenants in our debt agreements use EBITDA as a measure of financial compliance.

Adjustments to EBITDAR and EBITDA

We adjust EBITDAR and EBITDA when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance and that the presentation of Adjusted EBITDAR and Adjusted EBITDA, when combined with GAAP net income (loss) attributable to Genesis Healthcare, Inc., EBITDAR and EBITDA, is beneficial to an investor's complete understanding of our operating performance. In addition, such adjustments are substantially similar to the adjustments to EBITDAR and EBITDA provided for in the financial covenant calculations contained in our lease and debt agreements.

We adjust EBITDAR and EBITDA for the following items:

- *Loss on extinguishment of debt.* We recognize losses on the extinguishment of debt when we refinance our debt

[Table of Contents](#)

prior to its original term, requiring us to write-off any unamortized deferred financing fees. We exclude the effect of losses or gains recorded on the early extinguishment of debt because we believe these gains and losses do not accurately reflect the underlying performance of our operating businesses.

- *Other income (loss)*. We primarily use this income statement caption to capture gains and losses on the sale or disposition of assets. We exclude the effect of such gains and losses because we believe they do not accurately reflect the underlying performance of our operating businesses.
- *Transaction costs*. In connection with our acquisition and disposition transactions, we incur costs consisting of investment banking, legal, transaction based compensation and other professional service costs. We exclude acquisition and disposition related transaction costs expensed during the period because we believe these costs do not reflect the underlying performance of our operating businesses.
- *Severance and restructuring*. We exclude severance costs from planned reduction in force initiatives associated with restructuring activities intended to adjust our cost structure in response to changes in the business environment. We believe these costs do not reflect the underlying performance of our operating businesses. We do not exclude severance costs that are not associated with such restructuring activities.
- *Long-lived asset impairment charges*. We exclude non-cash long-lived asset impairment charges because we believe including them does not reflect the ongoing operating performance of our operating businesses. Additionally, such impairment charges represent accelerated depreciation expense, and depreciation expense is excluded from EBITDA.
- *Losses of newly acquired, constructed or divested businesses*. The acquisition and construction of new businesses is an element of our growth strategy. Many of the businesses we acquire have a history of operating losses and continue to generate operating losses in the months that follow our acquisition. Newly constructed or developed businesses also generate losses while in their start-up phase. We view these losses as both temporary and an expected component of our long-term investment in the new venture. We adjust these losses when computing Adjusted EBITDAR and Adjusted EBITDA in order to better evaluate the performance of our mature ongoing business. The activities of such businesses are adjusted when computing Adjusted EBITDAR and Adjusted EBITDA until such time as a new business generates positive Adjusted EBITDA. The operating performance of new businesses is no longer adjusted when computing Adjusted EBITDAR and Adjusted EBITDA beginning in the period in which a new business generates positive Adjusted EBITDA and all periods thereafter. The divestiture of underperforming or non-strategic facilities is also an element of our business strategy. We eliminate the results of divested facilities beginning in the quarter in which they become divested. We view the losses associated with the wind-down of such divested facilities as not indicative of the performance of our ongoing operating business.
- *Stock-based compensation*. We exclude stock-based compensation expense because it does not result in an outlay of cash and such non-cash expenses do not reflect the underlying operating performance of our operating businesses.
- *Other Items*. From time to time we incur costs or realize gains that we do not believe reflect the underlying performance of our operating businesses. In the current reporting period, we incurred the following expenses that we believe are non-recurring in nature and do not reflect the ongoing operating performance of the Company or our operating businesses.

(1) *Skilled Healthcare and other loss contingency expense* – We exclude the estimated settlement cost and any adjustments thereto regarding the four legal matters inherited by Genesis in the Skilled and Sun Transactions and disclosed in the commitment and contingencies footnote to our consolidated financial statements describing our material legal proceedings. In the three and

six months ended June 30, 2016, we increased our estimated loss contingency expense by \$13.6 million and \$15.2 million, respectively, related to these matters. In the three and six months ended June 30, 2015, we increased our estimated loss contingency expense by

\$1.5 million related to these matters. We believe these costs are non-recurring in nature as they will no longer be recognized following the final settlement of these matters. We do not exclude the estimated settlement costs associated with all other legal and regulatory matters arising in the normal course of business. Also, we do not believe the excluded costs reflect the underlying performance of our operating businesses.

(2)*Regulatory defense and related costs* – We exclude the costs of investigating and defending the matters associated with the Skilled Healthcare and other loss contingency expense as noted in footnote (1). We believe these costs are non-recurring in nature as they will no longer be recognized following the final settlement of these matters. Also, we do not believe the excluded costs reflect the underlying performance of our business.

(3)*Other non-recurring costs* – In the three and six months ended June 30, 2016, we excluded \$0.1 million and \$0.9 million, respectively, of costs incurred in connection with a settlement of disputed costs related to previously reported periods and a regulatory audit associated with acquired businesses and related to pre-acquisition periods. In the three and six months ended June 30, 2015, we excluded \$10.5 million of costs incurred for self-insured prior period general liability, professional liability and workers' compensation claims. We do not believe the excluded costs are recurring or reflect the underlying performance of our business.

Adjustments to EBITDA

- Conversion to cash basis operating leases.* Our leases are classified as either operating leases, capital leases or financing obligations pursuant to applicable guidance under U.S. GAAP. We view the primary provisions and economics of these leases, regardless of their accounting treatment, as being nearly identical. Virtually all of our leases are structured with triple net terms, have fixed annual rent escalators and have long-term initial maturities with renewal options. Accordingly, in connection with our evaluation of the financial performance of our business, we reclassify all of our leases to operating lease treatment and reflect lease expense on a cash basis. This approach allows us to better understand the relationship in each reporting period of our operating performance, as measured by EBITDAR and Adjusted EBITDAR, to the cash basis obligations to our landlords in that reporting period, regardless of the lease accounting treatment. This presentation and approach is also consistent with the financial reporting and covenant compliance requirements contained in all of our major lease and loan agreements.
- Rent related to newly acquired, constructed or divested businesses.* Consistent with our treatment of excluding the EBITDAR of newly acquired, constructed or divested businesses, we exclude the rent expense associated with such businesses. While such businesses are in their start-up or wind-down phase, we do not believe including such lease expense reflects the ongoing operating performance of our operating businesses.

[Table of Contents](#)

The following tables provide reconciliations to EBITDAR, Adjusted EBITDAR, EBITDA and Adjusted EBITDA from net loss the most directly comparable financial measure presented in accordance with GAAP:

	Three months ended June		Six months ended June	
	30,	30,	30,	30,
	2016	2015	2016	2015
Net loss attributable to Genesis Healthcare, Inc.	\$ (22,973)	\$ (19,186)	\$ (66,012)	\$(131,752)
(Income) loss from discontinued operations, net of taxes	(61)	1,722	(23)	1,610
Net loss attributable to noncontrolling interests	(12,985)	(15,750)	(40,974)	(21,434)
Depreciation and amortization expense	67,953	53,605	129,718	113,538
Interest expense	133,860	126,385	269,041	247,698
Income tax expense (benefit)	3,086	(4,419)	6,150	(10,067)
EBITDA	\$ 168,880	\$ 142,357	\$ 297,900	\$ 199,593
Lease expense	36,968	38,959	74,284	75,378
EBITDAR	\$ 205,848	\$ 181,316	\$ 372,184	\$ 274,971
Adjustments to EBITDAR:				
Loss on extinguishment of debt	468	-	468	3,234
Other (income) loss	(42,923)	50	(42,911)	(7,560)
Transaction costs	4,993	2,642	6,747	88,710
Severance and restructuring	3,800	720	6,816	2,379
Losses of newly acquired, constructed, or divested businesses	1,554	899	3,527	1,052
Stock-based compensation	1,860	530	3,719	530
Skilled Healthcare and other loss contingency expense (1)	13,566	1,500	15,192	1,500
Regulatory defense and related costs (2)	118	(183)	1,058	461
Other non-recurring costs (3)	68	10,500	902	10,500
Adjusted EBITDAR	\$ 189,352	\$ 197,974	\$ 367,702	\$ 375,777
Less: GAAP lease expense	(36,968)	(38,959)	(74,284)	(75,378)
Less: Conversion to cash basis operating leases	(90,894)	(84,437)	(180,167)	(168,345)
Plus: Rent related to losses of newly acquired, constructed, or divested businesses	1,485	1,979	3,257	4,928
Adjusted EBITDA	\$ 62,975	\$ 76,557	\$ 116,508	\$ 136,982

Results of Operations

Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

A summary of our unaudited results of operations for the three months ended June 30, 2016 as compared with the same period in 2015 follows:

	Three months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage	Dollars	Percentage
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$1,194,326	83.0 %	\$1,164,674	82.0 %	\$ 29,652	2.5 %
Assisted/Senior living facilities	30,431	2.1 %	36,206	2.6 %	(5,775)	(16.0)%
Administration of third party facilities	2,870	0.2 %	2,828	0.2 %	42	1.5 %
Elimination of administrative services	(362)	— %	(523)	— %	161	(30.8)%
Inpatient services, net	1,227,265	85.3 %	1,203,185	84.8 %	24,080	2.0 %
Rehabilitation therapy services:						
Total therapy services	275,049	19.1 %	274,133	19.3 %	916	0.3 %
Elimination intersegment rehabilitation therapy services	(103,472)	(7.2)%	(110,002)	(7.7)%	6,530	(5.9)%
Third party rehabilitation therapy services	171,577	11.9 %	164,131	11.6 %	7,446	4.5 %
Other services:						
Total other services	45,334	3.2 %	61,409	4.3 %	(16,075)	(26.2)%
Elimination intersegment other services	(5,818)	(0.4)%	(9,250)	(0.7)%	3,432	(37.1)%
Third party other services	39,516	2.8 %	52,159	3.6 %	(12,643)	(24.2)%
Net revenues	<u>\$1,438,358</u>	<u>100.0 %</u>	<u>\$1,419,475</u>	<u>100.0 %</u>	<u>\$ 18,883</u>	<u>1.3 %</u>

	Three months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Margin Dollars	Margin Percentage	Margin Dollars	Margin Percentage	Dollars	Percentage
	(in thousands, except percentages)					
EBITDAR:						
Inpatient services	\$202,077	16.5 %	\$192,801	16.0 %	\$ 9,276	4.8 %
Rehabilitation therapy services	21,038	7.6 %	29,650	10.8 %	(8,612)	(29.0)%
Other services	2,548	5.6 %	4,633	7.5 %	(2,085)	(45.0)%
Corporate and eliminations	(19,815)	— %	(45,768)	— %	25,953	(56.7)%
EBITDAR	<u>\$205,848</u>	<u>14.3 %</u>	<u>\$181,316</u>	<u>12.8 %</u>	<u>\$24,532</u>	<u>13.5 %</u>

[Table of Contents](#)

A summary of our unaudited condensed consolidating statement of operations follows:

Three months ended June 30, 2016						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$ 1,227,627	\$ 275,049	\$ 45,220	\$ 114	\$ (109,652)	\$ 1,438,358
Salaries, wages and benefits	572,676	229,533	30,484	—	—	832,693
Other operating expenses	428,550	19,683	11,580	—	(109,652)	350,161
General and administrative costs	—	—	—	45,026	—	45,026
Provision for losses on accounts receivable	24,324	4,795	608	(46)	—	29,681
Lease expense	36,006	23	410	529	—	36,968
Depreciation and amortization expense	60,056	3,074	328	4,495	—	67,953
Interest expense	110,057	15	4	23,784	—	133,860
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(658)	—	(658)
Other income	—	—	—	(42,923)	—	(42,923)
Transaction costs	—	—	—	4,993	—	4,993
Skilled Healthcare and other loss contingency expense	—	—	—	13,566	—	13,566
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,174)	677	(497)
(Loss) income before income tax expense	(4,042)	17,926	1,806	(47,946)	(677)	(32,933)
Income tax expense	—	—	—	3,086	—	3,086
(Loss) income from continuing operations	<u>\$ (4,042)</u>	<u>\$ 17,926</u>	<u>\$ 1,806</u>	<u>\$ (51,032)</u>	<u>\$ (677)</u>	<u>\$ (36,019)</u>

Three months ended June 30, 2015						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$ 1,203,708	\$ 274,133	\$ 60,338	\$ 1,071	\$ (119,775)	\$ 1,419,475
Salaries, wages and benefits	562,682	220,782	37,462	—	—	820,926
Other operating expenses	430,954	19,595	17,463	—	(119,776)	348,236
General and administrative costs	—	—	1	43,482	—	43,483
Provision for losses on accounts receivable	17,271	4,106	779	(43)	—	22,113
Lease expense	37,738	14	747	460	—	38,959
Depreciation and amortization expense	51,032	3,032	198	(657)	—	53,605
Interest expense	105,815	1	10	20,683	(124)	126,385
Investment (income) loss	—	—	—	(555)	124	(431)
Other loss	—	—	—	50	—	50
Transaction costs	—	—	—	2,642	—	2,642
Skilled Healthcare and other loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(928)	568	(360)
(Loss) income before income tax benefit	(1,784)	26,603	3,678	(65,563)	(567)	(37,633)
Income tax benefit	—	—	—	(4,419)	—	(4,419)
(Loss) income from continuing operations	<u>\$ (1,784)</u>	<u>\$ 26,603</u>	<u>\$ 3,678</u>	<u>\$ (61,144)</u>	<u>\$ (567)</u>	<u>\$ (33,214)</u>

Prior to February 1, 2015, our results of operations exclude the revenue and expenses of Skilled's businesses. For comparability, those revenue and expense variances attributed solely to the Combination of Skilled's businesses with ours, commencing on February 1, 2015, will be identified in the discussion of the

results of operations. References to “legacy” businesses identify those businesses operating as either Skilled or Genesis, respectively, prior to the Combination.

On December 1, 2015, we acquired 15 skilled nursing facilities and entered into management agreements to manage five skilled nursing facilities from Revera Assisted Living, Inc. (Revera) for \$206.0 million, financed through a \$134.1 million bridge loan (Acquisition from Revera). Prior to December 1, 2015, our results of operations exclude the revenue and expenses of the acquired Revera businesses. For comparability, those revenue and expense variances attributed solely to the Acquisition from Revera, commencing on December 1, 2015, will be identified in the discussion of the results of operations.

[Table of Contents](#)

Other, less significant transactions which impact comparability are identified as acquired or under development for businesses which are growing period over period, or as divested for those businesses that we have closed or otherwise exited period over period.

Net Revenues

Net revenues for the three months ended June 30, 2016 as compared with the three months ended June 30, 2015 increased by \$18.9 million. Of that increase, the Acquisition from Revera contributed \$58.2 million. The remaining decrease of \$39.3 million or 2.8% is primarily attributed to divested business and contracting census in the inpatient business, partially offset by acquisition and development activities in the inpatient business and growth in our rehabilitation services business.

Inpatient Services – Revenue increased \$24.1 million, or 2.0%, in the three months ended June 30, 2016 as compared with the same period in 2015. Of this growth, \$56.0 million is due to the Acquisition from Revera and \$13.8 million is due to the acquisition or development of seven facilities, offset by \$21.1 million of revenue attributed to the divestiture of 28 underperforming facilities, including 18 assisted living facilities in Kansas sold January 1, 2016. The remaining decrease of \$24.6 million, or 2.0%, is due to a decline in the occupancy and skilled mix of legacy Genesis inpatient facilities, partially offset by increased payment rates. We attribute the decline in occupancy and skilled mix principally to the impact of healthcare reforms resulting in lower lengths of stay among our skilled patient population and lower admissions caused by initiatives among acute care providers, managed care payers and conveners to divert certain skilled nursing referrals to home health or other community based care settings.

Rehabilitation Therapy Services – Revenue increased \$7.4 million, or 4.5% comparing the three months ended June 30, 2016 with the same period in 2015. The Acquisition from Revera contributed \$2.2 million of the revenue growth, while the legacy Genesis rehabilitation therapy services business revenue increased another \$5.2 million, driven by new therapy contract revenue exceeding lost business contract revenue and partially offset with market pricing adjustments with intercompany contracts with Genesis skilled nursing facilities.

Other Services – Other services revenue decreased \$12.6 million, or 24.2% in the three months ended June 30, 2016 as compared with the same period in 2015. Of this decrease, \$12.4 million is the net impact of selling the hospice and homecare businesses on May 1, 2016.

EBITDAR

EBITDAR for the three months ended June 30, 2016 increased by \$24.5 million, or 13.5% when compared with the same period in 2015. The contributing factors for this net increase are described in our discussion below of segment results and corporate overhead.

Inpatient Services – EBITDAR increased in the three months ended June 30, 2016 as compared with the same period in 2015, by \$9.3 million, or 4.8%. Of the increase, \$8.3 million is due to the Acquisition from Revera, \$2.8 million is due to the acquisition or development of seven facilities, and partially offset by \$4.4 million for the lost earnings attributed to the divestiture or closure of 28 underperforming facilities, including 18 assisted living facilities in Kansas sold January 1, 2016. Market pricing adjustments and restructured respiratory therapy service delivery from our Genesis rehabilitation therapy services resulted in \$7.7 million increase in EBITDAR of the inpatient services in the three months ended June 30, 2016 as compared with the same period in 2015. Our self-insurance programs contributed \$11.3 million of the increased EBITDAR in the six months ended June 30, 2016 as compared with the same period in 2015 resulting from an actuarial assessment of our self-insurance reserves and loss patterns. That variance excludes the impact of the Acquisition from Revera, with \$1.1 million of reduced provision for general and professional liability claims and reduced reserve requirements of our workers' compensation programs of \$10.2 million. Increased levels of provision for losses on accounts receivable resulted in \$4.0 million of the reduction of EBITDAR in the three months ended June 30, 2016 as compared with the same period in 2015.

The remaining \$12.4 million decrease in EBITDAR of the segment is attributed to the continued pressures on skilled mix and overall occupancy of our inpatient facilities described under “Net Revenues.”

[Table of Contents](#)

Rehabilitation Therapy Services – EBITDAR of the rehabilitation therapy segment decreased by \$8.6 million or 29.0% comparing the three months ended June 30, 2016 with the same period in 2015. The Acquisition from Revera contributed \$1.1 million, while the EBITDAR of the legacy Genesis rehabilitation therapy business EBITDAR for the three months ended June 30, 2016 decreased \$9.7 million from the same period in 2015. Market pricing adjustments and restructured respiratory therapy service delivery to our Genesis skilled nursing centers resulted in \$ 7.7 million of the rehabilitation therapy services EBITDAR reduction and are included in the cost reductions noted in the Inpatient Services discussion above. New therapy contracts exceeded lost therapy contracts while Therapist Efficiency declined to 69.0% in the three months ended June 30, 2016 compared with 69.9% in the same period in 2015. The remaining decrease of \$2.0 million is principally due to the escalating startup costs of our China operations. In June 2016, our affiliate in China opened a rehabilitation facility with standards found in our traditional short-stay model facilities in the United States, the first of its kind in those foreign markets. The 174-bed center provides western rehabilitation technologies and service philosophies that are localized for the China market and sets industry standards for Chinese rehabilitation services.

Currently, we operate through affiliates in China a total of seven locations comprised of the two rehabilitation clinics in China and Hong Kong, the newly opened rehabilitation facility, and inpatient and outpatient rehabilitation services in four hospital joint ventures. We plan to open two additional clinics and four hospital joint ventures in August 2016, bringing us to a total of 13 facilities operating in China. Startup costs of these Chinese ventures are expected to exceed revenues in fiscal 2016.

Other Services – EBITDAR decreased \$2.1 million in the three months ended June 30, 2016 as compared with the same period in 2015. The sale of the hospice and home health business effective May 1, 2016 resulted in a net reduction to EBITDAR of \$0.9 million with the remaining decrease of \$1.2 million principally attributed to the staffing services businesses and the physician services business.

Corporate and Eliminations — EBITDAR increased \$26.0 million in the six months ended June 30, 2016 as compared with the same period in 2015. EBITDAR of our corporate function includes other income, charges, gains or losses associated with transactions that in our chief operating decision maker's view are outside of the scope our reportable segments. These other transactions, which are separately captioned in our consolidated statements of operations and described more fully above in our Reasons for Non-GAAP Financial Disclosure, contributed \$28.1 million of the net increase in EBITDAR. Corporate overhead costs increased \$2.5 million, or 6.1%, in the three months ended June 30, 2016 as compared with the same period in 2015. This increase was largely due to the added overhead costs of Skilled and operating as a public company for the entire period. The remaining increase in EBITDAR of \$0.4 million is the result of incremental investment earnings and improved earnings from our unconsolidated affiliates.

Other income – As previously described, effective April 30, 2016, we have sold the hospice and homecare business acquired in the Combination. That sale resulted in a realized gain of \$43.8 million. In addition to that sale, during the three months ended June 30, 2016 we have transitioned the operations of two formerly leased facilities to new operators resulting in a loss on that transaction of \$0.8 million.

Transaction costs — In the normal course of business, we evaluate strategic acquisition, disposition and business development opportunities. The costs to pursue these opportunities, when incurred, vary from period to period depending on the nature of the transaction pursued and if those transactions are ever completed. Transaction costs incurred for the three months ended June 30, 2016 and 2015 were \$5.0 million and \$2.6 million, respectively, and of the amount in the 2015 period, the Combination contributed \$2.2 million.

Skilled Healthcare and other loss contingency expense — For the three months ended June 30, 2016, we accrued \$13.6 million for contingent liabilities, compared with \$1.5 million in the corresponding period in the prior year. As previously disclosed, the additional accrual in the current year pertains to the

agreement in principle reached with the DOJ in July 2016. See note 11 – “*Commitments and Contingencies – Legal Proceedings.*”

Other Expense

The following discussion applies to the consolidated expense categories between consolidated EBITDAR and (loss) income from continuing operations of all reportable segments, other services, corporate and eliminations in our consolidating statement of operations for the three months ended June 30, 2016 as compared with the same period in 2015.

Lease expense — Lease expense represents the cash rents and non-cash adjustments required to account for operating leases. We have operating leases in each reportable segment, other services and corporate overhead, but the inpatient services business incurs the greatest proportion of this expense for those skilled nursing and assisted living facilities leases accounted for as operating leases. Lease expense decreased \$2.0 million in the three months ended June 30, 2016 as compared with the same period in the prior year. Of that decrease, \$0.7 million resulted from lease accounting transactions for the Combination in the three months ended June 30, 2015, which did not recur in the same period in the current year. The remaining decrease of \$1.3 million was principally due to our divestiture of underperforming leased facilities.

Depreciation and amortization — Each of our reportable segments, other services and corporate overhead have depreciating property, plant and equipment, including depreciation on leased properties accounted for as capital leases or as a financing obligation. Our rehabilitation therapy services and other services have identifiable intangible assets which amortize over the estimated life of those identifiable assets. The majority of the \$14.3 million increase in depreciation and amortization in the three months ended June 30, 2016 compared with the same period in the prior year is attributed to the Combination, the Acquisition from Revera and other acquisition and construction activities in 2015, net of \$6.5 million of accelerated depreciation on two formerly leased facilities transitioned to new operators in the three months ended June 30, 2016.

Interest expense — Interest expense includes the cash interest and non-cash adjustments required to account for our Revolving Credit Facilities, Term Loan Facility, Real Estate Bridge Loans and mortgage instruments, as well as the expense associated with leases accounted for as capital leases or financing obligations. Interest expense increased \$7.5 million in the three months ended June 30, 2016 as compared with the same period in the prior year. Of this increase, \$4.2 million is attributed to the debt issued in the Acquisition from Revera. The remaining \$3.3 million increase is primarily attributable to growth in interest pertaining to obligations incurred in connection with newly acquired or constructed facilities, in addition to escalating variable rates on the Real Estate Bridge Loans, and partially offset by reduced borrowings under the Term Loan Facility through application of proceeds from asset sales and Real Estate Bridge Loans refinanced with lower rate HUD guaranteed mortgage debt.

Income tax expense (benefit) — For the three months ended June 30, 2016, we recorded an income tax expense of \$3.1 million from continuing operations representing an effective tax rate of (9.4)% compared to an income tax benefit of \$(4.4) million from continuing operations, representing an effective tax rate of 11.7% for the same period in 2015. The 21.1% decrease in the effective tax rate is attributable to the full valuation allowance against our deferred tax assets, excluding the deferred tax asset on our Bermuda captive insurance company's discounted unpaid loss reserve. On December 31, 2015, in assessing the requirement for, and amount of, a valuation allowance in accordance with the standard, we determined it was more likely than not we would not realize our deferred tax assets and established a valuation allowance against the deferred tax assets. As of June 30, 2016, we have determined that the valuation allowance is still necessary.

Net Loss Attributable to Genesis Healthcare, Inc.

The following discussion applies to categories between loss from continuing operations and net loss attributable to Genesis Healthcare, Inc. in our consolidated statements of operations for the three months ended June 30, 2016 as compared with the same period in 2015.

Income (loss) from discontinued operations — Prior to the adoption of ASU 2014-08, *Reporting Discontinued Operations and Disposals of Components of an Entity (ASU 2014-08)*, we routinely classified reporting units exited,

[Table of Contents](#)

closed or otherwise disposed as discontinued operations. ASU 2014-08 changed the criteria to qualify such transactions for discontinued operations treatment, making it hard to reach that conclusion. Therefore, since 2014 none of our more recently exited, closed or otherwise disposed assets have been classified as discontinued operations. The activity reported as discontinued operations in the three months ended June 30, 2016 was de minimis as compared with a loss of \$1.6 million in the same period in 2015, representing adjustments associated with exit, closure and disposal activities of reporting units identified as discontinued operations prior to adoption of ASU 2014-08. These activities include adjustments specific to those reporting units to reserves for self-insured losses and provisions and recoveries of accounts receivable.

Net loss attributable to noncontrolling interests — Following the closing of the Combination, the combined results of Skilled and FC-GEN are consolidated with approximately 42% direct noncontrolling economic interest shown as noncontrolling interest in the financial statements of the combined entity. The 42% direct noncontrolling economic interest is in the form of Class A common units of FC-GEN that are exchangeable on a 1-to-1 basis to our public shares. The 42% direct noncontrolling economic interest will continue to decrease as Class A common units of FC-GEN are exchanged for public shares. There have been no conversions of Class A common units since the completion of the Combination. For the three months ended June 30, 2016 and 2015, loss of \$13.8 million and \$16.7 million, respectively, has been attributed to the Class A common units.

In addition to the noncontrolling interests attributable to the Class A common unit holders, our consolidated financial statements include the accounts of all entities controlled by us through our ownership of a majority voting interest and the accounts of any VIEs where we are subject to a majority of the risk of loss from the VIE's activities, or entitled to receive a majority of the entity's residual returns, or both. We adjust net income attributable to Genesis Healthcare, Inc. to exclude the net income attributable to the third party ownership interests of the VIEs. For the three months ended June 30, 2016 and 2015, income of \$0.8 million and \$0.9 million, respectively, has been attributed to these unaffiliated third parties.

Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

A summary of our unaudited results of operations for the six months ended June 30, 2016 as compared with the same period in 2015 follows:

	<u>Six months ended June 30,</u>				<u>Increase / (Decrease)</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>Dollars</u>	<u>Percentage</u>
	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>		
	<u>Dollars</u>	<u>Percentage</u>	<u>Dollars</u>	<u>Percentage</u>		
	<u>(in thousands, except percentages)</u>					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$2,402,759	82.5 %	\$2,269,665	82.2 %	\$133,094	5.9 %
Assisted/Senior living facilities	61,350	2.1 %	69,862	2.5 %	(8,512)	(12.2)%
Administration of third party facilities	5,949	0.2 %	5,499	0.2 %	450	8.2 %
Elimination of administrative services	(737)	— %	(1,024)	— %	287	(28.0)%
Inpatient services, net	2,469,321	84.8 %	2,344,002	84.9 %	125,319	5.3 %
Rehabilitation therapy services:						
Total therapy services	560,161	19.3 %	537,184	19.4 %	22,977	4.3 %
Elimination intersegment rehabilitation therapy services	(209,904)	(7.2)%	(215,908)	(7.8)%	6,004	(2.8)%
Third party rehabilitation therapy services	350,257	12.1 %	321,276	11.6 %	28,981	9.0 %
Other services:						
Total other services	101,960	3.5 %	113,955	4.1 %	(11,995)	(10.5)%
Elimination intersegment other services	(10,962)	(0.4)%	(16,757)	(0.6)%	5,795	(34.6)%

Third party other services	<u>90,998</u>	<u>3.1 %</u>	<u>97,198</u>	<u>3.5 %</u>	<u>(6,200)</u>	<u>(6.4)%</u>
Net revenues	<u>\$2,910,576</u>	<u>100.0 %</u>	<u>\$2,762,476</u>	<u>100.0 %</u>	<u>\$148,100</u>	<u>5.4 %</u>

[Table of Contents](#)

	Six months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Dollars	Margin Percentage	Dollars	Margin Percentage	Dollars	Percentage
	(in thousands, except percentages)					
EBITDAR:						
Inpatient services	\$393,562	15.9 %	\$ 375,812	16.0 %	\$ 17,750	4.7 %
Rehabilitation therapy services	42,725	7.6 %	58,678	10.9 %	(15,953)	(27.2)%
Other services	6,139	6.0 %	8,651	7.6 %	(2,512)	(29.0)%
Corporate and eliminations	<u>(70,242)</u>	<u>— %</u>	<u>(168,170)</u>	<u>— %</u>	<u>97,928</u>	<u>(58.2)%</u>
EBITDAR	<u>\$372,184</u>	<u>12.8 %</u>	<u>\$ 274,971</u>	<u>10.0 %</u>	<u>\$ 97,213</u>	<u>35.4 %</u>

A summary of our unaudited condensed consolidating statement of operations follows:

	Six months ended June 30, 2016					
	Rehabilitation					Consolidated
	Inpatient Services	Therapy Services	Other Services	Corporate	Eliminations	
	(In thousands)					
Net revenues	\$2,470,058	\$ 560,161	\$101,744	\$ 216	\$ (221,603)	\$ 2,910,576
Salaries, wages and benefits	1,161,578	469,969	68,863	—	—	1,700,410
Other operating expenses	867,249	40,024	25,588	—	(221,603)	711,258
General and administrative costs	—	—	—	93,453	—	93,453
Provision for losses on accounts receivable	47,669	7,443	1,154	(92)	—	56,174
Lease expense	72,302	47	940	995	—	74,284
Depreciation and amortization expense	113,895	6,194	642	8,987	—	129,718
Interest expense	219,046	29	20	49,946	—	269,041
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(1,139)	—	(1,139)
Other income	—	—	—	(42,911)	—	(42,911)
Transaction costs	—	—	—	6,747	—	6,747
Skilled Healthcare and other loss contingency expense	—	—	—	15,192	—	15,192
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(2,286)	1,026	(1,260)
(Loss) income before income tax expense	<u>(11,681)</u>	<u>36,455</u>	<u>4,537</u>	<u>(129,144)</u>	<u>(1,026)</u>	<u>(100,859)</u>
Income tax expense	—	—	—	6,150	—	6,150
(Loss) income from continuing operations	<u>\$ (11,681)</u>	<u>\$ 36,455</u>	<u>\$ 4,537</u>	<u>\$ (135,294)</u>	<u>\$ (1,026)</u>	<u>\$ (107,009)</u>

	Six months ended June 30, 2015					
	Rehabilitation					Consolidated
	Inpatient Services	Therapy Services	Other Services	Corporate	Eliminations	
	(In thousands)					
Net revenues	\$2,345,026	\$ 537,184	\$112,674	\$ 1,281	\$ (233,689)	\$ 2,762,476
Salaries, wages and benefits	1,105,374	435,579	70,706	—	—	1,611,659
Other operating expenses	827,496	34,994	31,996	—	(233,689)	660,797
General and administrative costs	—	—	3	85,013	—	85,016
Provision for losses on accounts receivable	36,344	7,933	1,318	(86)	—	45,509
Lease expense	73,266	55	1,206	851	—	75,378

Depreciation and amortization expense	99,257	5,899	560	7,822	—	113,538
Interest expense	209,469	2	20	38,454	(247)	247,698
Loss on extinguishment of debt	—	—	—	3,234	—	3,234
Investment (income) loss	—	—	—	(1,094)	247	(847)
Other income	—	—	—	(7,560)	—	(7,560)
Transaction costs	—	—	—	88,710	—	88,710
Skilled Healthcare loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,457)	944	(513)
(Loss) income before income tax benefit	(6,180)	52,722	6,865	(214,106)	(944)	(161,643)
Income tax benefit	—	—	—	(10,067)	—	(10,067)
(Loss) income from continuing operations	<u>\$ (6,180)</u>	<u>\$ 52,722</u>	<u>\$ 6,865</u>	<u>\$ (204,039)</u>	<u>\$ (944)</u>	<u>\$ (151,576)</u>

Net Revenues

Net revenues for the six months ended June 30, 2016 as compared with the six months ended June 30, 2015 increased by \$148.1 million, or 5.4%.

Inpatient Services – Revenue increased \$125.3 million, or 5.3%, in the six months ended June 30, 2016 as compared with the same period in 2015. Of this growth, \$57.4 million is due to the Combination, \$112.9 million is due to the Acquisition from Revera and \$30.3 million is due to the acquisition or development of eight facilities, offset by \$19.0 million of revenue attributed to the divestiture of 30 underperforming facilities, including 18 assisted living facilities in Kansas sold January 1, 2016. The remaining decrease of \$56.3 million, or 2.4%, is due to a decline in the occupancy and skilled mix of legacy Genesis inpatient facilities, partially offset by increased payment rates. We attribute the decline in occupancy and skilled mix principally to the impact of healthcare reforms resulting in lower lengths of stay among our skilled patient population and lower admissions caused by initiatives among acute care providers, managed care payers and conveners to divert certain skilled nursing referrals to home health or other community based care settings.

Rehabilitation Therapy Services – Revenue increased \$29.0 million, or 9.0% comparing the six months ended June 30, 2016 with the same period in 2015. The Combination and Acquisition from Revera combined to contribute \$3.3 million of the revenue growth, while the legacy Genesis rehabilitation therapy services business revenue increased another \$25.7 million, driven by new therapy contract revenue exceeding lost business contract revenue and partially offset with market pricing adjustments with intercompany contracts with Genesis skilled nursing facilities.

Other Services – Other services revenue decreased \$6.2 million, or 6.4% in the six months ended June 30, 2016 as compared with the same period in 2015. Of this decrease, \$8.3 million is the net impact of selling the hospice and homecare businesses on May 1, 2016, which we operated for just four months in the period ended June 30, 2016 compared with five months in the period ended June 30, 2015. The remaining increase of \$2.1 million or 2.2% was principally attributed to new business growth in our staffing services business line.

EBITDAR

EBITDAR for the six months ended June 30, 2016 increased by \$97.2 million, or 35.4% when compared with the same period in 2015. The contributing factors for this net increase are described in our discussion below of segment results and corporate overhead.

Inpatient Services – EBITDAR increased in the six months ended June 30, 2016 as compared with the same period in 2015, by \$17.8 million, or 4.7%. Of the increase, \$6.2 million is attributed to the Combination, \$14.9 million is due to the Acquisition from Revera, \$6.4 million is due to the acquisition or development of eight facilities, and partially offset by \$4.4 million for the lost earnings attributed to the divestiture or closure of 30 underperforming facilities, including 18 assisted living facilities in Kansas sold January 1, 2016. Market pricing adjustments and restructured respiratory therapy service delivery from our Genesis rehabilitation therapy services resulted in \$15.8 million increase in EBITDAR of the inpatient services for the six months ended June 30, 2016 as compared with the same period in 2015. Our self-insurance programs contributed \$6.7 million of the increased EBITDAR in the six months ended June 30, 2016 as compared with the same period in 2015 resulting from an actuarial assessment of our self-insurance reserves and loss patterns. That variance excludes the impact of the Combination and the Acquisition from Revera, with \$5.6 million of incremental provision for general and professional liability claims being offset with reduced reserve requirements of our workers' compensation programs of \$12.1 million. Increased levels of provision for losses on accounts receivable resulted in \$2.5 million of reduction of EBITDAR in the six months ended June 30, 2016 as compared with the same period in 2015. The remaining \$25.3

million decrease in EBITDAR of the segment is attributed to the continued pressures on skilled mix and overall occupancy of our inpatient facilities described above under “Net Revenues.”

Rehabilitation Therapy Services – EBITDAR of the rehabilitation therapy segment decreased by \$16.0 million or 27.2% comparing the six months ended June 30, 2016 with the same period in 2015. The Combination and Acquisition

[Table of Contents](#)

from Revera contributed \$2.7 million and \$2.3 million, respectively, while the EBITDAR of the legacy Genesis rehabilitation therapy business EBITDAR for the six months ended June 30, 2016 decreased \$21.0 million from the same period in 2015. Market pricing adjustments and restructured respiratory therapy service delivery to our Genesis skilled nursing centers resulted in \$15.8 million of the rehabilitation therapy services EBITDAR reduction and are included in the cost reductions noted in the Inpatient Services discussion above. New therapy contracts exceeded lost therapy contracts and Therapist Efficiency was relatively flat in the six months ended June 30, 2016 compared with the same period in 2015. The remaining decrease of \$5.2 million is principally due to the escalating startup costs of our China operations. In June 2016, our affiliate in China opened a rehabilitation facility with standards found in our traditional short-stay model facilities in the United States, the first of its kind in those foreign markets. The 174-bed center provides western rehabilitation technologies and service philosophies that are localized for the China market and sets industry standards for Chinese rehabilitation services.

Currently, we operate through affiliates in China a total of seven locations comprised of the two rehabilitation clinics in China and Hong Kong, the newly opened rehabilitation facility, and inpatient and outpatient rehabilitation services in four hospital joint ventures. We plan to open two additional clinics and four hospital joint ventures in August 2016, bringing us to a total of 13 facilities operating in China. Startup costs of these Chinese ventures are expected to exceed revenues in fiscal 2016.

Other Services – EBITDAR decreased \$2.5 million in the six months ended June 30, 2016 as compared with the same period in 2015. The sale of the hospice and home health business effective May 1, 2016 resulted in a net reduction to EBITDAR of \$0.8 million with the remaining decrease of \$1.7 million principally attributed to the staffing services businesses and the physician services business.

Corporate and Eliminations — EBITDAR increased \$97.9 million in the six months ended June 30, 2016 as compared with the same period in 2015. EBITDAR of our corporate function includes other income, charges, gains or losses associated with transactions that in our chief operating decision maker's view are outside of the scope our reportable segments. These other transactions, which are separately captioned in our consolidated statements of operations and described more fully above in our Reasons for Non-GAAP Financial Disclosure, contributed \$106.4 million of the net increase in EBITDAR. Corporate overhead costs increased \$9.5 million, or 11.7%, in the six months ended June 30, 2016 as compared with the same period in 2015. This increase was largely due to the added overhead costs of Skilled and operating as a public company for the entire period. The remaining increase in EBITDAR of \$1.0 million is the result of incremental investment earnings and improved earnings from our unconsolidated affiliates.

Other income – As previously described, effective April 30, 2016, we have sold the hospice and homecare business acquired in the Combination. That sale resulted in a realized gain of \$43.8 million. In addition to that sale, we have transitioned the operations of two formerly leased facilities to new operators resulting in a loss on that transaction of \$0.8 million.

Transaction costs — In the normal course of business, we evaluate strategic acquisition, disposition and business development opportunities. The costs to pursue these opportunities, when incurred, vary from period to period depending on the nature of the transaction pursued and if those transactions are ever completed. Transaction costs incurred for the six months ended June 30, 2016 and 2015 were \$6.7 million and \$88.7 million, respectively, and of the amount in the 2015 period, the Combination contributed \$86.9 million.

Skilled Healthcare and other loss contingency expense — For the six months ended June 30, 2016, we accrued \$15.2 million for contingent liabilities compared with \$1.5 million in the same period in the prior year. As previously disclosed, the additional accrual in the current year pertains to the agreement in principle reached with the DOJ in July 2016. See Note 11 – “*Commitments and Contingencies – Legal Proceedings.*”

Other Expense

The following discussion applies to the consolidated expense categories between consolidated EBITDAR and (loss) income from continuing operations of all reportable segments, other services, corporate and eliminations in our consolidating statement of operations for the six months ended June 30, 2016 as compared with the same period in 2015.

Lease expense — Lease expense represents the cash rents and non-cash adjustments required to account for operating leases. We have operating leases in each reportable segment, other services and corporate overhead, but the inpatient services business incurs the greatest proportion of this expense for those skilled nursing and assisted living facilities leases accounted for as operating leases. Lease expense decreased \$1.1 million in the six months ended June 30, 2016 as compared with the same period in the prior year. The Combination resulted in an increase of \$1.2 million, and \$0.4 million resulted from one new operating lease, with the remaining decrease of \$2.7 million principally due to our divestiture of underperforming leased facilities.

Depreciation and amortization — Each of our reportable segments, other services and corporate overhead have depreciating property, plant and equipment, including depreciation on leased properties accounted for as capital leases or as a financing obligation. Our rehabilitation therapy services and other services have identifiable intangible assets which amortize over the estimated life of those identifiable assets. The majority of the \$16.2 million increase in depreciation and amortization in the six months ended June 30, 2016 compared with the same period in the prior year is attributed to the Combination, the Acquisition from Revera and other acquisition and construction activities in 2015, net of \$6.5 million of accelerated depreciation on two formerly leased facilities transitioned to new operators in the six months ended June 30, 2016.

Interest expense — Interest expense includes the cash interest and non-cash adjustments required to account for our Revolving Credit Facilities, Term Loan Facility, Real Estate Bridge Loans and mortgage instruments, as well as the expense associated with leases accounted for as capital leases or financing obligations. Interest expense increased \$21.3 million in the six months ended June 30, 2016 as compared with the same period in the prior year. Of this increase, \$1.8 million and \$8.6 million are attributed to the debt assumed or issued in the Combination and Acquisition from Revera, respectively. The remaining \$10.9 million increase is primarily attributable to obligations incurred in connection with newly acquired or constructed facilities, in addition to escalating variable rates on the Real Estate Bridge Loans, and partially offset by reduced borrowings under the Term Loan Facility through application of proceeds from asset sales and Real Estate Bridge Loans refinanced with lower rate HUD guaranteed mortgage debt.

Income tax expense (benefit) — For the six months ended June 30, 2016, we recorded an income tax expense of \$6.2 million from continuing operations representing an effective tax rate of (6.1)% compared to an income tax benefit of \$10.1 million from continuing operations, representing an effective tax rate of 6.2% for the same period in 2015. The 12.3% decrease in the effective tax rate is attributable to the full valuation allowance against our deferred tax assets, excluding the reversal of deferred tax liabilities related to indefinite-lived assets and the deferred tax asset on our Bermuda captive insurance company's discounted unpaid loss reserve. On December 31, 2015, in assessing the requirement for, and amount of, a valuation allowance in accordance with the standard, we determined it was more likely than not we would not realize our deferred tax assets and established a valuation allowance against the deferred tax assets. As of June 30, 2016, we have determined that the valuation allowance is still necessary.

Net Loss Attributable to Genesis Healthcare, Inc.

The following discussion applies to categories between loss from continuing operations and net loss attributable to Genesis Healthcare, Inc. in our consolidated statements of operations for the six months ended June 30, 2016 as compared with the same period in 2015.

Income (loss) from discontinued operations — Prior to the adoption of ASU 2014-08, *Reporting Discontinued Operations and Disposals of Components of an Entity (ASU 2014-08)*, we routinely classified reporting units exited, closed or otherwise disposed as discontinued operations. ASU 2014-08 changed the criteria to qualify such transactions for discontinued operations treatment, making it hard to reach that conclusion. Therefore, since 2014 none of our more

[Table of Contents](#)

recently exited, closed or otherwise disposed assets have been classified as discontinued operations. The activity reported as discontinued operations in the six months ended June 30, 2016 and 2015, was income of \$0.1 million and loss of \$1.7 million, respectively, representing adjustments associated with exit, closure and disposal activities of reporting units identified as discontinued operations prior to adoption of ASU 2014-08. These activities include adjustments specific to those reporting units to reserves for self-insured losses and provisions and recoveries of accounts receivable.

Net loss attributable to noncontrolling interests — Following the closing of the Combination, the combined results of Skilled and FC-GEN are consolidated with approximately 42% direct noncontrolling economic interest shown as noncontrolling interest in the financial statements of the combined entity. The 42% direct noncontrolling economic interest is in the form of Class A common units of FC-GEN that are exchangeable on a 1-to-1 basis to our public shares. The 42% direct noncontrolling economic interest will continue to decrease as Class A common units of FC-GEN are exchanged for public shares. There have been no conversions of Class A common units since the completion of the Combination. For the six months ended June 30, 2016 and 2015, loss of \$42.3 million and \$23.1 million, respectively, has been attributed to the Class A common units.

In addition to the noncontrolling interests attributable to the Class A common unit holders, our consolidated financial statements include the accounts of all entities controlled by us through our ownership of a majority voting interest and the accounts of any VIEs where we are subject to a majority of the risk of loss from the VIE's activities, or entitled to receive a majority of the entity's residual returns, or both. We adjust net income attributable to Genesis Healthcare, Inc. to exclude the net income attributable to the third party ownership interests of the VIEs. For the six months ended June 30, 2016 and 2015, income of \$1.3 million and \$1.6 million, respectively, has been attributed to these unaffiliated third parties.

Liquidity and Capital Resources

Cash Flow and Liquidity

The following table presents selected data from our consolidated statements of cash flows (in thousands):

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Net cash provided by (used in) operating activities	\$ 23,515	\$ (7,729)
Net cash provided by (used in) investing activities	38,824	(28,867)
Net cash (used in) provided by financing activities	(77,204)	32,011
Net decrease in cash and cash equivalents	(14,865)	(4,585)
Beginning of period	61,543	87,548
End of period	<u>\$ 46,678</u>	<u>\$ 82,963</u>

Net cash provided by operating activities in the six months ended June 30, 2016 of \$23.5 million was unfavorably impacted by funded transaction costs of approximately \$7.0 million. Adjusted for transaction costs, net cash provided by operating activities in the six months ended June 30, 2016 would have been approximately \$30.5 million. Net cash used in operating activities in the six months ended June 30, 2015 of \$7.7 million was unfavorably impacted by funded transaction costs of approximately \$62.1 million. Adjusted for funded transaction costs, net cash provided by operating activities in the six months ended June 30, 2015 would have been \$54.4 million. The cash provided by operating activities before funded transaction costs in the 2016 period as compared to the 2015 period declined \$23.9 million, primarily due to changes in accounts receivable associated with the Revera Acquisition, which resulted in delayed timing of the receipt of payments for services provided to patients due to federal and state processing of licensure and also caused by temporary delays in Medicaid receipts at June 30, 2016 related to one of the states in which we operate. We expect these temporary delays to turn around in the third quarter of 2016.

Net cash provided by investing activities in the six months ended June 30, 2016 was \$38.8 million, compared to a use of cash of \$28.9 million in the six months ended June 30, 2015. The six months ended June 30, 2016, as compared

[Table of Contents](#)

with the same period in 2015, included the receipt of \$72.0 million, \$67.0 million and \$9.4 million for the sale of our hospice and home care business, 18 assisted living facilities in Kansas and an office building in Albuquerque, New Mexico, respectively. The six months ended June 30, 2015 included the receipt of \$27.6 million of asset and investment in joint venture sale proceeds. The six months ended June 30, 2016 included a use of investing cash flow of \$69.5 million related to the purchase of skilled nursing facilities as compared to \$9.7 million of asset purchases in the six months ended June 30, 2015. Routine capital expenditures for the six months ended June 30, 2016 exceeded the same period in the prior year by \$11.0 million. The remaining incremental source of cash from investing activities of \$17.7 million in the six months ended June 30, 2016 as compared with the same period in 2015 is principally due to the liquidation and transfer of restricted cash and investments by our captive insurance companies.

Net cash used in financing activities was \$77.2 million in the six months ended June 30, 2016 compared to a source of \$32.0 million in the six months ended June 30, 2015. The net increase in cash used in financing activities of \$109.2 million is principally attributed to debt extinguishments in the 2016 period exceeding proceeds of new borrowing activities. In the six months ended June 30, 2016 we had net increase of borrowings under the Revolving Credit Facilities of \$8.0 million as compared with a \$38.5 million of incremental Revolving Credit Facilities borrowings in the same period in 2015. In the six months ended June 30, 2016, we used \$54.2 million of the proceeds from the sale of 18 assisted living facilities in Kansas and \$72.0 million from the sale of our hospice and home care business to repay long-term debt. In the six months ended June 30, 2016, we used the proceeds of \$54.9 million of newly issued mortgage debt to purchase skilled nursing facilities. In the six months ended June 30, 2015 we used the \$360 million of proceeds from the Skilled Real Estate Bridge Loan to repay \$326.6 million of indebtedness assumed in the Combination and other transaction costs. The remaining net source of cash of \$26.0 million in the six months ended June 30, 2016 as compared to the same period in 2015 is principally due to the debt issuance costs and distributions to noncontrolling interests in the 2015 period exceeding the debt issuance costs and distributions to noncontrolling interests in the 2016 period.

Our primary sources of liquidity are cash on hand, cash flows from operations, and borrowings under our revolving credit facility.

The objectives of our capital planning strategy are to ensure we maintain adequate liquidity and flexibility. Pursuing and achieving those objectives allows us to support the execution of our operating and strategic plans and weather temporary disruptions in the capital markets and general business environment. Maintaining adequate liquidity is a function of our unrestricted cash and cash equivalents and our available borrowing capacity.

At June 30, 2016, we had cash and cash equivalents of \$46.7 million and available borrowings under our revolving credit facilities of \$110.6 million, after taking into account \$68.4 million of letters of credit drawn against our revolving credit facilities. During the six months ended June 30, 2016, we maintained liquidity sufficient to meet our working capital, capital expenditure and development activities and we believe we will continue to meet those needs for at least the subsequent twelve month period.

Financing Activities

We are progressing on our near-term capital strengthening priorities to refinance our Real Estate Bridge Loans with lower cost and longer maturity HUD insured loans or other permanent financing and to reduce our overall indebtedness through a combination of non-strategic asset sale proceeds and free cash flow.

During the first six months of 2016, we closed on 18 HUD insured loans totaling \$129.1 million. Since the Combination, we have repaid or refinanced \$183.3 million of Welltower Real Estate Bridge Loans with \$310.8 million remaining outstanding. We expect to continue to seek refinancing opportunities for the Real Estate Bridge Loans with lower cost HUD insured loans or other permanent financing between now and the end of 2016.

In March 2016, we closed on the sale lease back of a corporate office building, generating \$9.4 million of proceeds, which were used to pay down partially our Revolving Credit Facility debt.

[Table of Contents](#)

Effective May 1, 2016, we completed the sale of our hospice and home health operations. The operations were sold for \$84 million, consisting of cash consideration of \$72 million and a \$12 million short-term note. We used the cash proceeds to repay partially our Term Loan Facility maturing in December of 2017.

In April 2016, we acquired one skilled nursing facility and entered into a \$9.9 million real estate bridge loan. In May 2016, we acquired the real property of five skilled nursing facilities we operated under a leasing arrangement and entered into a \$44.0 million real estate bridge loan (collectively, the Other Real Estate Bridge Loans). The Other Real Estate Bridge Loans have an outstanding principal balance of \$53.9 million at June 30, 2016.

In June 2016, we amended the Skilled Real Estate Bridge Loan providing for an additional extension option of 180 days, which, if exercised by us, would extend the maturity of the Skilled Real Estate Bridge Loan to February 2018. The Skilled Real Estate Bridge Loan had an outstanding principal balance of \$176.7 million at June 30, 2016.

Financing Activities Occurring Subsequent to Quarter End

Subsequent to June 30, 2016, we entered into the agreements described below.

New Term Loan Facility

On July 29, 2016, we and certain of our affiliates, including FC-GEN Operations Investment LLC (the Borrower), entered into a four year Term Loan Agreement (the New Term Loan Agreement) with an affiliate of Welltower Inc. (Welltower) and an affiliate of Omega Healthcare Investors, Inc. (Omega). The New Term Loan Agreement provides for term loans (the New Term Loans) in the aggregate principal amount of \$120.0 million, with scheduled annual amortization of 2.5% of the initial principal balance in years one and two, and 6.0% in years three and four. Borrowings under the New Term Loan Agreement bear interest at a rate equal to a base rate (subject to a floor of 1.00%) or an ABR rate (subject to a floor of 2.0%), plus in each case a specified applicable margin. The initial applicable margin for base rate loans is 13.0% per annum and the initial applicable margin for ABR rate loans is 12.0% per annum. At our election, with respect to either base rate or ABR rate loans, up to 2.0% of the interest may be paid either in cash or paid-in-kind. The proceeds of the New Term Loan, along with cash on hand, were used to repay all outstanding term loans and other obligations under the Prior Term Loan (as defined below).

The New Term Loan Agreement is secured by a first priority lien on the equity interests of our subsidiaries and the Borrower as well as certain other assets of ours, the Borrower and their subsidiaries, subject to certain exceptions. The New Term Loan Agreement is also secured by a junior lien on the assets that secure the Revolving Credit Facilities, as amended, on a first priority basis.

Welltower and Omega, or their respective affiliates, are each currently landlords under certain master lease agreements to which we and/or our affiliates are tenants. In addition, Welltower currently provides funding, pursuant to two bridge loans, to certain affiliates of ours.

The New Term Loan Agreement contains financial, affirmative and negative covenants, and events of default that are customary for debt securities of this type. The covenants are effective retroactive to June 30, 2016. The financial covenants include four maintenance covenants which require us to maintain a maximum leverage ratio, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and maximum capital expenditures. The most restrictive financial covenant is the maximum leverage ratio which requires us to maintain a leverage ratio, as defined therein, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Repayment of Prior Term Loan Facility

On July 29, 2016, we paid the outstanding balance of \$153.4 million under the Term Loan Agreement dated as of December 3, 2012, (the Prior Term Loan). In addition, we paid an early termination fee of approximately \$3.1 million. The Prior Term Loan and all guarantees and liens related thereto were terminated upon such payments.

[Table of Contents](#)

Revolving Credit Facility Amendment

On July 29, 2016, we entered into an amendment (the ABL Amendment) to our Revolving Credit Facilities. Among other things, the ABL Amendment (i) modifies financial covenants effective June 30, 2016 to provide additional flexibility to us; (ii) permits us to enter into certain other transactions; and (iii) increases the interest rate margin applicable to the revolving loans under the ABL Credit Agreement (the New Applicable Margin). The New Applicable Margin for LIBOR loans increased (i) for Tranche A-1 loans, from a range of 2.75% to 3.25% to a range of 3.00% to 3.50%, (ii) for Tranche A-2 loans, from a range of 2.50% to 3.00% to a range of 3.00% to 3.50% and (iii) for FILO Tranche, from 5.00% to 6.00%. The New Applicable Margin for Base Rate (calculated as the highest of the (i) prime rate, (ii) the federal funds rate plus 3.00%, or (iii) LIBOR plus the excess of the applicable margin between LIBOR loans and base rate loans) loans increased (i) for Tranche A-1 loans, from a range of 1.75% to 2.25% to a range of 2.00% to 2.50%, (ii) for Tranche A-2 loans, from a range of 1.50% to 2.00% to a range of 2.00% to 2.50% and (iii) for FILO Tranche, from 4.00% to 5.00%.

The amended Revolving Credit Facilities contain financial, affirmative and negative covenants, and events of default that are substantially identical to those of the New Term Loan Agreement, but additionally contain a minimum liquidity covenant and a springing minimum fixed charge coverage covenant tied to the minimum liquidity requirement. The most restrictive financial covenant is the maximum leverage ratio which requires us to maintain a leverage ratio, as defined, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Lease and Other Loan Amendments

On July 29, 2016, we entered into amendments (the Master Lease Amendments) of our master lease agreements with Welltower, Sabra and Omega (the Master Lease Agreements) and the Welltower Real Estate Bridge Loans. Among other things, the Master Lease Amendments modified financial covenants effective June 30, 2016 to provide us with additional flexibility. No such amended financial covenants are more restrictive than the maximum leverage ratio contained in the New Term Loan and the Revolving Credit Facility agreements.

On July 29, 2016, we entered into a memorandum of understanding with Sabra outlining the terms of a restructuring to our master lease agreements. The significant features of the restructuring include (i) the application of a 7.5% credit against current rent from the proceeds of certain asset sales with any residual rent related to assets sold continuing to be paid by us through our current terms, which expire in 2020 and 2021; (ii) the reallocation of rents among certain of the master leases in order to establish market based lease coverages, with any excess rent above market lease coverage scheduled to expire in 2020 and 2021; and (iii) extensions of two to four years to the termination dates of certain master leases, which after 2020 and 2021 will reflect market-based lease coverages. The restructuring provides a long-term solution to our master leases with Sabra. Based upon the estimated sale proceeds of certain assets and the excess rent associated with the rent reallocation, we project the annual rent reduction by 2021 to be between \$11 million and \$13 million.

Financial Covenants

The Revolving Credit Facilities, the New Term Loan Agreement and the Welltower Real Estate Bridge Loans (collectively, the Credit Facilities) each contain a number of financial, affirmative and negative covenants. Following the amendments to these agreements, which are effective June 30, 2016, we are in compliance with the covenants contained in the Credit Facilities.

Our Master Lease Agreements each contain a number of financial, affirmative and negative covenants. Following the amendments to these agreements which are effective June 30, 2016, we are in compliance with all covenants contained in the Master Lease Agreements.

[Table of Contents](#)

At June 30, 2016, we did not meet certain financial covenants contained in three leases related to 11 of our facilities. We are and expect to continue to be current in the timely payment of our obligations under such leases. These leases do not have cross default provisions, nor do they trigger cross default provisions in any of our other loan or lease agreements. We will continue to work with the related credit parties to amend such leases and the related financial covenants. We do not believe the breach of such financial covenants at June 30, 2016 will have a material adverse impact on us.

Off Balance Sheet Arrangements

We had outstanding letters of credit of \$68.4 million under our letter of credit sub-facility on our revolving credit facilities as of June 30, 2016. These letters of credit are principally pledged to landlords and insurance carriers as collateral. We are not involved in any other off-balance-sheet arrangements that have or are reasonably likely to have a material current or future impact on our financial condition, changes in financial condition, revenue or expense, results of operations, liquidity, capital expenditures, or capital resources.

Contractual Obligations

The following table sets forth our contractual obligations, including principal and interest, but excluding non-cash amortization of discounts or premiums and debt issuance costs established on these instruments, as of June 30, 2016 (in thousands). Such commitments do not reflect the impact of the New Term Loan Facility and the repayment of the Prior Term Loan Facility as these transactions occurred subsequent to quarter end.

	Total	1 Yr.	2-3 Yrs.	4-5 Yrs.	More than 5 Yrs.
Revolving credit facilities	\$ 432,453	\$ 17,150	\$ 34,299	\$ 381,004	\$ —
Term loan facility	171,840	27,375	144,465	—	—
Real estate bridge loans	418,358	38,054	380,304	—	—
HUD insured loans	384,632	11,619	23,570	23,570	325,873
Mortgages and other secured debt (recourse)	14,400	1,059	11,388	1,953	—
Mortgages and other secured debt (non-recourse)	34,154	2,194	14,651	2,617	14,692
Financing obligations	11,265,180	279,799	584,725	618,636	9,782,020
Capital lease obligations	3,703,173	93,041	181,809	190,532	3,237,791
Operating lease obligations	891,566	139,555	273,251	252,577	226,183
	<u>\$ 17,315,756</u>	<u>\$ 609,846</u>	<u>\$ 1,648,462</u>	<u>\$ 1,470,889</u>	<u>\$13,586,559</u>

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

In the normal course of business, our operations are exposed to risks associated with fluctuations in interest rates. To the extent these interest rates increase, our interest expense will increase, which will make our interest payments and funding other fixed costs more expensive, and our available cash flow may be adversely affected. We routinely monitor risks associated with fluctuations in interest rates and consider the use of derivative financial instruments to hedge these exposures. We do not enter into derivative financial instruments for trading or speculative purposes nor do we enter into energy or commodity contracts.

Interest Rate Exposure—Interest Rate Risk Management

Our Term Loan Facility, Real Estate Bridge Loans and Revolving Credit Facilities expose us to variability in interest payments due to changes in interest rates. As of June 30, 2016, there is no derivative financial instrument in place to limit that exposure.

[Table of Contents](#)

A 1% increase in the applicable interest rate on our variable-rate debt would result in an approximately \$9.1 million increase in our annual interest expense. The foregoing only incorporates those exposures that exist as of June 30, 2016 and does not consider those exposures or positions which have arisen or could arise after that date, including the changes in debt levels and rates resulting from the ABL Amendment or the New Term Loan Agreement executed July 29, 2016. See Note 7 – “*Long-Term Debt.*”

Our investments in marketable securities as of June 30, 2016 consisted of investment grade government and corporate debt securities and money market funds that have maturities of five years or less. These investments expose us to investment income risk, which is affected by changes in the general level of U.S. and international interest rates and securities markets risk. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Interest rates are near historic lows, with a risk of interest rates increasing before our current investments mature. While we have the ability and intent to hold our investments to maturity today, rising interest rates could impact our ability to liquidate our investments for a profit and could adversely affect the cost of replacing those investments at the time of maturity with investment of similar return and risk profile. Despite the complex nature of exposure to the securities markets, given the low risk profile, we do not believe a 1% increase in interest rates alone would have a material impact on our net investment income returns.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), management has evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, management concluded that our disclosure controls and procedures were not effective as of June 30, 2016 because of the outstanding material weakness in our internal control over financial reporting as discussed in more detail in our Form 10-K for the year ended December 31, 2015 under Part II, Item 9A. Management continues to implement the remediation plan described in our 10-K for the year ended December 31, 2015 and updated below to address this material weakness and is monitoring that implementation.

During the six months ended June 30, 2016, we continued the process of remediating the identified material weakness in our internal control over financial reporting described in Item 9A of our Form 10-K for the year ended December 31, 2015. We continue to use a third party specialist and their software designed to assist us with the evaluation and elimination of the segregation of duties conflicts within our general ledger, payroll/human resources and accounts payable IT system applications. We will continue to devote significant time and attention to the remedial efforts. However, the material weaknesses cannot be considered remediated until the applicable remedial controls operate for a sufficient period of time and management concludes, through testing, that these controls are operating effectively.

Disclosure controls and procedures refer to controls and other procedures designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding our required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management was required to apply its judgment in evaluating and implementing possible controls and procedures.

[Table of Contents](#)

Changes in Internal Control Over Financial Reporting

Except as discussed above, there has been no change in our internal control over financial reporting that occurred during the quarter covered that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

For information regarding certain pending legal proceedings to which we are a party or our property is subject, see Note 11 — “*Commitments and Contingencies—Legal Proceedings*,” to our consolidated financial statements included elsewhere in this report, which is incorporated herein by reference.

Item 1A. Risk Factors

With the exception of the revision to an existing risk factor disclosed in *Part II, Item 1A “Risk Factors,”* of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, there have been no material changes to the risk factors disclosed in *Item 1A, “Risk Factors,”* of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 filed with the SEC on March 14, 2016.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

(a) *Exhibits.*

Number	Description
10.1	First Amendment dated as of March 31, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.2	Second Amendment dated as of April 28, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.3	Third Amendment dated as of May 26, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.4	Fourth Amendment dated as of June 30, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto

Table of Contents

- 10.5 Fifth Amendment dated as of July 29, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
- 10.6 Term Loan Agreement dated as of July 29, 2016, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, GEN Operations I, LLC, GEN Operations II, LLC, Genesis Healthcare LLC and Sun Healthcare Group, Inc. as borrowers, HCRI Tucson Properties, Inc. and OHI Mezz Lender, LLC as the initial lenders and Welltower Inc. as the administrative agent and collateral agent
- 10.7 Amendment No. 1 dated as of April 28, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
- 10.8 Amendment No. 2 dated as of May 19, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
- 10.9 Amendment No. 3 dated as of July 29, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
- 10.10 Third Amendment dated July 29, 2016 to Nineteenth Amended and Restated Master Lease Agreement dated as of December 31, 2015, between FC-GEN Real Estate, LLC and Genesis Operations LLC
- 10.11 First Amendment dated as of July 29, 2016 to Loan Agreement dated as of December 1, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32* Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Labels Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended

SIGNATURES

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

GENESIS HEALTHCARE, INC.

Date: August 5, 2016

By /S/ GEORGE V. HAGER, JR.
George V. Hager, Jr.
Chief Executive Officer

Date: August 5, 2016

By /S/ THOMAS DIVITTORIO
Thomas DiVittorio
Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
10.1	First Amendment dated as of March 31, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.2	Second Amendment dated as of April 28, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.3	Third Amendment dated as of May 26, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.4	Fourth Amendment dated as of June 30, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.5	Fifth Amendment dated as of July 29, 2016 to Loan Agreement dated as of February 2, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
10.6	Term Loan Agreement dated as of July 29, 2016, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, GEN Operations I, LLC, GEN Operations II, LLC, Genesis Healthcare LLC and Sun Healthcare Group, Inc. as borrowers, HCRI Tucson Properties, Inc. and OHI Mezz Lender, LLC as the initial lenders and Welltower Inc. as the administrative agent and collateral agent
10.7	Amendment No. 1 dated as of April 28, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
10.8	Amendment No. 2 dated as of May 19, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
10.9	Amendment No. 3 dated as of July 29, 2016, to that certain Third Amended and Restated Credit Agreement dated as of February 2, 2015, by and among Genesis Healthcare, Inc., FC-GEN Operations Investment, LLC, Skilled Healthcare, LLC, Genesis Holdings, LLC, Genesis Healthcare LLC, certain other borrower entities as set forth therein, certain financial institutions from time to time party thereto, and Healthcare Financial Solutions, LLC, as administrative agent
10.10	Third Amendment dated July 29, 2016 to Nineteenth Amended and Restated Master Lease Agreement dated as of December 31, 2015, between FC-GEN Real Estate, LLC and Genesis Operations LLC
10.11	First Amendment dated as of July 29, 2016 to Loan Agreement dated as of December 1, 2015 between Welltower Inc. and each of the borrowers set forth on Schedule 1 thereto
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Labels Linkbase Document
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

[Table of Contents](#)

* Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended

**FIRST AMENDMENT TO LOAN AGREEMENT
(Napa Loan)**

THIS FIRST AMENDMENT TO LOAN AGREEMENT (“Amendment”) is dated as of the 31st day of March, 2016 (the “Amendment Effective Date”) between **WELLTOWER INC.**, formerly known as Health Care REIT, Inc., a corporation organized under the laws of the State of Delaware (“Lender”), and each of the **BORROWER** entities set forth on Schedule I attached hereto and made a part hereof, each a limited liability company organized under the laws of the State of Delaware (individually and collectively, “Borrower”).

RECITALS:

A. Lender, Borrower and certain other entities have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of February 2, 2015 (the “Effective Date”).

B. Concurrently herewith, Borrower and certain affiliates are making a partial prepayment of the Loan and Lender is releasing certain of its collateral with respect thereto.

C. Lender and Borrower desire to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Borrowers. Schedule I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on Schedule I attached hereto.

3. Release. The entities identified as “Released Borrowers” or “Released Guarantors” on Schedule II hereof are hereby released from all liability under the Loan Agreement the Loan Documents and the Guaranty Documents.

4. Legal Descriptions. Exhibit A to the Loan Agreement is hereby amended by the deletion therefrom of the Legal Descriptions of each facility listed on Schedule II hereof.

5. Permitted Exceptions. Exhibit B of the Loan Agreement is hereby amended by the deletion therefrom of the Permitted Exceptions with respect to any facility listed on Schedule II hereof.

6. Allocated Loan Amount. Exhibit I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on the attached Exhibit I.

7. Further Acts. Borrower shall take such further actions as may be reasonably requested by Lender from time to time hereafter to amend the Mortgages to reflect the Loan

allocation as set forth on Exhibit I hereto. Lender shall take such further actions as may be reasonably requested by Borrower from time to time hereafter to evidence its release any of its collateral relating to the facilities listed or entities listed on Schedule II hereto.

8. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

9. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

10. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

11. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

12. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Erin C. Ibele

Name: _____

Its: Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE I HERETO**

By: /s/ Michael S. Sherman
Michael S. Sherman,
Secretary

S-1

*Genesis 1st Amendment to Loan Agreement
(Napa Loan)*

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty and Unconditional and Continuing Non-Recourse Loan Guaranty, each dated as of February 2, 2015 (as amended, individually and collectively, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing First Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

PARENT: **GENESIS HEALTHCARE, INC.**

By: /s/ Michael S. Sherman

Name: _____

Title: _____

Tax I.D. No.: 20-3934755

PARENT: **EACH OPERATOR LISTED ON
SCHEDULE III HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman, Secretary

S-1

*Genesis 1st Amendment to Loan Agreement-
Consent
(Napa Loan)*

SCHEDULE I: BORROWERS

FACILITY	BORROWER
California	
Devonshire Care Center, Hemet, Riverside County, CA	SHG Resources, LLC
Elmcrest Care Center, El Monte, Los Angeles County, CA	SHG Resources, LLC
Eureka Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Fountain Care Center, Orange, Orange County, CA	SHG Resources, LLC
Granada Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Pacific Rehabilitation and Wellness Center, Eureka, Humboldt, County, CA	SHG Resources, LLC
Seaview Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
St. Elizabeth Healthcare and Rehabilitation Center, Fullerton, Orange County, CA	SHG Resources, LLC
Fortuna (St. Luke) Rehabilitation and Wellness Center, Fortuna, Humboldt County, CA	SHG Resources, LLC
The Earlwood, Torrance, Los Angeles County, CA	SHG Resources, LLC
Willow Creek Healthcare Center, Clovis, Fresno County, CA	SHG Resources, LLC
Woodland Care Center, Reseda, Los Angeles County, CA	SHG Resources, LLC
Spring Senior Assisted Living, Torrance, Los Angeles County, CA	SHG Resources, LLC
Fountain Senior Assisted Living, Orange, Orange County, CA	SHG Resources, LLC
Iowa	
St. Mary Healthcare and Rehabilitation Center, Davenport, Scott County, IA	East Rusholme Property, LLC
Kansas	
Baldwin Healthcare and Rehabilitation Center, Baldwin City, Douglas County, KS	SHG Resources, LLC
Highland Healthcare and Rehabilitation Center, Highland, Doniphan County, KS	SHG Resources, LLC
Louisburg Healthcare and Rehabilitation Center, Louisburg, Miami County, KS	SHG Resources, LLC
Rossville Healthcare and Rehabilitation Center, Rossville, Shawnee County, KS	Rossville Kansas Property, LLC
Shawnee Gardens Healthcare and Rehabilitation Center, Shawnee, Johnson County, KS	SHG Resources, LLC
Missouri	
Blue River Rehabilitation Center, Kansas City, Clay County, MO	Blue River Kansas City Property, LLC
Carmel Hills Healthcare and Rehabilitation Center, Independence, Jackson County, MO	Carmel Hills Independence Property, LLC
Holmesdale Healthcare and Rehabilitation Center, Kansas City, Clay County, MO	Holmesdale Property, LLC
Liberty Terrace Healthcare and Rehabilitation Center, Liberty, Clay County, MO	Liberty Terrace Missouri Property, LLC
The Rehabilitation Center of Independence, Independence, Jackson County, MO	Independence Missouri Property, LLC
Nevada	

Vintage Park at San Martin, Las Vegas, Clark County, NV	SHG Resources, LLC
Texas	
Clairmont Longview, Longview, Gregg County, TX	SHG Resources, LLC

FACILITY	BORROWER
Colonial Tyler Care Center, Tyler, Smith County, TX	SHG Resources, LLC
Fort Worth Center of Rehabilitation, Fort Worth, Tarrant County, TX	SHG Resources, LLC
Guadalupe Valley Nursing Center, Seguin, Guadalupe County, TX	SHG Resources, LLC
Hallettsville Rehabilitation and Nursing Center. Hallettsville, Lavaca County, TX	SHG Resources, LLC
Live Oak Nursing Center, George West, Live Oak County, TX	SHG Resources, LLC
Lubbock Hospitality House Nursing and Rehabilitation Center, Lubbock, Tarrant County, TX	Hospitality Lubbock Property, LLC
Monument Hill Rehabilitation and Nursing Center, La Grange, Fayette County, TX	Monument La Grange Property, LLC
Oak Manor Nursing Center, Flatonia, Fayette County, TX	SHG Resources, LLC
Oakland Manor Nursing Center, Giddings, Lee County, TX	SHG Resources, LLC
Southwood Care Center, Austin, Travis County, TX	SHG Resources, LLC
The Clairmont Tyler, Tyler, Smith County, TX	SHG Resources, LLC
Town & Country Manor, Boerne, Kendall County, TX	Town and Country Boerne Property, LLC

EXECUTION VERSION

**THIRD AMENDMENT TO
NINETEENTH AMENDED AND RESTATED MASTER LEASE AGREEMENT**

THIS THIRD AMENDMENT TO NINETEENTH AMENDED AND RESTATED MASTER LEASE AGREEMENT (“Amendment”) is executed this 29th day of July, 2016, and shall be deemed effective as of June 30, 2016 (the “Amendment Effective Date”) among FC-GEN REAL ESTATE, LLC, a limited liability company organized under the laws of the State of Delaware (“Landlord”), having its chief executive office located at 4500 Dorr Street, Toledo, Ohio 43615-4040, and **GENESIS OPERATIONS LLC**, a limited liability company organized under the laws of the State of Delaware (“Tenant”), having its chief executive office located at 101 East State Street, Kennett Square, Pennsylvania 19348.

RECITALS:

A. Landlord and Tenant have previously entered into a Nineteenth Amended and Restated Master Lease Agreement (as amended, the “Lease”) dated as of December 1, 2015.

B. Landlord and Tenant desire to amend the Lease as set forth herein, effective for all purposes as of the Amendment Effective Date.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Lease.
2. Future Rights. Exhibit T of the Lease is hereby amended and restated to read in its entirety as set forth on Exhibit T hereto.
3. Financial Covenants. Exhibit U of the Lease is hereby amended and restated to read in its entirety as set forth on Exhibit U hereto.
4. Option to Purchase. Exhibit V of the Lease is hereby amended and restated to read in its entirety as set forth on Exhibit V hereto.
5. Subordination of Payments to Affiliates. Section 14.6(a) of the Lease is hereby amended by adding the following new paragraph immediately after Section 14.6(a):

Notwithstanding the foregoing, any shares of GEN acquired by a Person through a partial exercise, settlement or exchange of a warrant, exchangeable note, or convertible note issued by GEN, or any of its Affiliates, shall not be considered for purposes of determining whether such Person will be deemed a shareholder, member or partner of GEN for purposes of this Section 14.6 in connection with any payment or distribution with respect to the remaining portion of such warrant, exchangeable note or convertible note, as applicable.

6. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Lease are hereby affirmed and shall remain in full force and effect.

7. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Landlord and Tenant.

8. Further Modification. The Lease may be further modified only by writing signed by Landlord and Tenant.

9. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

10. Consent of Guarantor. Each Guarantor shall execute the Consent of Guarantor set forth below.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first set forth above.

FC-GEN REAL ESTATE, LLC

Signature: /s/ Dawn Burkett
Print
Name: Dawn Burkett

By: /s/ Justin Skiver
Justin Skiver, Authorized Signatory

Signature: /s/ Amanda Church
Print
Name: Amanda Church

WELLTOWER INC.

Signature: /s/ Dawn Burkett
Print
Name: Dawn Burkett

By: /s/ Justin Skiver
Justin Skiver, Authorized Signatory

Signature: /s/ Amanda Church
Print
Name: Amanda Church

(Signing only for the purpose of accepting §1.5 appointment of agency and agreeing to Secured Party obligations under the Lease.)

GENESIS OPERATIONS LLC

Signature: /s/ Bernie Gerhart
Print
Name: Bernice Gerhart

By: /s/ Michael S. Sherman
Michael S. Sherman,
Secretary

Signature: /s/ Susan Overton
Print
Name: Susan Overton

Tax I.D. No.: 26-0787826

**FC-GEN OPERATIONS INVESTMENT,
LLC**

Signature: /s/ Bernie Gerhart

Print

Name: Bernice Gerhart

By: /s/ Michael S. Sherman

Michael S. Sherman

Title: Secretary

Signature: /s/ Susan Overton

Print

Name: Susan Overton

Tax I.D. No.: 27-3237005

**EACH SUBTENANT LISTED ON
EXHIBIT C HERETO**

Signature: /s/ Bernie Gerhart

Print

Name: Bernice Gerhart

By: /s/ Michael S. Sherman

Michael S. Sherman,

Secretary

Signature: /s/ Susan Overton

Print

Name: Susan Overton

CONSENT OF GUARANTOR

In connection with the Nineteenth Amended and Restated Unconditional and Continuing Lease Guaranty (as amended, "Guaranty") made by the undersigned Guarantors in favor of Landlord, as security for the Nineteenth Amended and Restated Master Lease Agreement between Landlord and Tenant, each of the undersigned hereby [i] consents to the foregoing Third Amendment to Nineteenth Amended and Restated Master Lease Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Nineteenth Amended and Restated Master Lease Agreement.

IN WITNESS WHEREOF, Guarantor executes and delivers this Consent of Guarantor effective as of the Amendment Effective Date.

PARENT:

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Michael S. Sherman

Title: Secretary

Tax I.D. No.: 20-3934755

COMPANY:

**FC-GEN OPERATIONS INVESTMENT,
LLC**

By: /s/ Michael S. Sherman

Michael S. Sherman

Title: Secretary

Tax ID No.: 27-3237005

SUBTENANTS:

**EACH SUBTENANT LISTED ON
EXHIBIT C HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman,

Secretary

**FIRST AMENDMENT TO LOAN AGREEMENT
(RANGER/REVERA LOAN)**

THIS FIRST AMENDMENT TO LOAN AGREEMENT (“Amendment”) is executed this 29th day of July, 2016, and shall be deemed effective as of June 30, 2016 (the “Amendment Effective Date”) among **WELLTOWER INC.** (formerly known as Health Care REIT, Inc.), a corporation organized under the laws of the State of Delaware (“**Lender**”), having its chief executive office located at 4500 Dorr Street, Toledo, Ohio 43615-4040, and **EACH OF THE BORROWER ENTITIES SET FORTH ON SCHEDULE I** (individually and collectively, “**Borrower**”), each having its chief executive office located at 101 East State Street, Kennett Square, Pennsylvania 19348.

RECITALS:

A. Lender and Borrower have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of December 1, 2015.

B. Lender and Borrower desire to amend the Loan Agreement as set forth herein, effective for all purposes as of the Amendment Effective Date.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Financial Covenants. Section 5.11 of the Loan Agreement is hereby amended and restated to read in its entirety as set forth below:

5.11 Financial Covenants. The defined terms used in this section are defined in §5.11.1. The following financial covenants shall be met throughout the term of the Loan:

5.11.1 Definitions.

(a) “Facility Coverage Ratio” means the ratio of [i] Facility Net Operating Income for each applicable period; to [ii] all Facility interest payments made on a cash basis, regardless of accounting treatment, and interest payments payable by Lender for the applicable period, excluding such lease and interest payments made by the Excluded Entities.

(b) “Facility Net Operating Income” means the collective pre-tax net income of the Facilities plus [i] the amount of the provision for depreciation and amortization; plus [ii] the amount of the provision for interest and facility real estate lease payments; plus [iii] the amount of any non-cash impairment charges, the amount of any loss from unusual or extraordinary items, including costs and expenses included in pre-tax income arising from the Equity

Purchase Agreement and any related management incentive or stay-pay plans, a restructuring, and to the extent approved by Lender, acting reasonably, any other non-recurring loss that are in excess of \$100,000.00, but excluding any impairments or expenses related to bad debts; minus [iv] an imputed management fee equal to 4% of the Facilities' collective gross revenue (net of contractual allowances); minus [v] the amount of any cash or non-cash unusual or extraordinary gains and revenues that are in excess of \$100,000.00, and to the extent approved by Lender, acting reasonably, any other non-recurring gains and revenue. Borrower agrees that any expenses related to the management incentive or stay-pay plan described under [iii] above will not exceed \$50,000,000.

5.11.2 Lease Financial Covenants. Subject to the provisions of Exhibit U, Sections U.1, U.6 and U.7 of the Master Lease, Borrower shall cause Company and GEN to comply with the obligations set forth in Exhibit U, Sections U.2 (other than those set forth in Section U.2(b)), U.3, U.4 and U.5 of the Master Lease.

5.11.3 Facility Coverage Ratio. The Facilities shall collectively maintain a Facility Coverage Ratio of not less than 1.00 to 1.00, based upon operating results for the most recent twelve (12) months, tested at the end of each fiscal quarter.

5.11.4 Certain Cure Rights. Company shall have a seventy-five (75) day period, beginning on the date of the applicable fiscal quarter end, to cure a violation of the provisions of Section 5.11.3, such that the action taken to cure such violation would otherwise have satisfied such provisions if taken prior to the applicable fiscal quarter.

3. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

4. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

5. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

6. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

7. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Justin Skiver
Justin Skiver, Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE 1 HERETO**

By: /s/ Michael S. Sherman
Michael S. Sherman, Secretary

S-1

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty dated as of December 1, 2015 (as amended, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing First Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

PARENT:

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Name: Michael S. Sherman

Title: SVP

Tax I.D. No.: 20-3934755

SCHEDULE 1: BORROWERS

23 Fair Street Property, LLC
55 Kondracki Lane Property, LLC
120 Murray Street Property LLC
279 Cabot Street Property LLC
2015 East West Highway Property, LLC
40 Whitehall Road Property LLC
1165 Easton Avenue Property, LLC
1420 South Black Horse Pike Property, LLC
261 Terhune Drive Property, LLC
3000 Hilltop Road Property, LLC
740 Oak Hill Road Property LLC
8000 Iliff Drive Property LLC
105 Chester Road Property LLC
1248 Hospital Drive Property LLC
2 Blackberry Lane Property LLC
300 Pearl Street Property LLC
98 Hospitality Drive Property LLC
400 29th Street Northeast Property LLC
4755 South 48th Street Property LLC
800 Medcalf Lane North Property LLC

**SECOND AMENDMENT TO LOAN AGREEMENT
(Napa Loan)**

THIS SECOND AMENDMENT TO LOAN AGREEMENT (“Amendment”) is dated as of the 28th day of April, 2016 (the “Amendment Effective Date”) between **WELLTOWER INC.**, formerly known as Health Care REIT, Inc., a corporation organized under the laws of the State of Delaware (“Lender”), and each of the **BORROWER** entities set forth on Schedule I attached hereto and made a part hereof, each a limited liability company organized under the laws of the State of Delaware (individually and collectively, “Borrower”).

RECITALS:

A. Lender, Borrower and certain other entities have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of February 2, 2015 (the “Effective Date”).

B. Concurrently herewith, Borrower and certain affiliates are making a partial prepayment of the Loan and Lender is releasing certain of its collateral with respect thereto.

C. Lender and Borrower desire to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Borrowers. Schedule I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on Schedule I attached hereto.

3. Release. The entities identified as “Released Borrowers” or “Released Guarantors” on Schedule II hereof are hereby released from all liability under the Loan Agreement the Loan Documents and the Guaranty Documents.

4. Legal Descriptions. Exhibit A to the Loan Agreement is hereby amended by the deletion therefrom of the Legal Descriptions of each facility listed on Schedule II hereof.

5. Permitted Exceptions. Exhibit B of the Loan Agreement is hereby amended by the deletion therefrom of the Permitted Exceptions with respect to any facility listed on Schedule II hereof.

6. Allocated Loan Amount. Exhibit I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on the attached Exhibit I.

7. Further Acts. Borrower shall take such further actions as may be reasonably requested by Lender from time to time hereafter to amend the Mortgages to reflect the Loan

allocation as set forth on Exhibit I hereto. Lender shall take such further actions as may be reasonably requested by Borrower from time to time hereafter to evidence its release any of its collateral relating to the facilities listed or entities listed on Schedule II hereto.

8. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

9. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

10. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

11. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

12. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Justin Skiver

Name: Justin Skiver

Its: Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE I HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman,
Secretary

S-1

*Genesis 2nd Amendment to Loan Agreement
(Napa Loan)*

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty and Unconditional and Continuing Non-Recourse Loan Guaranty, each dated as of February 2, 2015 (as amended, individually and collectively, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing Second Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

PARENT:

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Name: Michael S. Sherman

Title: SVP

Tax I.D. No.: 20-3934755

PARENT:

**EACH OPERATOR LISTED ON
SCHEDULE III HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman, Secretary

S-1

*Genesis 2nd Amendment to Loan Agreement -
Consent
(Napa Loan)*

SCHEDULE I: BORROWERS

FACILITY	BORROWER
California	
Devonshire Care Center, Hemet, Riverside County, CA	SHG Resources, LLC
Elmcrest Care Center, El Monte, Los Angeles County, CA	SHG Resources, LLC
Eureka Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Fountain Care Center, Orange, Orange County, CA	SHG Resources, LLC
Granada Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Pacific Rehabilitation and Wellness Center, Eureka, Humboldt, County, CA	SHG Resources, LLC
Seaview Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
St. Elizabeth Healthcare and Rehabilitation Center, Fullerton, Orange County, CA	SHG Resources, LLC
Fortuna (St. Luke) Rehabilitation and Wellness Center, Fortuna, Humboldt County, CA	SHG Resources, LLC
The Earlwood, Torrance, Los Angeles County, CA	SHG Resources, LLC
Willow Creek Healthcare Center, Clovis, Fresno County, CA	SHG Resources, LLC
Woodland Care Center, Reseda, Los Angeles County, CA	SHG Resources, LLC
Spring Senior Assisted Living, Torrance, Los Angeles County, CA	SHG Resources, LLC
Fountain Senior Assisted Living, Orange, Orange County, CA	SHG Resources, LLC
Kansas	
Highland Healthcare and Rehabilitation Center, Highland, Doniphan County, KS	SHG Resources, LLC
Louisburg Healthcare and Rehabilitation Center, Louisburg, Miami County, KS	SHG Resources, LLC
Shawnee Gardens Healthcare and Rehabilitation Center, Shawnee, Johnson County, KS	SHG Resources, LLC
Missouri	
Blue River Rehabilitation Center, Kansas City, Clay County, MO	Blue River Kansas City Property, LLC
Carmel Hills Healthcare and Rehabilitation Center, Independence, Jackson County, MO	Carmel Hills Independence Property, LLC
Holmesdale Healthcare and Rehabilitation Center, Kansas City, Clay County, MO	Holmesdale Property, LLC
Liberty Terrace Healthcare and Rehabilitation Center, Liberty, Clay County, MO	Liberty Terrace Missouri Property, LLC
The Rehabilitation Center of Independence, Independence, Jackson County, MO	Independence Missouri Property, LLC
Nevada	
Vintage Park at San Martin, Las Vegas, Clark County, NV	SHG Resources, LLC
Texas	
Clairmont Longview, Longview, Gregg County, TX	SHG Resources, LLC
Colonial Tyler Care Center, Tyler, Smith County, TX	SHG Resources, LLC

Fort Worth Center of Rehabilitation, Fort Worth, Tarrant County, TX	SHG Resources, LLC
Guadalupe Valley Nursing Center, Seguin, Guadalupe County, TX	SHG Resources, LLC

FACILITY	BORROWER
Hallettsville Rehabilitation and Nursing Center. Hallettsville, Lavaca County, TX	SHG Resources, LLC
Live Oak Nursing Center, George West, Live Oak County, TX	SHG Resources, LLC
Lubbock Hospitality House Nursing and Rehabilitation Center, Lubbock, Tarrant County, TX	Hospitality Lubbock Property, LLC
Monument Hill Rehabilitation and Nursing Center, La Grange, Fayette County, TX	Monument La Grange Property, LLC
Oak Manor Nursing Center, Flatonia, Fayette County, TX	SHG Resources, LLC
Oakland Manor Nursing Center, Giddings, Lee County, TX	SHG Resources, LLC
Southwood Care Center, Austin, Travis County, TX	SHG Resources, LLC
The Clairmont Tyler, Tyler, Smith County, TX	SHG Resources, LLC
Town & Country Manor, Boerne, Kendall County, TX	Town and Country Boerne Property, LLC

**THIRD AMENDMENT TO LOAN AGREEMENT
(Napa Loan)**

THIS THIRD AMENDMENT TO LOAN AGREEMENT (“Amendment”) is dated as of the 26th day of May, 2016 (the “Amendment Effective Date”) between **WELLTOWER INC.**, formerly known as Health Care REIT, Inc., a corporation organized under the laws of the State of Delaware (“Lender”), and each of the **BORROWER** entities set forth on Schedule I attached hereto and made a part hereof, each a limited liability company organized under the laws of the State of Delaware (individually and collectively, “Borrower”).

RECITALS:

A. Lender, Borrower and certain other entities have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of February 2, 2015 (the “Effective Date”).

B. Concurrently herewith, Borrower and certain affiliates are making a partial prepayment of the Loan and Lender is releasing certain of its collateral with respect thereto.

C. Lender and Borrower desire to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Borrowers. Schedule I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on Schedule I attached hereto.

3. Release. The entities identified as “Released Borrowers” or “Released Guarantors” on Schedule II hereof are hereby released from all liability under the Loan Agreement the Loan Documents and the Guaranty Documents.

4. Legal Descriptions. Exhibit A to the Loan Agreement is hereby amended by the deletion therefrom of the Legal Descriptions of each facility listed on Schedule II hereof.

5. Permitted Exceptions. Exhibit B of the Loan Agreement is hereby amended by the deletion therefrom of the Permitted Exceptions with respect to any facility listed on Schedule II hereof.

6. Allocated Loan Amount. Exhibit I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on the attached Exhibit I.

7. Further Acts. Borrower shall take such further actions as may be reasonably requested by Lender from time to time hereafter to amend the Mortgages to reflect the Loan

allocation as set forth on Exhibit I hereto. Lender shall take such further actions as may be reasonably requested by Borrower from time to time hereafter to evidence its release any of its collateral relating to the facilities listed or entities listed on Schedule II hereto.

8. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

9. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

10. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

11. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

12. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Justin Skiver

Name: Justin Skiver

Its: Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE I HERETO**

By: /s/ Michael S. Sherman
Michael S. Sherman,
Secretary

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty and Unconditional and Continuing Non-Recourse Loan Guaranty, each dated as of February 2, 2015 (as amended, individually and collectively, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing Third Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

PARENT:

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Name: _____

Title: _____

Tax I.D. No.: 20-3934755

PARENT:

**EACH OPERATOR LISTED ON
SCHEDULE III HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman, Secretary

S-1

*Genesis 3rd Amendment to Loan Agreement-
Consent
(Napa Loan)*

SCHEDULE I: BORROWERS

FACILITY	BORROWER
California	
Devonshire Care Center, Hemet, Riverside County, CA	SHG Resources, LLC
Elmcrest Care Center, El Monte, Los Angeles County, CA	SHG Resources, LLC
Eureka Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Fountain Care Center, Orange, Orange County, CA	SHG Resources, LLC
Granada Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Pacific Rehabilitation and Wellness Center, Eureka, Humboldt, County, CA	SHG Resources, LLC
Seaview Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
St. Elizabeth Healthcare and Rehabilitation Center, Fullerton, Orange County, CA	SHG Resources, LLC
Fortuna (St. Luke) Rehabilitation and Wellness Center, Fortuna, Humboldt County, CA	SHG Resources, LLC
The Earlwood, Torrance, Los Angeles County, CA	SHG Resources, LLC
Willow Creek Healthcare Center, Clovis, Fresno County, CA	SHG Resources, LLC
Woodland Care Center, Reseda, Los Angeles County, CA	SHG Resources, LLC
Spring Senior Assisted Living, Torrance, Los Angeles County, CA	SHG Resources, LLC
Fountain Senior Assisted Living, Orange, Orange County, CA	SHG Resources, LLC
Kansas	
Highland Healthcare and Rehabilitation Center, Highland, Doniphan County, KS	SHG Resources, LLC
Louisburg Healthcare and Rehabilitation Center, Louisburg, Miami County, KS	SHG Resources, LLC
Shawnee Gardens Healthcare and Rehabilitation Center, Shawnee, Johnson County, KS	SHG Resources, LLC
Missouri	
Blue River Rehabilitation Center, Kansas City, Clay County, MO	Blue River Kansas City Property, LLC
Carmel Hills Healthcare and Rehabilitation Center, Independence, Jackson County, MO	Carmel Hills Independence Property, LLC
Holmesdale Healthcare and Rehabilitation Center, Kansas City, Clay County, MO	Holmesdale Property, LLC
Liberty Terrace Healthcare and Rehabilitation Center, Liberty, Clay County, MO	Liberty Terrace Missouri Property, LLC
Nevada	
Vintage Park at San Martin, Las Vegas, Clark County, NV	SHG Resources, LLC
Texas	
Clairmont Longview, Longview, Gregg County, TX	SHG Resources, LLC
Colonial Tyler Care Center, Tyler, Smith County, TX	SHG Resources, LLC
Fort Worth Center of Rehabilitation, Fort Worth, Tarrant County, TX	SHG Resources, LLC

Guadalupe Valley Nursing Center, Seguin, Guadalupe County, TX	SHG Resources, LLC
Hallettsville Rehabilitation and Nursing Center. Hallettsville, Lavaca County, TX	SHG Resources, LLC

FACILITY	BORROWER
Live Oak Nursing Center, George West, Live Oak County, TX	SHG Resources, LLC
Lubbock Hospitality House Nursing and Rehabilitation Center, Lubbock, Tarrant County, TX	Hospitality Lubbock Property, LLC
Monument Hill Rehabilitation and Nursing Center, La Grange, Fayette County, TX	Monument La Grange Property, LLC
Oak Manor Nursing Center, Flatonia, Fayette County, TX	SHG Resources, LLC
Oakland Manor Nursing Center, Giddings, Lee County, TX	SHG Resources, LLC
Southwood Care Center, Austin, Travis County, TX	SHG Resources, LLC
The Clairmont Tyler, Tyler, Smith County, TX	SHG Resources, LLC
Town & Country Manor, Boerne, Kendall County, TX	Town and Country Boerne Property, LLC

**FOURTH AMENDMENT TO LOAN AGREEMENT
(Napa Loan)**

THIS FOURTH AMENDMENT TO LOAN AGREEMENT (“Amendment”) is dated as of the 30th day of June, 2016 (the “Amendment Effective Date”) between **WELLTOWER INC.**, formerly known as Health Care REIT, Inc., a corporation organized under the laws of the State of Delaware (“Lender”), and each of the **BORROWER** entities set forth on Schedule I attached hereto and made a part hereof, each a limited liability company organized under the laws of the State of Delaware (individually and collectively, “Borrower”).

RECITALS:

A. Lender, Borrower and certain other entities have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of February 2, 2015 (the “Effective Date”).

B. Concurrently herewith, Borrower and certain affiliates are making a partial prepayment of the Loan and Lender is releasing certain of its collateral with respect thereto.

C. Lender and Borrower desire to amend the Loan Agreement as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Borrowers. Schedule I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on Schedule I attached hereto.

3. Release. The entities identified as “Released Borrowers” or “Released Guarantors” on Schedule II hereof are hereby released from all liability under the Loan Agreement the Loan Documents and the Guaranty Documents.

4. Legal Descriptions. Exhibit A to the Loan Agreement is hereby amended by the deletion therefrom of the Legal Descriptions of each facility listed on Schedule II hereof.

5. Permitted Exceptions. Exhibit B of the Loan Agreement is hereby amended by the deletion therefrom of the Permitted Exceptions with respect to any facility listed on Schedule II hereof.

6. Allocated Loan Amount. Exhibit I of the Loan Agreement is hereby amended and restated to read in its entirety as set forth on the attached Exhibit I.

7. Further Acts. Borrower shall take such further actions as may be reasonably requested by Lender from time to time hereafter to amend the Mortgages to reflect the Loan

allocation as set forth on Exhibit I hereto. Lender shall take such further actions as may be reasonably requested by Borrower from time to time hereafter to evidence its release any of its collateral relating to the facilities listed or entities listed on Schedule II hereto.

8. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

9. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

10. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

11. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

12. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Justin Skiver _____

Name: _____

Its: Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE I HERETO**

By: /s/ Michael S. Sherman _____
Michael S. Sherman,
Secretary

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty and Unconditional and Continuing Non-Recourse Loan Guaranty, each dated as of February 2, 2015 (as amended, individually and collectively, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing Fourth Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

PARENT:

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Name: _____

Title: _____

Tax I.D. No.: 20-3934755

PARENT:

**EACH OPERATOR LISTED ON
SCHEDULE III HERETO**

By: /s/ Michael S. Sherman

Michael S. Sherman, Secretary

S-1

*Genesis 4th Amendment to Loan Agreement -
Consent
(Napa Loan)*

SCHEDULE I: BORROWERS

FACILITY	BORROWER
California	
Devonshire Care Center, Hemet, Riverside County, CA	SHG Resources, LLC
Elmcrest Care Center, El Monte, Los Angeles County, CA	SHG Resources, LLC
Eureka Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Fountain Care Center, Orange, Orange County, CA	SHG Resources, LLC
Granada Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
Pacific Rehabilitation and Wellness Center, Eureka, Humboldt, County, CA	SHG Resources, LLC
Seaview Rehabilitation and Wellness Center, Eureka, Humboldt County, CA	SHG Resources, LLC
St. Elizabeth Healthcare and Rehabilitation Center, Fullerton, Orange County, CA	SHG Resources, LLC
Fortuna (St. Luke) Rehabilitation and Wellness Center, Fortuna, Humboldt County, CA	SHG Resources, LLC
The Earlwood, Torrance, Los Angeles County, CA	SHG Resources, LLC
Woodland Care Center, Reseda, Los Angeles County, CA	SHG Resources, LLC
Spring Senior Assisted Living, Torrance, Los Angeles County, CA	SHG Resources, LLC
Fountain Senior Assisted Living, Orange, Orange County, CA	SHG Resources, LLC
Kansas	
Highland Healthcare and Rehabilitation Center, Highland, Doniphan County, KS	SHG Resources, LLC
Shawnee Gardens Healthcare and Rehabilitation Center, Shawnee, Johnson County, KS	SHG Resources, LLC
Missouri	
Holmesdale Healthcare and Rehabilitation Center, Kansas City, Clay County, MO	Holmesdale Property, LLC
Liberty Terrace Healthcare and Rehabilitation Center, Liberty, Clay County, MO	Liberty Terrace Missouri Property, LLC
Nevada	
Vintage Park at San Martin, Las Vegas, Clark County, NV	SHG Resources, LLC
Texas	
Clairmont Longview, Longview, Gregg County, TX	SHG Resources, LLC
Colonial Tyler Care Center, Tyler, Smith County, TX	SHG Resources, LLC
Fort Worth Center of Rehabilitation, Fort Worth, Tarrant County, TX	SHG Resources, LLC
Guadalupe Valley Nursing Center, Seguin, Guadalupe County, TX	SHG Resources, LLC
Hallettsville Rehabilitation and Nursing Center. Hallettsville, Lavaca County, TX	SHG Resources, LLC
Live Oak Nursing Center, George West, Live Oak County, TX	SHG Resources, LLC
Lubbock Hospitality House Nursing and Rehabilitation Center, Lubbock, Tarrant County, TX	Hospitality Lubbock Property, LLC

Monument Hill Rehabilitation and Nursing Center, La Grange, Fayette County, TX	Monument La Grange Property, LLC
Oak Manor Nursing Center, Flatonia, Fayette County, TX	SHG Resources, LLC

FACILITY	BORROWER
Oakland Manor Nursing Center, Giddings, Lee County, TX	SHG Resources, LLC
Southwood Care Center, Austin, Travis County, TX	SHG Resources, LLC
The Clairmont Tyler, Tyler, Smith County, TX	SHG Resources, LLC
Town & Country Manor, Boerne, Kendall County, TX	Town and Country Boerne Property, LLC

**FIFTH AMENDMENT TO LOAN AGREEMENT
(NAPA LOAN)**

THIS FIFTH AMENDMENT TO LOAN AGREEMENT (“Amendment”) is executed this 29th day of July, 2016, and shall be deemed effective as of June 30, 2016 (the “Amendment Effective Date”) among **WELLTOWER INC.** (formerly known as Health Care REIT, Inc.), a corporation organized under the laws of the State of Delaware (“**Lender**”), having its chief executive office located at 4500 Dorr Street, Toledo, Ohio 43615-4040, and **EACH OF THE BORROWER ENTITIES SET FORTH ON SCHEDULE I** (individually and collectively, “**Borrower**”), each having its chief executive office located at 101 East State Street, Kennett Square, Pennsylvania 19348.

RECITALS:

A. Lender and Borrower have previously entered into a Loan Agreement (as amended, the “Loan Agreement”) dated as of February 2, 2015.

B. Lender and Borrower desire to amend the Loan Agreement as set forth herein, effective for all purposes as of the Amendment Effective Date.

NOW, THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. Any capitalized terms not defined in this Amendment shall have the meanings set forth in the Loan Agreement.

2. Financial Covenants. Section 5.11 of the Loan Agreement is hereby amended and restated to read in its entirety as set forth below:

5.11 Financial Covenants. The defined terms used in this section are defined in §5.11.1. The following financial covenants shall be met throughout the term of the Loan:

5.11.1 Definitions.

(a) “Facility Coverage Ratio” means the ratio of [i] Facility Net Operating Income for each applicable period; to [ii] all Facility interest payments made on a cash basis, regardless of accounting treatment, and interest payments payable by Lender for the applicable period, excluding such lease and interest payments made by the Excluded Entities.

(b) “Facility Net Operating Income” means the collective pre-tax net income of the Facilities plus [i] the amount of the provision for depreciation and amortization; plus [ii] the amount of the provision for interest and facility real estate lease payments; plus [iii] the amount of any non-cash impairment charges, the amount of any loss from unusual or extraordinary items, including costs and expenses included in pre-tax income arising from the Equity

Purchase Agreement and any related management incentive or stay-pay plans, a restructuring, and to the extent approved by Lender, acting reasonably, any other non-recurring loss that are in excess of \$100,000.00, but excluding any impairments or expenses related to bad debts; minus [iv] an imputed management fee equal to 4% of the Facilities' collective gross revenue (net of contractual allowances); minus [v] the amount of any cash or non-cash unusual or extraordinary gains and revenues that are in excess of \$100,000.00, and to the extent approved by Lender, acting reasonably, any other non-recurring gains and revenue. Borrower agrees that any expenses related to the management incentive or stay-pay plan described under [iii] above will not exceed \$50,000,000.

5.11.2 Lease Financial Covenants. Subject to the provisions of Exhibit U, Sections U.1, U.6 and U.7 of the Master Lease, Borrower shall cause Company and GEN to comply with the obligations set forth in Exhibit U, Sections U.2 (other than those set forth in Section U.2(b)), U.3, U.4 and U.5 of the Master Lease.

5.11.3 Facility Coverage Ratio. The Facilities shall collectively maintain a Facility Coverage Ratio of not less than 1.00 to 1.00, based upon operating results for the most recent twelve (12) months, tested at the end of each fiscal quarter.

5.11.4 Certain Cure Rights. Company shall have a seventy-five (75) day period, beginning on the date of the applicable fiscal quarter end, to cure a violation of the provisions of Section 5.11.3, such that the action taken to cure such violation would otherwise have satisfied such provisions if taken prior to the applicable fiscal quarter.

3. Affirmation. Except as specifically modified by this Amendment, the terms and provisions of the Loan Agreement are hereby affirmed and shall remain in full force and effect.

4. Binding Effect. This Amendment will be binding upon and inure to the benefit of the successors and permitted assigns of Lender and Borrower.

5. Further Modification. The Loan Agreement may be further modified only by writing signed by Lender and Borrower.

6. Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof, but all of which will constitute one and the same document.

7. Guarantor. This Amendment shall have no force or effect unless and until each Guarantor has concurrently executed the attached consent of Guarantor.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment as of the date first set forth above.

WELLTOWER INC.

By: /s/ Justin Skiver
Justin Skiver, Authorized Signatory

**EACH BORROWER LISTED ON
SCHEDULE 1 HERETO**

By: /s/ Michael S. Sherman
Michael S. Sherman, Secretary

CONSENT OF GUARANTOR

In connection with the Unconditional and Continuing Loan Guaranty and Unconditional and Continuing Non-Recourse Loan Guaranty, each dated as of February 2, 2015 (as amended, individually and collectively, the "Guaranty") made by the undersigned Guarantor in favor of Lender as security for the Loan Agreement, each of the undersigned hereby [i] consents to the foregoing Fifth Amendment to Loan Agreement (the "Amendment"), [ii] agrees to be bound by the terms and provisions of the Amendment to the extent applicable to the undersigned pursuant to its guaranty, [iii] affirms the Guaranty which shall remain in full force and effect with respect to the Amendment, and [iv] waives any suretyship defenses arising in connection with the Amendment. All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement.

GENESIS HEALTHCARE, INC.

By: /s/ Michael S. Sherman

Name: Michael S. Sherman

Title: SVP

Tax I.D. No.: 20-3934755

EACH OPERATOR LISTED ON SCHEDULE III HERETO

By: /s/ Michael S. Sherman

Michael S. Sherman, Secretary

SCHEDULE 1: BORROWERS

SHG Resources, LLC
Holmesdale Property, LLC
Liberty Terrace Missouri Property, LLC
Hospitality Lubbock Property, LLC
Monument La Grange Property, LLC
Town and Country Boerne Property, LLC

\$120,000,000

TERM LOAN AGREEMENT

among

GENESIS HEALTHCARE, INC.,
as Ultimate Parent

FC-GEN OPERATIONS INVESTMENT, LLC,
as Borrower and LLC Parent,

GEN OPERATIONS I, LLC,
as Parent,

GEN OPERATIONS II, LLC,
as Holdings,

The Several Lenders from Time to Time Parties Hereto,

and

WELLTOWER INC.
as Administrative Agent and Collateral Agent,

Dated as of July 29, 2016

TABLE OF CONTENTS

	Page
SECTION 1. DEFINITIONS	1
1.1 Defined Terms	1
1.2 Other Definitional Provisions	31
SECTION 2. AMOUNT AND TERMS OF COMMITMENTS	32
2.1 Commitments	32
2.2 [Reserved]	32
2.3 Procedure for Loan Borrowing	32
2.4 Repayment of Loans	33
2.5 Repayment of Loans	33
2.6 Fees, etc	34
2.7 Optional Prepayments	34
2.8 Mandatory Prepayments	34
2.9 Conversion and Continuation Options	36
2.10 Minimum Amounts and Maximum Number of Eurodollar Tranches	36
2.11 Interest Rates and Payment Dates	36
2.12 Computations of Interest and Fees	37
2.13 Inability to Determine Interest Rate	37
2.14 Pro Rata Treatment and Payments	38
2.15 Requirements of Law	40
2.16 Taxes	42
2.17 Indemnity	44
2.18 Illegality	44
2.19 Mitigation of Costs; Change of Lending Office	45
2.20 Replacement of Lenders	45
2.21 [Reserved].	45
2.22 [Reserved].	45
2.23 [Reserved].	45
2.24 Nature and Extent of Borrower's Liability	45
SECTION 3. REPRESENTATIONS AND WARRANTIES	46
3.1 Corporate Existence; Compliance with Law	46
3.2 Loan Documents and Lease Amendment Agreements	47
3.3 Financial Statements	48
3.4 Material Adverse Effect	49
3.5 Solvency	49
3.6 Litigation	49
3.7 Taxes	49
3.8 Margin Regulations	49
3.9 No Burdensome Obligations; No Defaults	50
3.10 Investment Company Act	50
3.11 Labor Matters	50
3.12 ERISA	50
3.13 Environmental Matters	51
3.14 Intellectual Property	51

TABLE OF CONTENTS

	Page
3.15 Title; Real Property	51
3.16 Full Disclosure	52
3.17 Patriot Act; OFAC	52
3.18 No Default	52
3.19 Use of Proceeds	52
3.20 Insurance	52
3.21 Reportable Transactions	52
3.22 Security Documents	53
SECTION 4. CONDITIONS PRECEDENT	53
SECTION 5. REPORTING COVENANTS	56
5.1 Financial Statements	56
5.2 Other Events	57
5.3 ERISA Matters	58
5.4 Environmental Matters	58
5.5 Other Information	58
SECTION 6. AFFIRMATIVE COVENANTS	58
6.1 Maintenance of Corporate Existence	58
6.2 Compliance with Laws, Etc	59
6.3 Payment of Obligations	60
6.4 Maintenance of Property	60
6.5 Maintenance of Insurance	60
6.6 Keeping of Books	60
6.7 Access to Books and Property	60
6.8 Environmental	61
6.9 Post Closing Obligations	61
6.10 Additional Collateral, etc	61
6.11 Further Assurances	63
6.12 Use of Proceeds	64
6.13 Material Master Leases	64
6.14 Local Counsel Opinions	64
6.15 Taxes	64
SECTION 7. NEGATIVE COVENANTS	64
7.1 Indebtedness	64
7.2 Liens	67
7.3 Sale and Lease-Back Transactions	70
7.4 Investments, Loans and Advances	70
7.5 Mergers, Consolidations, Sales of Assets and Acquisitions	73
7.6 Restricted Payments; Restrictive Agreements	74
7.7 Transactions with Affiliates	76
7.8 Business of the Borrower and the Restricted Subsidiaries	77
7.9 Other Indebtedness and Agreements	77
7.10 [Reserved]	77
7.11 Account Changes; Fiscal Year	78

TABLE OF CONTENTS

	Page
7.12 Capital Expenditures	78
7.13 Minimum Fixed Charge Coverage Ratio	78
7.14 Maximum Leverage Ratio	78
7.15 Minimum Interest Coverage Ratio	79
7.16 Certain Cure Rights	79
SECTION 8. EVENTS OF DEFAULT	80
SECTION 9. THE AGENTS	82
9.1 Appointment	82
9.2 Delegation of Duties	83
9.3 Exculpatory Provisions	83
9.4 Reliance by the Agents	84
9.5 Non-Reliance on Agents and Other Lenders	84
9.6 Indemnification	84
9.7 Agent in Its Individual Capacity	85
9.8 Successor Agents	85
9.9 Authorization to Release Liens and Guarantees	86
9.10 Administrative Agent May File Proofs of Claim	86
SECTION 10. MISCELLANEOUS	87
10.1 Amendments and Waivers	87
10.2 Notices	88
10.3 No Waiver; Cumulative Remedies	89
10.4 Survival of Representations and Warranties	89
10.5 Payment of Expenses; Indemnification; Limitation of Liability	89
10.6 Successors and Assigns; Participations and Assignments	90
10.7 Adjustments; Set-off	93
10.8 Counterparts	94
10.9 Severability	94
10.10 Integration	94
10.11 GOVERNING LAW	94
10.12 Submission to Jurisdiction; Waivers	94
10.13 Acknowledgments	95
10.14 Confidentiality	95
10.15 Release of Collateral and Guarantee Obligations; Subordination of Liens	96
10.16 Accounting Changes	97
10.17 WAIVERS OF JURY TRIAL	97
10.18 USA PATRIOT ACT	97
10.19 Acknowledgement and Consent to Bail-In of EEA Financial Institution	97

APPENDICES:

A Initial Commitments

SCHEDULES:

1.1A Closing Date Mortgages
1.1B Subsidiary Guarantors
1.1C Unrestricted Subsidiaries
3.1(a) Corporate Existence, Compliance with Law
3.1(b) Healthcare Facilities
3.1(c) Primary Licenses
3.1(e) Healthcare Facility Violations
3.2 Required Permits; Governmental Authority
3.6 Litigation
3.7 Taxes
3.11 Labor Matters
3.12(b) Foreign Pension Plans
3.15 Title Real Property
3.20 Insurance
3.22(a) UCC Filing Jurisdictions
6.9 Post Closing Obligations
7.1 Existing Indebtedness
7.2 Existing Liens
7.4 Existing Investments
7.5(b) Scheduled Asset Sales
7.7 Transactions with Affiliates

EXHIBITS:

A-1 Form of Notice of Borrowing
A-2 Form of Conversion/Continuation Notice
B Form of Guarantee and Collateral Agreement
C Form of Compliance Certificate
D Form of Closing Certificate
E Form of Assignment and Assumption
F Form of Exemption Certificate
G Form of Solvency Certificate
H Form of Prepayment Notice
I Form of Promissory Note
J Initial Lenders Terms
K [reserved]
L Form of Intercreditor Agreement
M Form of Intercompany Promissory Note

TERM LOAN AGREEMENT, dated as of July 29, 2016, among GENESIS HEALTHCARE, INC., a Delaware corporation (“Ultimate Parent”), FC-GEN OPERATIONS INVESTMENT, LLC, a Delaware limited liability company (“LLC Parent” or the “Borrower”), GEN OPERATIONS I, LLC, a Delaware limited liability company (“Parent”), GEN OPERATIONS II, LLC, a Delaware limited liability company (“Holdings”), HCRI TUCSON PROPERTIES, INC., a Delaware corporation, and OHI MEZZ LENDER, LLC, a Delaware limited liability company (together, the “Initial Lenders”) and any other Lender from time to time party to this Agreement and WELLTOWER INC., as administrative agent (in such capacity, together with its successors and permitted assigns, the “Administrative Agent”) and collateral agent (in such capacity, together with its successors and permitted assigns, the “Collateral Agent”).

W I T N E S S E T H:

WHEREAS, the Borrower seeks \$120,000,000 in term loan financing in order to effect the refinancing and termination in full of the Existing Credit Agreement (as defined below) and the discharge in full of all guarantees and collateral provided in connection therewith (the “Refinancing”) and to pay related fees and expenses associated with the foregoing; and

WHEREAS, the Lenders are willing to make the term loan facility described herein available to the Borrower upon and subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section shall have the respective meanings set forth in this Section.

“ABL Credit Agreement”: the Amendment No. 3 to Credit Agreement, dated as of the Closing Date, by and among, *inter alios*, the Borrowers (as defined therein), the lenders party thereto and Healthcare Financial Solutions, LLC, as Administrative Agent.

“ABL Loan Documents”: has the meaning assigned to the term “Loan Documents” in the ABL Credit Agreement.

“ABL Obligations”: the “Obligations” under and as defined in the ABL Credit Agreement.

“ABL Facility”: each of the asset-based revolving credit facilities incurred pursuant to the ABL Loan Documents.

“ABR”: for any day, a fluctuating rate per annum equal to the greatest of (x) the rate determined from time to time by the Administrative Agent as its prime rate (“Prime Rate”) in effect at its principal office in New York City, (y) the Federal Funds Effective Rate plus ½ of 1.00% and (z) the one-month reserve adjusted Eurodollar Rate plus 1.00%; provided that, with respect to any Interest Period, in no event shall the “ABR” with respect to any Loan that is a ABR Loan, be less than 2.00%.

“ABR Loans”: Loans the rate of interest applicable to which is based upon the ABR.

“Accounting Changes”: as defined in Section 10.16.

“Acquired EBITDA”: with respect to any Acquired Entity or Business or other property for any period, the amount for such period of Consolidated EBITDA of such Acquired Entity or Business or such property (determined as if references to Ultimate Parent and its Subsidiaries in the definition of

Consolidated EBITDA were references to such Acquired Entity or Business and its Subsidiaries or such property), all as determined on a consolidated basis for such Acquired Entity or Business or such property.

“Acquired Entity or Business”: as defined in the definition of “Consolidated EBITDA”.

“Administrative Agent”: as defined in the preamble hereto.

“Affiliate”: as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. No Secured Party shall be an Affiliate of the Borrower nor shall any Secured Party be deemed to be an “Affiliate” of any Loan Party solely by virtue of being a “Lender” or “Secured Party” under this Agreement. For purposes of this definition, “control” of a Person means (i) the power, directly or indirectly to direct or cause the direction of the management and policies of such Person, in either case whether by contract or otherwise or (ii) beneficial ownership of 10% or more of the Voting Stock of such Person.

“Agent-Related Persons”: each Agent, together with its Related Parties.

“Agents”: the collective reference to the Collateral Agent and the Administrative Agent.

“Agreed Purposes”: as defined in Section 10.14.

“Agreement”: this Term Loan Agreement.

“Applicable Indebtedness”: as defined in the definition of “Weighted Average Life to Maturity”.

“Applicable Margin”: for any day, with respect to the Loans that are (i) ABR Loans, 12.00% and (ii) Eurodollar Loans, 13.00%; provided that the definition of “Applicable Margin” shall be subject to modification pursuant to the terms set forth in the Initial Lenders Terms.

“Approved Fund”: as defined in Section 10.6(b).

“Asset Sale”: the sale, transfer or other Disposition (by way of merger, casualty, condemnation or otherwise) by Ultimate Parent or any of the Restricted Subsidiaries to any person other than Ultimate Parent, the Borrower or any Subsidiary Guarantor of (a) any Capital Stock of any of the Subsidiaries (other than directors’ qualifying shares) or (b) any other assets of Ultimate Parent or any of the Restricted Subsidiaries (other than (i) inventory, damaged, no longer useful or needed, obsolete or worn out assets, scrap, cash and Cash Equivalents, in each case Disposed of in the ordinary course of business, (ii) Dispositions between or among Foreign Subsidiaries, (iii) Dispositions of property to the extent that (A) such property is exchanged for credit against the purchase price of similar replacement property or (B) the proceeds of such Disposition are applied to the purchase price of such replacement property (which replacement property is actually promptly purchased), (iv) leases, subleases, licenses or sublicenses (including the provision of software under an open source license), in each case in the ordinary course of business and which do not materially interfere with the business of Ultimate Parent and the Restricted Subsidiaries, taken as a whole, (v) Dispositions of accounts receivable in connection with the collection or compromise thereof in the ordinary course of business, (vi) Dispositions of Investments in joint ventures to the extent required by, or made pursuant to customary buy/sell arrangements between, the joint venture parties set forth in joint venture arrangements and similar binding arrangements, (vii) Dispositions permitted by Sections 7.4, 7.5 and 7.6 and Liens permitted by Section 7.2, (viii) the unwinding of any Hedge Agreement, (ix) any sale, transfer or other Disposition or series of related sales, transfers or other Dispositions having a value not in excess of \$1,500,000, (x) the assignment, cancellation, abandonment or other disposition of Intellectual Property that is, in the reasonable judgment of Ultimate Parent, no longer economically practicable to maintain or useful

in the conduct of the business of Ultimate Parent and the Restricted Subsidiaries taken as a whole and (xi) Dispositions of licenses in connection with the implementation of a UPL Program).

“Assignee”: as defined in Section 10.6(b).

“Assignment and Assumption”: an Assignment and Assumption, substantially in the form of Exhibit E.

“Audited Financial Statements”: Ultimate Parent’s audited Consolidated balance sheet as of December 31, 2015 and the related Consolidated statements of income or operations, shareholders’ equity and cash flows, including the notes thereto, each for the three fiscal years ended December 31, 2013, December 31, 2014 and December 31, 2015.

“Bail-In Action”: the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation”: with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Bankruptcy Code”: the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101, et seq.), as amended and in effect from time to time and the regulations issued from time to time thereunder.

“Benefit Plan”: any employee benefit plan as defined in Section 3(3) of ERISA (whether governed by the laws of the United States or otherwise), other than a Foreign Pension Plan or Multiemployer Plan, to which any Loan Party incurs or otherwise has any obligation or liability, contingent or otherwise.

“Benefited Lender”: as defined in Section 10.7(a).

“Board”: the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrower”: as defined in the preamble hereto.

“Borrowing Date”: any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

“Business”: the business and any services, activities or businesses incidental or directly related or similar or complementary to any business or line of business engaged in by Ultimate Parent or the Restricted Subsidiaries as of the Closing Date or any business or business activity that is a reasonable extension, development or expansion thereof or ancillary thereto.

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that, when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

“Capital Expenditures”: for any period, the additions to property, plant and equipment and other capital expenditures of Ultimate Parent and the Restricted Subsidiaries that are (or should be) set forth in a Consolidated statement of cash flows of Ultimate Parent for such period prepared in accordance with GAAP, but excluding (i) any such expenditure made to restore, replace or rebuild property to the condition of such property immediately prior to any damage, loss, destruction or condemnation of such property, to

the extent such expenditure is made with insurance proceeds, condemnation awards or damage recovery proceeds relating to any such damage, loss, destruction or condemnation, (ii) any such expenditure to the extent that proceeds of Asset Sales, debt financings or lease financings are used to make such expenditure, (iii) the purchase price of assets purchased during such period to the extent the consideration therefor consists of any combination of (A) assets traded in at the time of such purchase and (B) the proceeds of a concurrent sale of assets, in each case in the ordinary course of business, (iv) expenditures which constitute consideration paid in respect of Permitted Acquisitions and other Investments permitted under Section 7.4 (other than Investments permitted under Section 7.4(j)), (v) any such expenditures made with the proceeds of any Excluded Issuance or the incurrence of any Indebtedness permitted under this Agreement, (vi) expenditures constituting interest capitalized during such period and (vii) expenditures that are accounted for as capital expenditures of such Person and that actually are paid for by a third party and for which no Loan Party has provided or is required to provide or incur, directly or indirectly, any consideration or obligation to such third party or any other person.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or tangible personal property, or a combination thereof, to the extent such obligations are required to be classified and accounted for as capital leases or similar lease financing obligations on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP; provided that, notwithstanding the foregoing, in no event will any lease that would have been categorized as an operating lease as determined in accordance with GAAP as of the Closing Date, be considered a capital lease for purposes of this definition as a result of any changes in GAAP subsequent to the Closing Date.

“Capital Stock”: any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing, but excluding Indebtedness convertible or exchangeable into Capital Stock.

“Cash Equivalents”: (a) any readily-marketable securities (i) issued by, or directly, unconditionally and fully guaranteed or insured by the United States federal government or (ii) issued by any agency or instrumentality of the United States federal government the obligations of which are fully backed by the full faith and credit of the United States federal government, (b) any readily-marketable direct obligations issued by any other agency of the United States federal government, any state of the United States or any political subdivision of any such state or any public instrumentality thereof, in each case having a rating of at least “A-2” from S&P or at least “P-2” from Moody’s, (c) any commercial paper rated at least “A-2” by S&P or “P-2” by Moody’s and issued by any Person organized under the laws of any state of the United States, (d) any Dollar-denominated time deposit, insured certificate of deposit, overnight bank deposit or bankers’ acceptance issued or accepted by (i) any Lender or (ii) any commercial bank that is (A) organized under the laws of the United States, any state thereof or the District of Columbia, (B) “adequately capitalized” (as defined in the regulations of its primary federal banking regulators) and (C) has Tier 1 capital (as defined in such regulations) in excess of \$250,000,000 and (e) shares of any United States money market fund that (i) has substantially all of its assets invested continuously in the types of investments referred to in clause (a), (b), (c) or (d) above with maturities as set forth in the proviso below, (ii) has net assets in excess of \$500,000,000 and (iii) has obtained from either S&P or Moody’s the highest rating obtainable for money market funds in the United States; provided, however, that the maturities of all obligations specified in any of clauses (a), (b), (c) and (d) above shall not exceed 365 days.

“Cash Management Counterparty”: any Person that is a party to a Cash Management Document that was a Lender or Agent at the time any such Cash Management Document was entered into or an Affiliate of such a Lender or Agent, in each case in its capacity as party to a Cash Management Document.

“Cash Management Document”: any certificate, agreement or other document executed by Ultimate Parent or any Restricted Subsidiary in respect of the Cash Management Obligations of Ultimate Parent or any Restricted Subsidiary.

“Cash Management Obligation”: with respect to Ultimate Parent and the Restricted Subsidiaries, any direct or indirect liability, contingent or otherwise, of any such Person in respect of cash management services (including treasury, depository, overdraft, credit or debit card, electronic funds transfer and other cash management arrangements) provided after the date hereof (regardless of whether these or similar services were provided prior to the date hereof by the Administrative Agent, any Lender or any Affiliate of any of them) by the Administrative Agent, any Lender or any Affiliate of any of them, including obligations for the payment of fees, interest, charges, expenses, attorneys’ fees and disbursements in connection therewith.

“Certificated Security”: as defined in the Guarantee and Collateral Agreement.

“Change of Control”: (i) Ultimate Parent shall cease to own directly or indirectly (x) no less than 50% of the Capital Stock of LLC Parent; (y) 100% of the Capital Stock of any other of the managing members of LLC Parent or (z) 100% of the Equity Interests of SGH Partnership, LLC or Genesis Partnership, LLC (except, in each case, to the extent expressly permitted by Section 7.5(a)(i)(A)), (ii) except to the extent expressly permitted by Section 7.5(a)(i)(D), Ultimate Parent and LLC Parent shall cease to own, directly or indirectly, 100% of the Capital Stock of GHLLC, Parent, Holdings, Skilled Holdings or Genesis Holdings; (iii) Holdings (or, if Holdings is no longer in existence in accordance with Section 7.5(a)(i)(D), Parent or LLC Parent) shall cease to own, directly or indirectly, 100% of the Capital Stock of GHLLC and Skilled Holdings; (iv) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act, but excluding any employee benefit plan of such person and its subsidiaries and any person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), other than the Permitted Investors is or becomes the beneficial owner, directly or indirectly, of more than 35% of the Voting Stock of Ultimate Parent and such person or group is or becomes, directly or indirectly, the beneficial owner of a greater percentage of the Voting Stock of Ultimate Parent than the percentage of outstanding Voting Stock of Ultimate Parent owned by the Permitted Investors or (v) a “change of control” or similar concept under the ABL Loan Documents or any Material Master Leases shall have occurred.

“Chattel Paper”: as defined in the Guarantee and Collateral Agreement.

“Closing Date”: the date on which the conditions precedent set forth in Section 4 shall have been satisfied or waived and the initial Loans hereunder shall have been funded.

“Closing Date Mortgages”: Mortgages on the real properties listed on Schedule 1.1A to be delivered pursuant to Section 4(b).

“Code”: the Internal Revenue Code of 1986, as amended from time to time.

“Collateral”: as defined in the Guarantee and Collateral Agreement.

“Collateral Agent”: as defined in the preamble hereto.

“Commitment”: as to any Lender, the obligation of such Lender, if any, to make a Loan to the Borrower in a principal amount not to exceed the amount set forth opposite such Lender’s name on Appendix A. The original aggregate amount of the Commitments is \$120,000,000.

“Committed Reinvestment Amount”: as defined in the definition of “Reinvestment Prepayment Amount”.

“Commodity Exchange Act”: the Commodity Exchange Act (7 U.S.C. § 1 et seq.), as amended from time to time, and any successor statute.

“Compliance Certificate”: a certificate duly executed by a Responsible Officer substantially in the form of Exhibit C.

“Confidential Information”: as defined in Section 10.14.

“Consolidated”: with respect to Ultimate Parent and its Subsidiaries, consolidated in accordance with GAAP, excluding the revenues, expenses, assets and liabilities of variable interest entities having Indebtedness that is non-recourse to Ultimate Parent.

“Consolidated Cash Interest Expense”: for any period, the Consolidated Interest Expense for such period minus the sum of, in each case to the extent included in the definition of Consolidated Interest Expense, (a) the amortized amount of debt discount and debt issuance costs (including, without limitation, amortization of financing fees and expenses paid in connection with the transactions contemplated by the Loan Documents and Permitted Acquisitions), (b) interest payable in evidences of Indebtedness or by addition to the principal of the related Indebtedness and (c) other non-cash interest.

“Consolidated EBITDA”: for any period, Consolidated Net Income for such period plus without duplication and to the extent deducted in determining such Consolidated Net Income, the sum of (i) Consolidated Interest Expense for such period, plus (ii) Consolidated income tax expense for such period, plus (iii) all amounts attributable to the amount of the provision for depreciation and amortization; plus (iv) the amount of any non-cash charges (other than the write down of current assets), plus (v) the amount of any loss from unusual or extraordinary items in excess of \$100,000, including any related management incentive or stay-pay plans in place as of the Closing Date, any restructuring charges and any other non-recurring loss not to exceed \$20,000,000 in the aggregate for this clause (v) for any period, plus (vi) costs, fees and expenses for such period paid in connection with the Transactions, plus (vii) any non-recurring fees, costs or expenses for such period incurred in connection with a Permitted Acquisition or any Investment, Disposition, incurrence of (or amendments or modifications to) Indebtedness, issuance of Capital Stock or entry into new (or amendments or modifications to) Material Master Leases, in each case, permitted under this Agreement (in each case, including any such transaction undertaken but not completed); provided that the costs, fees and expenses added pursuant to clause (vi) and this clause (vii), in the aggregate, shall not exceed 20% of Consolidated EBITDA in any period, plus (viii) the amount of cost savings and acquisition synergies projected by Ultimate Parent in good faith to be realized within (x) 15 months of the date such actions are first taken in connection with the Transactions or (y) 12 months of the date such actions are first taken in connection with any other acquisition or Disposition or restructuring of the business by the Parent Companies, the Borrower or any Restricted Subsidiary, in each case, calculated on a Pro Forma Basis as though such cost savings or acquisition synergies had been realized on the first day of such period, net of the amount of actual benefits realized during such period that are otherwise included in the calculation of Consolidated EBITDA from such actions; provided

that (A) such cost savings and acquisition synergies are reasonably identifiable and factually supportable, and (B) the aggregate amount of cost savings and acquisition synergies added pursuant to this clause (viii) shall not exceed (x) \$50,000,000 in the aggregate (and in no event shall the total amount of all cost savings and acquisition synergies with respect to the Transactions exceed \$50,000,000), in the case of net cost savings and acquisition synergies with respect to the Transactions; and (y) 15% of Consolidated EBITDA in any period, otherwise, plus (ix) the amount of cost savings and acquisition synergies projected by Ultimate Parent in good faith to be realized within 15 months of the date such actions are first taken in connection with the Skilled Transactions, calculated on a Pro Forma Basis as though such cost savings or acquisition synergies had been realized on the first day of such period, net of the amount of actual benefits realized during such period that are otherwise included in the calculation of Consolidated EBITDA from such actions; provided that (A) such cost savings and acquisition synergies are reasonably identifiable and factually supportable, and (B) the aggregate amount of cost savings and acquisition synergies added pursuant to this clause shall not exceed \$30,000,000 in the aggregate, plus (x) the amount of management, consulting, monitoring and advisory fees (including termination fees and transaction fees) and related indemnities and expenses paid or accrued in such period (and prior to the Closing Date) to the Sponsor pursuant to any management agreement permitted by Section 7.6(a)(vi) and deducted (and not added back) in such period in computing such Consolidated Net Income, in an aggregate amount not exceeding \$3,000,000 in any fiscal year, minus (xi) the amount of any cash or non-cash unusual or extraordinary gains that are in excess of \$100,000 and any other non-recurring gains. Any non-cash expenses related to the management incentive or stay-pay plans in place as of the Closing Date will be included in clause (v) above. In addition, (A) there shall be included on a Pro Forma Basis in determining Consolidated EBITDA for any period, without duplication, Acquired EBITDA of any Person, business or other property acquired by Ultimate Parent or any of the Restricted Subsidiaries during such period (but not the Acquired EBITDA of any related Person or business to the extent not so acquired) in accordance with the terms of this Agreement, to the extent not subsequently sold, transferred or otherwise Disposed of by Ultimate Parent or such Restricted Subsidiary during such period (each such Person or business acquired and not subsequently so Disposed of, an “Acquired Entity or Business”), based on the actual Acquired EBITDA of such Acquired Entity or Business for such period (including the portion thereof occurring prior to such acquisition); (B) there shall be excluded on a Pro Forma Basis in determining Consolidated EBITDA for any period the Disposed EBITDA of any Person, property, business transferred or otherwise Disposed of, closed or classified as discontinued operations as classified under GAAP by Ultimate Parent or any of the Restricted Subsidiaries during such period (each such Person, property, business so sold or Disposed of, a “Sold Entity or Business”), based on the actual Disposed EBITDA of such Sold Entity or Business for such period (including the portion thereof occurring prior to such sale, transfer or Disposition); and (C) there shall be excluded on a Pro Forma Basis in determining Consolidated EBITDA for any period the Consolidated EBITDA of any newly constructed healthcare facilities for the twelve month period following receipt of a certificate of occupancy for such properties, in an aggregate amount not exceeding \$5,000,000 in any four fiscal quarter period. For purposes of determining the Consolidated Senior Secured Leverage Ratio, the Consolidated Total Leverage Ratio, and the Fixed Charge Coverage Ratio as of and for the periods ended September 30, 2015, December 31, 2015 and March 31, 2016, Consolidated EBITDA for the fiscal quarters ended on such dates shall be deemed to be equal to \$68,370,000, \$40,910,000 and \$54,400,000, respectively (as such amounts may be adjusted in accordance with the immediately preceding sentences).

“Consolidated EBITDAR”: for any period, Consolidated EBITDA for such period plus, to the extent deducted in determining Consolidated EBITDA for such period, Consolidated Rental Expense.

“Consolidated Fixed Charges”: for any period, the sum of Consolidated Cash Interest Expense and scheduled payments of principal on Consolidated Total Debt (without giving effect to the netting of unrestricted cash and Cash Equivalents pursuant to clause (d) of such definition) of the Parent Companies, the Borrower and the Restricted Subsidiaries for such period.

“Consolidated Interest Expense”: for any period, the sum of (a) the interest expense (including imputed interest expense in respect of Capital Lease Obligations (other than Real Property Financing Obligations)) of the Parent Companies, the Borrower and the Restricted Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP, plus (b) any interest accrued during such period in respect of Indebtedness of the Parent Companies, the Borrower or any Restricted Subsidiary that is required to be capitalized rather than included in Consolidated Interest Expense for such period in accordance with GAAP; provided, that Consolidated Interest Expense for any period ending on any day prior to the first anniversary of the Closing Date shall be deemed equal to the product of (i) Consolidated Interest Expense computed in accordance with the requirements of this definition for the period from and including the Closing Date to and including such day by (ii) a fraction, the numerator of which is the number

of days from and including the Closing Date to and including such day and the denominator of which is 365.

“Consolidated Net Income”: for any period, the net income or loss of the Parent Companies, the Borrower and the Restricted Subsidiaries for such period determined on a Consolidated basis in accordance with GAAP; provided that there shall be excluded, without duplication, (a) the income of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, statute, rule or governmental regulation applicable to such Restricted Subsidiary, (b) the income or loss of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with Ultimate Parent or any Restricted Subsidiary or the date that such Person’s assets are acquired by Ultimate Parent or any Restricted Subsidiary, (c) any gains or losses attributable to sales of assets outside of the ordinary course of business, (d) earnings (or losses) resulting from any reappraisal, revaluation or write-up (or write-down) of assets (other than current assets); (e) unrealized gains and losses with respect to Hedge Agreements or other derivative instruments for such period and (f) any gains or losses relating to discontinued operations; provided further that the net income of any person in which any other person (other than Ultimate Parent or a Wholly-Owned Restricted Subsidiary or any director or foreign national holding qualifying shares in accordance with applicable law) has a joint interest shall be included in Consolidated Net Income only to the extent of the percentage interest of such person owned by the Parent Companies, the Borrower and the Restricted Subsidiaries. In addition, to the extent not already included in Consolidated Net Income, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include (i) any expenses and charges that are reimbursed by indemnification or other reimbursement provisions in connection with any Investment or any Asset Sale permitted hereunder and (ii) to the extent covered by insurance and actually reimbursed, expenses with respect to liability or casualty events or business interruption.

“Consolidated Rental Expense”: for any period, the total cash rental expense for operating leases and Real Property Financing Obligations (including the imputed interest expense with respect thereto) of the Parent Companies, the Borrower and the Restricted Subsidiaries (regardless of the accounting treatment thereof), determined on a Consolidated basis for such period and adjusted, for avoidance of doubt, to exclude the non-cash impact resulting from the straight-lining of rents; provided that Consolidated Rental Expense shall be reduced by any rental income. For the purpose of determining the Consolidated Fixed Charge Coverage Ratio as of and for the periods ended September 30, 2015, December 31, 2015 and March 31, 2016, Consolidated Rental Expense for the fiscal quarters ended on such dates shall be deemed to be equal to \$120,570,000, \$120,730,000 and \$123,820,000, respectively.

“Consolidated Senior Secured Debt”: as of any date of determination, Consolidated Total Debt outstanding on such date that is secured by a Lien on any asset or property of the Parent Companies, the Borrower or any Restricted Subsidiary but excluding such Indebtedness which is subordinated in right of payment to the Obligations and the ABL Obligations.

“Consolidated Senior Secured Leverage Ratio”: as of any date of determination, the ratio of Consolidated Senior Secured Debt as of such day to Consolidated EBITDA of the Parent Companies, the Borrower and the Restricted Subsidiaries for the four fiscal quarter period ending on such date calculated on a Pro Forma Basis.

“Consolidated Total Assets”: as of any date of determination, the total amount of all assets of the Parent Companies, the Borrower and the Restricted Subsidiaries determined on a Consolidated basis in accordance with GAAP as of the last day of the period for which the most recent financial statements were delivered prior to such date of determination.

“Consolidated Total Debt”: as of any date of determination, the aggregate principal amount of Indebtedness of the Parent Companies, the Borrower and the Restricted Subsidiaries less (a) Indebtedness of the type described in clause (e) of the definition of such term to the extent related to Real Property Financing Obligations, (b) Indebtedness of a type described in clauses (d) and (f) of the definition thereof, (c) any letters of credit, banker acceptances or similar instruments to the extent undrawn and (d) unrestricted cash and Cash Equivalents as shown on the balance sheet on a Consolidated basis of the Parent Companies, the Borrower and the Restricted Subsidiaries in an amount not to exceed \$50,000,000 (it being understood that cash and Cash Equivalents on deposit in an account in which the Collateral Agent, the collateral agent under the ABL Facility or, subject to the Intercreditor Agreement, Skilled RE Lender has a perfected Lien constitutes unrestricted cash for purposes hereof).

“Consolidated Total Leverage Ratio”: as of any date of determination, the ratio of Consolidated Total Debt as of such date to Consolidated EBITDA of the Parent Companies, the Borrower and the Restricted Subsidiaries for the four fiscal quarter period ending on such date calculated on a Pro Forma Basis.

“Contractual Obligation”: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

“Controlled Investment Affiliate”: means, as applied to any Person, any other Person which directly or indirectly is in control of, is controlled by, or is under common control with, such Person and that is organized by such Person (or any Person controlling such Person) primarily for the purpose of making equity or debt investments in Ultimate Parent or other portfolio companies. For purposes of this definition, “control” of a Person means the power, directly or indirectly to direct or cause the direction of the management and policies of such Person, in either case whether by contract or otherwise.

“Curable Period”: as defined in Section 7.16(a).

“Cure Amount”: as defined in Section 7.16(a).

“Cure Right”: as defined in Section 7.16(a).

“Customary Permitted Liens”: any Lien permitted by Section 7.2 other than those described clauses (j), (k), (l), (m), (n), (o), (p), (s)(ii), (v), (w), (x), (z), and (bb) of Section 7.2.

“Debtor Relief Laws”: the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“Default”: any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Designated Jurisdiction”: any country or territory to the extent that such country or territory itself is the subject of any Sanction.

“Disposed EBITDA”: with respect to any Sold Entity or Business or property for any period, the amount for such period of Consolidated EBITDA of such Sold Entity or Business or property (determined as if references to the Parent Companies, the Borrower and the Restricted Subsidiaries in the definition of Consolidated EBITDA were references to such Sold Entity or Business and their Subsidiaries or such property), all as determined on a consolidated basis for such Sold Entity or Business or property.

“Disposition”: with respect to any Property, any sale, sale and leaseback, assignment, conveyance, transfer or other effectively complete Disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Disqualified Capital Stock”: any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures (excluding any maturity as the result of an optional redemption by the issuer thereof) or is mandatorily redeemable (other than solely for Qualified Capital Stock), pursuant to a sinking fund obligation or otherwise (except as the result of a Change of Control or asset sale so long as any rights of the holders thereof upon the occurrence of a Change of Control or asset sale event shall be subject to the prior repayment in full of the Loans and all Obligations that are accrued and payable), or is redeemable at the option of the holder thereof, in whole or in part (other than solely for Qualified Capital Stock), or requires the payment of any cash dividend or any other scheduled payment constituting a return of capital, in each case at any time on or prior to the date that is 91 days after the Maturity Date, or (b) is convertible into or exchangeable (unless at the sole option of the issuer thereof) for (i) debt securities or (ii) any Capital Stock referred to in clause (a) above, in each case at any time prior to the date that is 91 days after the Maturity Date; provided that if such Capital Stock is issued to any plan for the benefit of employees of the Parent Companies, the Borrower, or the Restricted Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by the Parent Companies, the Borrower, or the Restricted Subsidiaries in order to satisfy applicable statutory or regulatory obligations; provided, further, that any Capital Stock held by any present or former officers, consultants, directors or employees (and their spouses, former spouses, heirs, estates and assigns) of the Parent Companies, the Borrower or any Restricted Subsidiary upon the death, disability, engaging in competitive activity or termination of employment of such officer, director, consultant or employee or pursuant to any equity subscription, shareholder, employment or other agreement shall not constitute Disqualified Capital Stock solely because it may be required to be repurchased by the Parent Companies, the Borrower or the Restricted Subsidiaries.

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Domestic Subsidiary”: any direct or indirect Subsidiary incorporated in or organized under the laws of any jurisdiction within the United States.

“EEA Financial Institution”: (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country”: any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority”: any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee”: (a) any Lender, any Affiliate of a Lender and any Approved Fund, and (b) any commercial bank, insurance company, investment or mutual fund or other entity (other than a natural person) that is an “accredited investor” (as defined in Regulation D under the Securities Act) and that extends credit or buys loans in the ordinary course; provided that none of the Parent Companies, the

Borrower, their Subsidiaries, Permitted Investors or any other equity holder of a Parent Company or an Affiliate of a Permitted Investor or such equity holder shall be an Eligible Assignee.

“Environmental Claims”: any and all actions, suits, orders, decrees, demands, demand letters, claims, liens, notices of noncompliance, violation or potential responsibility or investigation (other than internal reports prepared by the Parent Companies, the Borrower or any of their Subsidiaries (a) in the ordinary course of such Person’s business or (b) as required in connection with a financing transaction or an acquisition or Disposition of real estate) or proceedings pursuant to or in connection with any Environmental Law or any permit issued, or any approval given, under any such Environmental Law (hereinafter, “Claims”), including, without limitation, (i) any and all Claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, (ii) any and all Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief relating to the presence, release or threatened release of Hazardous Materials or arising from alleged injury or threat of injury to health or safety (to the extent relating to human exposure to Hazardous Materials) or the environment including, without limitation, ambient air, surface water, groundwater, land surface and subsurface strata and natural resources such as wetlands, and (iii) any and all Claims by any third party regarding environmental liabilities or obligations assumed or assigned by contract or operation of law.

“Environmental Laws”: any applicable Federal, state, foreign or local statute, law, rule, regulation, ordinance, code and rule of common law now or hereafter in effect and in each case as amended, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, relating to pollution, the protection of the environment, including, without limitation, ambient air, surface water, groundwater, land surface and subsurface strata and natural resources such as wetlands, or human health or safety (to the extent relating to human exposure to Hazardous Materials).

“Environmental Liabilities”: all Liabilities (including costs of Remedial Actions, natural resource damages and costs and expenses of investigation and feasibility studies) that may be imposed on, incurred by or asserted against any Loan Party as a result of, or related to, any Environmental Claim and resulting from the ownership, lease, sublease or other operation or occupation of property by any Loan Party, whether on, prior or after the date hereof.

“Equity Issuance”: the issuance of any Capital Stock by Ultimate Parent, other than any Excluded Prepayment Equity Issuance. The term “Equity Issuance” shall not be deemed to include any Asset Sale.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” collectively, any Loan Party, and any Person under common control, or treated as a single employer, with any Loan Party, within the meaning of Section 414(b), (c), (m) or (o) of the Code.

“ERISA Event”: any of the following: (a) a reportable event described in Section 4043(b) of ERISA or Section 4043(c) with respect to a Title IV Plan, other than an event for which the notice requirement has been duly waived under the applicable regulations, (b) the withdrawal of any ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (c) the complete or partial withdrawal of any ERISA Affiliate from any Multiemployer Plan, (d) with respect to any Multiemployer Plan, the filing of a notice of insolvency or termination (or treatment of a plan amendment as termination) under Section 4041A of ERISA, (e) the filing of a notice of intent to terminate a Title IV Plan (or treatment of a plan amendment as termination) under Section 4041 of ERISA, (f) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC, (g) the failure to make any required contribution to any

Title IV Plan or Multiemployer Plan when due, (h) the imposition of a lien under Section 412 of the Code or Section 302 or 4068 of ERISA on any property (or rights to property, whether real or personal) of any ERISA Affiliate, (i) the failure of a Multiemployer Plan, Benefit Plan or any trust thereunder intended to qualify for tax exempt status under Section 401 or 501 of the Code or other Requirements of Law to qualify thereunder, (j) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of any liability upon any ERISA Affiliate under Title IV of ERISA other than for PBGC premiums due but not delinquent and (k) the occurrence of a Foreign Benefit Event.

“E-System”: any electronic system, including Intralinks[®], ClearPar[®] and SyndTrak[®] and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by the Administrative Agent, any of its Affiliates or agents or any other Person, providing for access to data protected by passcodes or other security system.

“EU Bail-In Legislation Schedule”: the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Eurocurrency Reserve Requirements”: with respect to any Interest Period and for any Eurodollar Loan, a rate per annum equal to the aggregate, without duplication, of the maximum rates (expressed as a decimal number) of reserve requirements in effect two Business Days prior to the first day of such Interest Period (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as “eurocurrency liabilities” in Regulation D of the Board) maintained by a member bank of the United States Federal Reserve System.

“Eurodollar Base Rate”: with respect to any Interest Period for any Eurodollar Loan or any ABR Loan based upon the ABR determined pursuant to clause (z) of the definition thereof (x) the rate determined by the Administrative Agent to be the offered rate appearing on the page of the Reuters Screen which displays an average British Bankers Association Interest Settlement Rate or, if the rate mentioned in sub-clause (x) does not appear on such page or service or if such page or service is not available, then (y) the rate per annum determined by the Administrative Agent to be the offered rate on such other page or other service which displays an average British Bankers Association Interest Settlement Rate or, if the rates in clauses (ii)(x) and (ii)(y) are not available, the Administrative Agent’s offered quotation rate to first class banks in the London interbank market, in each case by 11:00 A.M. (London, England time) two Business Days prior; provided that, with respect to any Interest Period, in no event shall the “Eurodollar Base Rate” with respect to any Loan that is a Eurodollar Loan or an ABR Loan based upon the ABR determined pursuant to clause (z) of the definition thereof, be less than 1.00%.

“Eurodollar Loan”: Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

“Eurodollar Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

“Event of Default”: any of the events specified in Section 8; provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Excess Liquidity”: as defined in Section 2.8(d).

“Excess Liquidity Application Date”: as defined in Section 2.8(d).

“Excluded Prepayment Equity Issuance”: the issuance by Ultimate Parent of its Capital Stock (a) in connection with employee stock option plans, employee stock ownership or purchase plans or other equity or incentive plans and (b)(i) as consideration in connection with, or (ii) to the extent the proceeds thereof are used to fund all or a portion of, an acquisition of assets related to Healthcare Facilities or any ancillary businesses related thereto or other Investment permitted pursuant to Sections 7.4(g) and 7.4(u); provided that if any portion of the proceeds of any issuance of Capital Stock described in clause (b)(ii) are not used to fund an acquisition or other Investment as described in clause (b)(ii) (the “Uninvested Proceeds”) within 180 days of receipt thereof by Ultimate Parent, then the portion of such Uninvested Proceeds shall be treated as proceeds of an Equity Issuance (and not an Excluded Prepayment Equity Issuance) for purposes of Section 2.8(b).

“Excluded Issuance”: a Qualified Equity Issuance (other than any Qualified Equity Issuances utilized in connection with an exercise of Ultimate Parent’s Cure Right under Section 7.16(a)); provided that, the Net Cash Proceeds therefrom shall be reduced to the extent previously expended pursuant to clause (v) of the definition of “Capital Expenditures”, Section 7.4(k) and/or Section 7.9(b)(ii).

“Excluded Swap Obligations”: means any obligation to pay or perform under any Swap Transaction if, and to the extent that, all or a portion of the guarantee of any Guarantor of, or the grant by any Guarantor of a security interest to secure, such Swap Transaction (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof) by virtue of any Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guaranty or the grant of such security interest becomes effective with respect to such Swap Transactions. If a Swap Obligation arises under a master agreement governing more than one swap, such exclusion shall apply only to the portion of such Swap Transaction that is attributable to swaps for which such guaranty or security interest is or becomes illegal.

“Excluded Taxes”: as defined in Section 2.16(a).

“Existing Credit Agreement”: the term loan agreement, dated as of December 3, 2012 (as amended, restated, amended and restated, supplemented or otherwise modified), by and among LLC Parent, Parent, Holdings, GHLLC, Sun Healthcare Group, Inc., the lenders party thereto, Barclays Bank PLC, as administrative agent and collateral agent for the lenders, and the other agents party thereto.

“Facility”: the Commitments and the Loans made hereunder.

“FATCA”: Sections 1471 through 1474 of the Code (effective as of the date hereof) (or any amended or successor version that is substantially comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b) of the Code.

“Federal Funds Effective Rate”: for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Effective Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Effective Rate for such day shall be the average rate (rounded upwards, if necessary, to the next 1/100 of 1%) charged to the Person acting as the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

“Fee Letter”: that certain Fee Letter, dated as of July 8, 2016, by and among Welltower Inc., Omega Healthcare Investors, Inc. and Ultimate Parent.

“Financial Condition Covenant”: the covenants set forth in Sections 7.13, 7.14 and 7.15.

“Financial Cure Covenant”: as defined in Section 7.16(a).

“Fixed Charge Coverage Ratio”: as of any date of determination, the ratio of (i) Consolidated EBITDA minus Maintenance Capital Expenditures to (ii) Consolidated Fixed Charges of the Parent Companies, the Borrower and the Restricted Subsidiaries for the four fiscal quarter periods ending on such date calculated on a Pro Forma Basis.

“Foreign Benefit Event”: with respect to any Foreign Pension Plan, (a) the failure of any such Foreign Pension Plan or any trust thereunder intended to qualify for tax exempt status under any Requirements of Law, (b) the existence of unfunded liabilities in excess of the amount permitted under any applicable law, (c) the failure to make the required contributions or payments under any applicable law on or before the due date for such contributions or payments, (d) the receipt of a notice by a Governmental Authority relating to its intention to terminate any such Foreign Pension Plan or to appoint a trustee or similar official to administer any such Foreign Pension Plan, or alleging the insolvency of any such Foreign Pension Plan, (e) the incurrence of any liability in excess of \$1,000,000 by the Parent Companies, the Borrower or any Restricted Subsidiary under applicable law on account of the complete or partial termination of such Foreign Pension Plan or the complete or partial withdrawal of any participating employer therein, or (f) the occurrence of any transaction that is prohibited under any applicable law and that could reasonably be expected to result in the incurrence of any liability by the Parent Companies, the Borrower or any of the Restricted Subsidiaries, or the imposition on the Parent Companies, the Borrower or any of the Restricted Subsidiaries of any fine, excise tax or penalty resulting from any noncompliance with any applicable law, in each case in excess of \$1,000,000.

“Foreign Pension Plan”: any pension plan maintained outside the jurisdiction of the United States that under applicable law is required to be funded through a trust or other funding vehicle other than a trust or funding vehicle maintained exclusively by a Governmental Authority to which the Parent Companies, the Borrower or any of the Restricted Subsidiaries incurs or otherwise has any obligation or liability, contingent or otherwise.

“Foreign Subsidiary”: any direct or indirect Restricted Subsidiary that is not a Domestic Subsidiary or a Domestic Subsidiary where substantially all of its assets consist of stock of controlled foreign corporations, as defined in Section 957 of the Code.

“Funding Office”: the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

“GAAP”: generally accepted accounting principles in the United States as in effect from time to time.

“Genesis Holdings”: Genesis Holdings, LLC, a Delaware limited liability company.

“GHLLC”: Genesis HealthCare LLC, a Delaware limited liability company.

“Governmental Authority”: any nation or government, any state, province or other political subdivision thereof and any governmental entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and, as to any Lender, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

“Guarantee and Collateral Agreement”: the Guarantee and Collateral Agreement, dated as of the Closing Date, to be executed and delivered by the Parent Companies, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit B, as the same may be amended, supplemented or otherwise modified from time to time.

“Guarantee Obligation”: as to any Person (the “guaranteeing person”), any obligation of the guaranteeing person guaranteeing or by which such Person becomes contingently liable for any Indebtedness, net worth, working capital earnings, leases, dividends or other distributions upon the stock or equity interests (other than Real Property Financing Obligations) (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business and reasonable indemnity obligations in effect on the Closing Date or entered into in connection with any acquisition or Disposition of assets or any Investment permitted under this Agreement. The amount of any Guarantee Obligation of any guaranteeing Person shall be deemed to be such guaranteeing Person’s maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

“Guarantors”: the collective reference to the Parent Companies and the Subsidiary Guarantors.

“Hazardous Materials”: (a) any petroleum or petroleum products, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, radon gas, mold, toxic mold, lead and medical waste; (b) any chemicals, wastes, materials or substances defined as or included in the definition of “hazardous substances”, “hazardous waste”, “hazardous materials”, “extremely hazardous waste”, “restricted hazardous waste”, “toxic substances”, “toxic pollutants”, “contaminants”, or “pollutants”, or words of similar import, under any applicable Environmental Law; and (c) any other chemical, waste, material or substance which is prohibited, limited or regulated by or with respect to which liability is imposed under any Environmental Law.

“Healthcare Facilities”: collectively, each hospital, clinic, skilled nursing facility, assisted living facility, independent living facility or mental health facility (or state equivalent of such licensure categories) or other healthcare facility owned, leased or managed by Ultimate Parent or any of its Subsidiaries, as listed on Schedule 3.15 hereto.

“Healthcare Laws”: all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of a Healthcare Facility or any part thereof and all material Permits and Primary Licenses, including those relating to the quality and adequacy of care, equipment, personnel, operating policies, additions to facilities and services, medical care, distribution of pharmaceuticals, rate setting, kickbacks, fee splitting, patient healthcare and/or patient healthcare information, including the Health Insurance Portability and Accountability Act of 1996, as amended, and the rules and regulations promulgated thereunder, and as amended by the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, and the rules and regulations promulgated thereunder (collectively “HIPAA”).

“Hedge Agreements”: all agreements with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, equity or debt instruments or securities (other than equity or security of Ultimate Parent), or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions, in each case, entered into by Ultimate Parent or any of its Subsidiaries.

“Hedge Counterparty”: any Person that is a party to a Hedge Agreement that was a Lender or Agent at the time any such Hedge Agreement was entered into or an Affiliate of such a Lender or Agent, in each case in its capacity as party to a Hedge Agreement.

“HIPAA”: as defined in the definition of “Healthcare Laws”.

“Holdings”: as defined in the preamble hereto.

“HUD”: the U.S. Department of Housing and Urban Development.

“HUD RE Loan Agreements”: one or more regulatory agreements and each note, mortgage and security agreement related thereto, by and among, in each case, the HUD RE Entities party thereto, and the HUD-approved lenders party thereto, as applicable.

“HUD RE Entities”: each of the subsidiaries of Ultimate Parent from time to time party to the HUD RE Loan Agreements.

“HUD Sub-Facility Credit Agreements”: that certain Second Amended and Restated Credit Agreement, dated as of March 31, 2016, by and among the HUD Sub-Facility Entities, as borrowers, GHLLC and GHC Holdings LLC, each as a guarantor, certain other Persons party thereto as guarantors, Healthcare Financial Solutions, LLC, as administrative agent, and the lenders party thereto, as may be further amended, restated, replaced or otherwise modified from time to time.

“HUD Sub-Facility Entities”: each of the entities listed on Annex I-A and Annex I-B attached to the HUD Sub-Facility Credit Agreement and each other Person, if any, from time to time becoming a party to the HUD Sub-Facility Credit Agreement as a borrower.

“Increased Amount Date”: as defined in Section 2.21(a).

“Indebtedness”: of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than (i) trade payables, accrued expenses, current accounts and similar obligations incurred in the ordinary course of such Person’s business, (ii) deferred compensation accrued in the ordinary course of business and (iii) earn-outs and other contingent payments in respect of acquisitions except as and to the extent that the liability on account of any such earn-out or contingent payment appears in the liabilities section of the balance sheet of such Person in accordance with GAAP), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property, in which case only the lesser of the amount of such obligation and the fair market value of such Property shall constitute Indebtedness), (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities, (g) all obligations of such Person in respect of Disqualified Capital Stock valued at, in the case of redeemable preferred Capital Stock, the greater of the voluntary liquidation preference and the involuntary liquidation preference of such Capital

Stock plus accrued and unpaid dividends, (h) all payments that would be required to be made in respect of any Hedge Agreement with a counterparty other than any Agent in the event of a termination (including an early termination) on the date of determination, and (i) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (h) above.

“Indemnified Liabilities”: as defined in Section 10.5(a).

“Indemnitee”: as defined in Section 10.5(a).

“Initial Lenders”: as defined in the preamble hereto.

“Initial Lenders Terms”: the terms set forth in Exhibit J.

“Instrument”: as defined in the Guarantee and Collateral Agreement.

“Insurance Captive”: Liberty Health Corporation, Ltd., a Bermuda company, Fountain View Reinsurance, Ltd., a Cayman Islands company, or any other insurance captive or other self insurance program established by Ultimate Parent or a Restricted Subsidiary.

“Insurer”: a Person that insures a Patient against certain of the costs incurred in the receipt by such Patient of Medical Services, or that has an agreement with Ultimate Parent to compensate the Borrower for providing such goods or services to a Patient, including but not limited to Medicaid, Medicare and TRICARE.

“Intellectual Property”: the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, copyrights and copyright applications, domain names, patents and patent applications, trademarks and trademark applications, trade names, rights in technology, trade secrets, know-how and processes.

“Intercreditor Agreement”: the Second Amended and Restated Intercreditor Agreement, dated as of the Closing Date, by and among the Administrative Agent, the “Collateral Agent” as defined in the ABL Credit Agreement and Skilled RE Lender and acknowledged by the Borrower and the other Loan Parties, and along with any joinders made a part thereof from time to time (or any amendment reasonably acceptable to the Administrative Agent and the Borrower).

“Interest Coverage Ratio”: as of any date of determination, the ratio of Consolidated EBITDA for such period to Consolidated Cash Interest Expense of the Parent Companies, the Borrower and the Restricted Subsidiaries for the four fiscal quarter periods ending on such date calculated on a Pro Forma Basis.

“Interest Payment Date”: (a) as to any ABR Loan, the last Business Day of each month while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan, the last day of the relevant Interest Period, (c) as to any Loan, the date of any repayment or prepayment made in respect thereof and (d) the day that such Loan is required to be repaid.

“Interest Period”: as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one month thereafter; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one month thereafter, as requested by the Borrower by irrevocable notice to the Administrative Agent not later than 1:00 P.M., New York City time, on the date

that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the date final payment is due on the Loans shall end on such due date; and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

“Investments”: as defined in Section 7.4.

“IRS”: the Internal Revenue Service.

“Laws”: collectively, federal, state, local or foreign law, statute or ordinance, common law, or any rule, regulation, judgment, order, writ, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Authority.

“Lease Amendment Agreement”: each of the Welltower Lease Amendment Agreement, Omega Lease Amendment Agreement and Sabra Lease Amendment Agreement.

“Leases”: all leases and subleases or any similar document affecting the use, enjoyment or occupancy of the real property, including resident care agreements and service agreements that include an occupancy agreement, whether now existing or hereafter arising.

“Lender”: each Lender that has a Commitment or that holds a Loan.

“Liabilities”: all claims, actions, suits, judgments, damages, losses, liability, obligations, responsibilities, fines, penalties, sanctions, costs, fees, taxes, commissions, charges, disbursements and expenses, in each case of any kind or nature (including interest accrued thereon or as a result thereto and fees, charges and disbursements of financial, legal and other advisors and consultants), whether joint or several, whether or not indirect, contingent, consequential, actual, punitive, treble or otherwise.

“Lien”: any mortgage, pledge, hypothecation, collateral assignment, encumbrance, lien (statutory or other), charge or other security interest or any other security agreement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

“Liquidity”: with respect to any Person, the sum of (i) unrestricted cash and Cash Equivalents, plus (ii) Borrowing Availability (as defined in the ABL Credit Agreement) and plus (iii) any other sources of liquid capital agreed in writing by the Lenders and the Borrower.

“LLC Parent”: as defined in the preamble hereto.

“Loan”: as defined in Section 2.1.

“Loan Documents”: the collective reference to this Agreement, the Security Documents and the Notes (if any).

“Loan Increase”: as defined in Section 2.21(a).

“Loan Parties”: the Parent Companies, the Borrower and each Subsidiary Guarantor.

“Loan Percentage”: as to any Lender at any time, the percentage which the sum of such Lender’s Commitments then constitutes of the aggregate Commitments (or, at any time after the Closing Date, the percentage which the aggregate principal amount of such Lender’s Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding).

“Maintenance Capital Expenditures”: for any period, an aggregate amount equal to \$800 for each weighted average licensed bed of the Loan Parties during such period.

“Majority Controlled Affiliate”: means, with respect to any Person, each officer, director, general partner or joint-venturer of such Person and any other Person that directly or indirectly controls, is controlled by, or is under common control with, such Person; provided, however, that no Secured Party shall be a Majority Controlled Affiliate of the Borrower. For purpose of this definition, “control” means the possession of either (a) the power to vote, or the beneficial ownership of, 51% or more of the Voting Stock of such Person or (b) the power to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Master Leases”: the collective reference to the Welltower Lease, the Sabra Lease and the Omega Lease.

“Master Lease Intercreditor Agreements”: the collective reference to the Welltower Intercreditor Agreement, the Sabra Intercreditor Agreement and the Omega Intercreditor Agreement.

“Material Adverse Effect”: a material adverse effect on (a) the business, operations property or financial condition of the Parent Companies, the Borrower and the Restricted Subsidiaries, taken as a whole, or (b) the validity or enforceability of the Loan Documents or the material rights and remedies of the Agents and the Lenders thereunder, in each case, taken as a whole.

“Material Indebtedness”: Indebtedness (other than the Loans and Real Property Financing Obligations), or obligations in respect of one or more Hedge Agreements, of any one or more of the Parent Companies, the Borrower or any of the Restricted Subsidiaries in an aggregate principal amount exceeding, \$30,000,000. For purposes of determining Material Indebtedness for all Sections, the “principal amount” of the obligations of the Parent Companies, the Borrower or any of the Restricted Subsidiaries in respect of any Hedge Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Parent Companies, the Borrower or any of the Restricted Subsidiaries would be required to pay if such Hedge Agreement were terminated at such time.

“Material Master Lease”: each Master Lease and each other facility master lease agreement entered into by Ultimate Parent or any of the Restricted Subsidiaries after the Closing Date if such facility master lease agreement, individually or in the aggregate when taken together with each other facility master lease from the same landlord or an Affiliate of the landlord, represents greater than 5% of the licensed beds of the Loan Parties, taken as a whole.

“Material Master Lease Intercreditor Agreement”: the collective reference to each of the Master Lease Intercreditor Agreements and any other intercreditor or similar agreement entered into pursuant to Section 6.13.

“Material Restricted Subsidiary”: at any date of determination, any Restricted Subsidiary that would account for more than 5%, individually or 7.5%, with respect to one or more Restricted Subsidiaries

in the aggregate, of the Consolidated Total Assets or gross revenue (as shown on the most recent financial statements of Ultimate Parent delivered pursuant to Section 5.1(a) or (b)) of the Parent Companies, the Borrower and the Restricted Subsidiaries on a Consolidated basis for such period, determined in accordance with GAAP; provided that if, at any time and from time to time after the Closing Date, Domestic Subsidiaries that are not Guarantors solely because they do not meet the thresholds set forth above comprise in the aggregate more than 7.5% of the Consolidated Total Assets or the gross revenue (as shown on the most recent financial statements of Ultimate Parent delivered pursuant to Section 5.1(a) or (b)) of the Parent Companies, the Borrower and the Restricted Subsidiaries on a Consolidated basis for such period, determined in accordance with GAAP, then the Borrower shall, not later than 45 days after the date by which financial statements for such fiscal quarter are required to be delivered pursuant to Section 5.1(b), (x) designate in writing to the Administrative Agent one or more of such Domestic Subsidiaries as “Material Restricted Subsidiaries” so that Domestic Subsidiaries that are not Guarantors do not comprise more than 7.5% in the aggregate of the Consolidated Total Assets or the gross revenues (as shown on the most recent financial statements of Ultimate Parent delivered pursuant to Section 5.1(a) or (b)) of the Parent Companies, the Borrower and the Restricted Subsidiaries on a Consolidated basis for such period, determined in accordance with GAAP and (y) comply with the provisions of Section 6.10 applicable to such Subsidiary.

“Maturity Date”: July 29, 2020.

“Medicaid”: (a) the United States of America acting under Title XIX of the Social Security Act, (b) any state or the District of Columbia acting pursuant to a health plan adopted pursuant to Title XIX of the Social Security Act, or (c) any agent, carrier, administrator or intermediary for any of the foregoing.

“Medical Services”: medical and health care services, performed or provided by any Ultimate Parent or a Restricted Subsidiary to a Patient, which services include, general medical and health care services, physician services, nurse and therapist services, dental services, hospital services, skilled nursing facility services, assisted living facility services, independent senior housing services, Alzheimer’s services, comprehensive inpatient and outpatient rehabilitation services, home health care services, hospice services, residential and outpatient behavioral healthcare services, and medical or health care equipment provided for a necessary or specifically requested valid and proper medical or health purpose and any other service approved by the Administrative Agent in its sole discretion.

“Medicare”: (a) the United States of America acting under the Medicare program established pursuant to Title XVIII of the Social Security Act, or (b) any agent, carrier, administrator or intermediary for any of the foregoing.

“Moody’s”: Moody’s Investors Service, Inc. or any successor to the rating agency business thereof.

“Mortgage”: any mortgage, deed of trust, hypothec or other similar document made by any Loan Party in favor of, or for the benefit of, the Collateral Agent for the benefit of the Secured Parties, in form and substance reasonably satisfactory to the Administrative Agent and the Borrower (taking into account the law of the jurisdiction in which such mortgage, deed of trust, hypothec or similar document is to be recorded). Mortgage shall specifically include the Closing Date Mortgages.

“Multiemployer Plan”: a pension plan that is a “multiemployer plan” (as defined in Section 4001(a)(3) of ERISA) subject to Title IV of ERISA to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

“Net Cash Proceeds”: (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event received by the Parent

Companies, the Borrower or any of the Restricted Subsidiaries, net of broker's fees and commissions, attorneys' fees, accountants' fees, investment banking fees, consulting fees, amounts (including premiums or penalties, if any) required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document in which the Collateral Agent has (or is intended to have), whether pursuant to the Intercreditor Agreement or otherwise, a first priority perfected security interest) and other reasonable fees and expenses (including legal fees and expenses) actually incurred by the Parent Companies, the Borrower or any of the Restricted Subsidiaries in connection therewith and net of Taxes paid or reasonably estimated to be payable by such Parent Company, the Borrower or such Restricted Subsidiary as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and any escrow or reserve for any adjustment in respect of the sale price of such asset or assets and indemnification payments (fixed or contingent) attributable to seller's indemnities and representations and warranties to purchaser in respect of the applicable Asset Sale undertaken by the Parent Companies, the Borrower or the Restricted Subsidiaries or other liabilities in connection with such Asset Sale (provided that upon release of any such escrow or reserve, the amount released shall be considered Net Cash Proceeds) and (b) in connection with any (i) Equity Issuance or (ii) issuance or sale of debt securities or instruments or the incurrence of Indebtedness, in each case, the cash proceeds received from such issuance or incurrence, net of transaction costs, attorneys' fees, investment banking fees, accountants' fees, consulting fees, underwriting discounts and commissions, placement fees and other reasonable fees and expenses (including legal fees and expenses) actually incurred in connection therewith.

“Non-Excluded Taxes”: as defined in Section 2.16(a).

“Non-Guarantor Subsidiary”: any Restricted Subsidiary which is not a Subsidiary Guarantor.

“Non-U.S. Lender”: as defined in Section 2.16(d).

“Note”: any promissory note evidencing any Loan.

“Notice of Intent to Cure”: as defined in Section 7.16(b).

“Obligations”: the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Loans, and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, and all other obligations and liabilities of the Borrower to the Administrative Agent, the Collateral Agent, or any Lender (or, in the case of Specified Hedge Agreements and Cash Management Documents of the Parent Companies, the Borrower or any of the Restricted Subsidiaries to the Administrative Agent, the Collateral Agent, any Lender, any Hedge Counterparty, Cash Management Counterparty, or any of their Affiliates), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, any Specified Hedge Agreement, any Cash Management Document, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Administrative Agent, the Collateral Agent, or any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise; other than Excluded Swap Obligations; provided that (a) obligations of the Parent Companies, the Borrower or any of the Restricted Subsidiaries under any Specified Hedge Agreement or Cash Management Document shall be secured and guaranteed pursuant to the Security Documents only to the extent that, and for so long as, the other Obligations are so secured and guaranteed and (b) any release of Collateral or Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under any Specified Hedge Agreements or Cash Management Documents.

“OFAC”: the Officer of Foreign Assets Control of the United States Department of the Treasury.

“Omega Intercreditor Agreement”: the Amended and Restated Intercreditor Agreement, dated as of the Closing Date, by and among, *inter alios*, the Administrative Agent, Healthcare Financial Services, LLC, as administrative agent under the ABL Credit Agreement, Landlord (as defined therein) and Tenants (as defined therein).

“Omega Lease”: the Second Consolidated Amended and Restated Master Lease Agreement, dated as of January 30, 2015, by and among Landlord (as defined in the Omega Intercreditor Agreement) and Tenants (as defined in the Omega Intercreditor Agreement).

“Omega Lease Amendment Agreement”: the Fourth Amendment to the Omega Lease, dated as of the Closing Date, by and among Landlord (as defined in the Omega Intercreditor Agreement) and Tenants (as defined in the Omega Intercreditor Agreement).

“Other Taxes”: all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or any other Loan Document.

“PATRIOT Act”: the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“Parent”: as defined in the preamble hereto.

“Parent Company”: Ultimate Parent, LLC Parent, Parent and Holdings.

“Participant”: as defined in Section 10.6(h).

“Participant Register”: as defined in Section 10.6(h)(ii).

“Patient”: any Person receiving Medical Services from Ultimate Parent or a Restricted Subsidiary and all Persons legally liable to pay Ultimate Parent or a Restricted Subsidiary for such services other than Insurers.

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“Permit”: with respect to any Person, any permit, approval, authorization, license, registration, certificate (including certificates of occupancy), concession, grant, franchise, variance or permission from any Governmental Authority, in each case whether or not having the force of law and applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Permitted Acquisition”: as defined in Section 7.4(g).

“Permitted Investor”: collectively, (i) any Person that is a member of LLC Parent as of the Closing Date to the extent such Person, directly or indirectly, owns or controls 10% or more of LLC Parent as of the Closing Date and to the extent such Person has satisfied the requirements regarding OFAC, Anti-Terrorism Laws, SEC, Healthcare Laws, and other similar regulations, (ii) GEN Management LLC or GEN Management Investors, LLC and to the extent each such entity has satisfied the requirements regarding OFAC, Anti-Terrorism Laws, SEC Healthcare Laws, and other similar regulations, or (iii) any successor of the foregoing pursuant to a Permitted Investor Transfer (which successors, to the extent such successors

will, directly or indirectly, own or control 10% or more of any Loan Party, must satisfy requirements regarding OFAC, Anti-Terrorism Laws, SEC, Healthcare Laws, and other similar regulations).

“Permitted Investor Transfer”: one or more of the following, and, in the case of clauses (ii) and (iii) below, with the prior consent of Administrative Agent, which consent shall not be unreasonably withheld, conditioned or delayed (provided that Borrower provides timely information reasonably requested by Administrative Agent with respect to such proposed transferee, including, without limitation, information with respect to OFAC, Anti-Terrorism Laws, SEC, Healthcare Laws, and other similar regulations and activities):

(i) any Disposition by a Permitted Investor to another Permitted Investor;

(ii) any Disposition of a direct or indirect interest in Ultimate Parent by a Permitted Investor to a family trust for estate planning purposes; provided that such Permitted Investor does not Transfer the power to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise;

(iii) any Disposition from any Permitted Investor of any direct or indirect interest in Ultimate Parent to a Majority Controlled Affiliate, or the admission of a new member into a Permitted Investor, provided the Persons that had the power to direct or cause the direction of the management and policies of such Permitted Investor on the Closing Date retain such power over such Permitted Investor; or

(iv) the purchase by Welltower Inc. of certain ownership interests in Ultimate Parent pursuant to that certain Amended and Restated Call and Exchange Agreement, dated as of May 25, 2012 (as may be amended, supplemented or otherwise modified from time to time).

“Permitted Refinancing”: with respect to any Person, any modification, refinancing, refunding, renewal or extension of any Indebtedness of such Person; provided that (a) the principal amount (or accreted value, if applicable) thereof does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness so modified, refinanced, refunded, renewed or extended except by an amount equal to any interest capitalized in connection with, any premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such modification, refinancing, refunding, renewal or extension and by an amount equal to any existing commitments unutilized and undrawn letters of credit thereunder or as otherwise permitted pursuant to Section 7.1, (b) such modification, refinancing, refunding, renewal or extension has a final maturity date equal to or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or longer than the Weighted Average Life to Maturity of, the Indebtedness being modified, refinanced, refunded, renewed or extended, (c) if the Indebtedness being modified, refinanced, refunded, renewed or extended is subordinated in right of payment to the Obligations, such modification, refinancing, refunding, renewal or extension is subordinated in right of payment to the Obligations on terms at least as favorable on the whole to the Lenders as those contained in the documentation governing the Indebtedness being modified, refinanced, refunded, renewed or extended, (d) solely with respect to any Permitted Refinancing of the ABL Facility or any Material Master Lease, the financial covenants and events of default of any such modified, refinanced, refunded, renewed or extended Indebtedness are not, taken as a whole, materially more restrictive to the Loan Parties than the financial covenants and events of default of the Indebtedness being modified, refinanced, refunded, renewed or extended and (e) neither Ultimate Parent nor any Restricted Subsidiary shall be an obligor or guarantor of the Indebtedness being modified, refinanced, refunded, renewed or extended except to the extent that such Person was such an obligor or guarantor in respect of the Indebtedness being modified, refinanced, refunded, renewed or extended.

“Person”: an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“PIK Interest”: interest paid in kind by adding such interest then due to the unpaid principal amount of the Loans.

“Pledged Securities”: as defined in the Guarantee and Collateral Agreement.

“Pledged Stock”: as defined in the Guarantee and Collateral Agreement.

“Primary License”: with respect to any Healthcare Facility or Person operating such Healthcare Facility, as the case may be, the certificate of need, Permit or license to operate as an assisted living, skilled nursing or independent living facility.

“Prime Rate”: as defined in the definition of “ABR”.

“Pro Forma Basis”: for any period, with respect to the Transactions, the Skilled Transactions or any proposed acquisition, investment, distribution, incurrence or prepayment of Indebtedness or any other action which requires compliance with any test or covenant hereunder, compliance as of the transaction date will be determined giving the following pro forma effect to the Transactions, the Skilled Transactions or such proposed acquisition investment, distribution or any such other action: (a) pro forma effect will be given to any Indebtedness incurred during or after the relevant period to the extent the Indebtedness is outstanding or is to be incurred on the transaction date as if the Indebtedness had been incurred on the first day of the relevant period; (b) pro forma calculations of interest on Indebtedness bearing a floating interest rate will be made as if the rate in effect on the transaction date (taking into account any Hedge Agreement applicable to the Indebtedness if the Hedge Agreement has a remaining term of at least 12 months) had been the applicable rate for the entire relevant period; (c) Consolidated Interest Expense related to any Indebtedness no longer outstanding or to be repaid or redeemed on the transaction date, except for Consolidated Interest Expense accrued during the relevant period under this Agreement to the extent of the Loans in effect on the transaction date, will be excluded; and (d) pro forma effect will be given to (i) the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries, and (ii) the acquisition or Disposition of companies, divisions or lines of businesses by Ultimate Parent and the Restricted Subsidiaries, including any acquisition or Disposition of a company, division or line of business since the beginning of the relevant period by a Person that became a Restricted Subsidiary after the beginning of the relevant period that have occurred since the beginning of the relevant period as if such events had occurred, and, in the case of any Disposition, the proceeds thereof applied, on the first day of the relevant period. For purposes of determining Consolidated Interest Expense, Consolidated Cash Interest Expense, Consolidated Fixed Charges, Consolidated Rental Expense, Consolidated EBITDA, Consolidated EBITDAR and Consolidated Net Income, any discontinuation of discontinued operations as defined under Financial Accounting Standards Board Accounting Standards Codification 205-20 occurring during the relevant period shall be given effect in accordance with that standard. To the extent that pro forma effect is to be given to an acquisition or Disposition of a company, division or line of business, the pro forma calculation will be based upon the most recent four full fiscal quarters for which the relevant financial information is available (including cost savings to the extent such cost savings would be consistent with the definition of “Consolidated EBITDA”).

“Property”: any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

“Purchase Money Indebtedness”: as defined in Section 7.1(d).

“Qualified Capital Stock”: any Capital Stock that is not Disqualified Capital Stock.

“Qualified Equity Issuance”: any issuance by Ultimate Parent of its Capital Stock in a public or private offering or contribution to its capital (in each case, other than in the form of Disqualified Capital Stock).

“Real Property Financing Obligations”: with respect to any Person, financing obligations and Capital Lease Obligations of such Person, to the extent such financing obligations or Capital Lease Obligations are related to real property, including, without limitation, such obligations under the Revera Loan Documents and the Skilled RE Loan Documents.

“Recovery Event”: any settlement of or payment in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of the Parent Companies, the Borrower, or any of the Restricted Subsidiaries, in an amount for each such event exceeding \$1,500,000.

“Refinanced Loans”: as defined in Section 10.1(d).

“Refinancing”: as defined in the recitals hereto.

“Register”: as defined in Section 10.6(b)(iv).

“Regulation T”: Regulation T of the Board as in effect from time to time.

“Regulation U”: Regulation U of the Board as in effect from time to time.

“Regulation X” Regulation X of the Board as in effect from time to time.

“Reinvestment Deferred Amount”: with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by the Parent Companies, the Borrower or any Restricted Subsidiary for its own account in connection therewith that are not paid to the Administrative Agent pursuant to Section 2.8(b) as a result of the delivery of a Reinvestment Notice.

“Reinvestment Event”: any Asset Sale or Recovery Event in respect of which a Loan Party has delivered a Reinvestment Notice.

“Reinvestment Notice”: a written notice signed on behalf of the Parent Companies, the Borrower, or any of the Restricted Subsidiaries by a Responsible Officer stating that the Parent Companies, the Borrower, or such Restricted Subsidiaries (directly or indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Cash Proceeds of an (x) Asset Sale to acquire assets useful in its (or such Restricted Subsidiary’s) business or in connection with a Permitted Acquisition or (y) Recovery Event to acquire or repair assets useful in its (or such Restricted Subsidiary’s) business or in connection with a Permitted Acquisition.

“Reinvestment Prepayment Amount”: with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount contractually committed to be expended prior to the relevant Reinvestment Prepayment Date (a “Committed Reinvestment Amount”), or actually expended prior to such date, in each case to acquire or repair assets useful in the Business or in connection with a Permitted Acquisition.

“Reinvestment Prepayment Date”: with respect to any Reinvestment Event, the earlier of (i) the date occurring 180 days after such Reinvestment Event and (ii) with respect to any portion of a Reinvestment Deferred Amount, the date on which the Parent Companies, the Borrower, or any of the Restricted Subsidiaries shall have determined not to acquire or repair assets useful in their or such Restricted

Subsidiary's business or in connection with a Permitted Acquisition with such portion of such Reinvestment Deferred Amount.

"Related Parties": as to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, attorneys-in-fact, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Release" any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material into or through the environment.

"Remedial Action": all actions required to (a) clean up, remove, treat or in any other way address any Hazardous Material Released into the indoor or outdoor environment, (b) prevent or minimize any Release so that a Hazardous Material does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment or (c) perform pre-remedial studies and investigations and post-remedial monitoring and care with respect to any Hazardous Material.

"Replacement Loans": as defined in Section 10.1(d).

"Representatives": as defined in Section 10.14.

"Required Lenders": at any time, the holders of more than 50% of the sum of the aggregate unpaid principal amount of the Loans then outstanding.

"Required Prepayment Date": as defined in Section 2.8(f).

"Requirement of Law": as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer, president, senior vice president, chief financial officer (or similar title), chief operating officer, controller or treasurer (or similar title) of the Parent Companies or the Borrower, as applicable, and, with respect to financial matters, the chief financial officer (or similar title) or treasurer (or similar title) of Ultimate Parent.

"Restricted Payment": any dividend or other distribution (whether in cash, securities or other property (other than Qualified Capital Stock)) with respect to any Capital Stock of Ultimate Parent or any Restricted Subsidiary, or any payment (whether in cash, securities or other property (other than Qualified Capital Stock)), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Capital Stock in the Parent Companies, the Borrower or any Restricted Subsidiary.

"Restricted Subsidiary": any Subsidiary that is not an Unrestricted Subsidiary.

"Revera Borrowers": collectively, the subsidiaries of Ultimate Parent that are borrowers under the Revera Credit Agreement.

"Revera Credit Agreement": the Loan Agreement dated as of December 1, 2015 among the Revera Borrowers, Revera Lender and certain financial institutions from time to time party thereto as lenders, as it may be amended, restated, replaced or otherwise modified from time to time in accordance with the terms of this Agreement and the Intercreditor Agreement.

“Revera Lender”: Welltower Inc., in its capacity as lender under the Revera Credit Agreement together with its successors and assigns.

“Revera Loan Documents”: has the meaning assigned to the term “Loan Documents” in the Revera Credit Agreement.

“Sabra Intercreditor Agreement”: the Amended and Restated Amendment to Lease and Intercreditor Agreement, dated as of the Closing Date, by and among, *inter alios*, the Landlord (as defined therein), the Administrative Agent, Healthcare Financial Solutions, LLC, as administrative agent under the ABL Credit Agreement.

“Sabra Lease”: collectively, the Leases and Master Leases between certain affiliates of Sabra Healthcare REIT, Inc. and the tenant parties thereto.

“Sabra Lease Amendment Agreement”: collectively, the Lease and Master Lease Amendments, dated as of the Closing Date, between certain affiliates of Sabra Healthcare REIT, Inc. and the tenant parties thereto.

“Sale and Lease-Back Transaction”: any arrangement with any Person providing for the leasing by Ultimate Parent or any of the Restricted Subsidiaries of real or personal property which has been or is to be sold or transferred by Ultimate Parent or such Restricted Subsidiary to such Person or from any other Person to whom funds have been or are to be advanced by such Person based on a Lien on, or an assignment of, such property and rental obligations of Ultimate Parent or such Restricted Subsidiary.

“Sanctions”: any international economic sanction administered or enforced by OFAC, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“S&P”: Standard & Poor’s Ratings Group, Inc., or any successor to the rating agency business thereof.

“Scheduled Asset Sales”: as defined in Section 7.5(b)(E).

“SEC”: the Securities and Exchange Commission (or successors thereto or an analogous Governmental Authority).

“Secured Parties”: collectively, the Lenders, the Administrative Agent, the Collateral Agent, any Hedge Counterparty, any Cash Management Counterparty, any other holder from time to time of any of the Obligations (in their capacities as holders thereof) and, in each case, their respective successors and permitted assigns.

“Security Documents”: the collective reference to the Guarantee and Collateral Agreement, the Intercreditor Agreement, the Material Master Lease Intercreditor Agreements, the Mortgages and all other security documents hereafter delivered to the Administrative Agent purporting to grant a Lien on any Property of any Loan Party to secure the Obligations.

“Skilled Acquisition”: the indirect acquisition of Ultimate Parent and the consummation of the transactions described therein.

“Skilled Holdings”: Skilled HealthCare, LLC, a Delaware limited liability company.

“Skilled RE Borrowers”: collectively, the subsidiaries of Ultimate Parent that are borrowers under the Skilled RE Credit Agreement.

“Skilled RE Credit Agreement”: the Loan Agreement dated as of February 2, 2015 among the Skilled RE Borrowers, Skilled RE Lender and certain financial institutions from time to time party thereto as lenders, as it may be amended, restated, replaced or otherwise modified from time to time in accordance with the terms of this Agreement and the Intercreditor Agreement.

“Skilled RE Credit Facility”: the term loan credit facility incurred pursuant to the Skilled RE Loan Documents.

“Skilled RE Lender”: Welltower Inc., in its capacity as lender under the Skilled RE Credit Agreement together with its successors and assigns.

“Skilled RE Loan Documents”: has the meaning assigned to the term “Loan Documents” in the Skilled RE Credit Agreement.

“Skilled RE Priority Collateral”: the HCN Priority Collateral (as defined in the Intercreditor Agreement).

“Skilled Transactions”: collectively, (a) the Skilled Acquisition; (b) the execution and delivery of the Skilled RE Loan Documents and the incurrence of the obligations thereunder; and (c) the payment of all fees and expenses to be paid in connection with the foregoing.

“Sold Entity or Business”: as set forth in the definition of the term “Consolidated EBITDA”.

“Solvent”: with respect to any Person, as of any date of determination, (a) the amount of the “present fair saleable value” of the assets of such Person will, as of such date, exceed the amount of all “liabilities of such Person, contingent or otherwise”, as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) “debt” means liability on a “claim”, (ii) “claim” means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured and (iii) except as otherwise provided by applicable law, the amount of “contingent liabilities” at any time shall be the amount thereof which, in light of all the facts and circumstances existing at such time, can reasonably be expected to become actual or matured liabilities.

“Specified Hedge Agreement”: any Hedge Agreement (a) entered into by (i) Ultimate Parent or any of the Restricted Subsidiaries and (ii) any Hedge Counterparty at the time such Hedge Agreement was entered into, as counterparty and (b) that has been designated by the Borrower, by notice to the Administrative Agent, as a Specified Hedge Agreement. The designation of any Hedge Agreement as a Specified Hedge Agreement shall not create in favor of the Lender or Affiliate thereof that is a party thereto any rights in connection with the management or release of any Collateral or of the obligations of any Guarantor under the Guarantee and Collateral Agreement.

“Sponsor”: Formation Capital LLC.

“Subordinated Indebtedness”: with respect to Obligations, any Indebtedness of any Loan Party that is by its terms subordinated in right of payment to any of the Obligations.

“Subsidiary”: as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a direct or indirect Subsidiary or Subsidiaries of Ultimate Parent; provided that in determining the percentage of ownership interests of any Person controlled by another Person, no ownership interest in the nature of a director’s “qualifying share” of the former Person shall be deemed to be outstanding.

“Subsidiary Guarantors”: each Subsidiary listed on Schedule 1.1B, and each other Restricted Subsidiary that is or becomes a party to this Agreement pursuant to Section 6.10; provided that in no event shall a HUD Sub-Facility Entity or a HUD RE Entity be deemed as a Subsidiary Guarantor.

“Subsidiary Redesignation”: as defined in the definition of “Unrestricted Subsidiary”.

“Swap Transaction”: means any agreement, contract or transaction between the Borrower and any Secured Party that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act.

“Tax Affiliate”: (a) the Borrower and (b) any Affiliate of the Borrower with which the Borrower files or is eligible to file consolidated, combined or unitary Tax Returns.

“Tax Distributions”: as defined in Section 7.6(a).

“Tax Return”: as defined in Section 3.7.

“Taxes”: all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Third-Party Payor Programs”: Medicare, Medicaid, TRICARE, Blue Cross/Blue Shield or any other public program or private commercial insurance, managed care, or employee assistance program providing reimbursement or coverage for Medical Services and with which Ultimate Parent or any of its Subsidiaries has entered into a participation agreement, provider agreement, or similar arrangement for coverage of eligible Patients.

“Title IV Plan”: a pension plan subject to Title IV of ERISA, other than a Multiemployer Plan, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

“Transactions”: collectively, (a) the consummation of the Refinancing; (b) the execution and delivery of the Loan Documents and the incurrence of the obligations thereunder; (c) the amendment or amendment and restatement of the ABL Facility, the Revera Loan Documents, the Skilled RE Loan Documents, the Material Master Leases and the related transactions intended to be consummated on or about the Closing Date, as set forth in the Initial Lenders Terms and (d) the payment of all fees and expenses to be paid in connection with the foregoing.

“Treasury Rate”: with respect to any date of determination, the yield to maturity at such date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) that has become publicly available at least two Business Days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from such date to the first anniversary of the Closing

Date; provided, however, that if the period from such date to the first anniversary of the Closing Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained using the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year.

“TRICARE”: (a) the United States of America acting under TRICARE, or (b) any agent, carrier, administrator or intermediary for any of the foregoing.

“Trigger Date”: as defined in Section 2.8(b).

“Type”: as to any Loan, its classification as an ABR Loan or a Eurodollar Loan.

“UCC”: the Uniform Commercial Code of the State of New York, as in effect on the date hereof.

“Ultimate Parent”: has the meaning specified in the recitals to this Agreement.

“United States”: the United States of America.

“Unrestricted Subsidiary”: (a) any Subsidiary of Ultimate Parent designated by the Borrower as an Unrestricted Subsidiary hereunder on Schedule 1.1C or by written notice to the Administrative Agent; provided that the Borrower shall only be permitted to so designate a Subsidiary as an Unrestricted Subsidiary so long as (i) immediately before and after such designation, (x) no Event of Default shall have occurred and be continuing and (y) Ultimate Parent and the Restricted Subsidiaries shall be in compliance with each Financial Condition Covenant calculated on a Pro Forma Basis, (ii) no Subsidiary may be designated as an Unrestricted Subsidiary if, after such designation, it would be a “Restricted Subsidiary” for the purpose of any other Indebtedness of any Loan Party, (iii) the designation of any Subsidiary as an Unrestricted Subsidiary shall constitute an Investment by Ultimate Parent therein at the date of designation in an amount equal to the fair market value as determined by Ultimate Parent in good faith of Ultimate Parent or its Subsidiary’s (as applicable) Investment therein, (iv) the designation of any Unrestricted Subsidiary as a Restricted Subsidiary shall constitute the incurrence at the time of designation of any Indebtedness or Liens of such Subsidiary existing at such time and (v) the Borrower shall have delivered to the Administrative Agent an officer’s certificate executed by a Responsible Officer of Ultimate Parent, certifying compliance with the requirements of preceding clauses (i) through (iv), and (b) any Subsidiary of an Unrestricted Subsidiary. The Borrower may designate any Unrestricted Subsidiary to be a Restricted Subsidiary for purposes of this Agreement (each, a “Subsidiary Redesignation”); provided that (A) immediately after such designation, no Default shall have occurred and be continuing and (B) the Borrower shall have delivered to the Administrative Agent an officer’s certificate executed by a Responsible Officer of Ultimate Parent, certifying compliance with the requirements of preceding clause (A); provided, further, that no Unrestricted Subsidiary that has been designated as a Restricted Subsidiary pursuant to a Subsidiary Redesignation may again be designated as an Unrestricted Subsidiary. In no case shall the Borrower or any Parent Company be permitted to be designated as an Unrestricted Subsidiary.

“UPL Facility” means each Facility that is the subject of a UPL Program.

“UPL Hospital” means each county hospital or other unit of government that is or becomes an operator of a UPL Facility.

“UPL Program” means a program under which, in exchange for certain payment of fees, costs and other reimbursements from the UPL Hospital, Ultimate Parent or any Restricted Subsidiary agrees to manage one or more Facilities, the possession and operation of which has been transferred to such UPL Hospital and, subsequent to such transfer, the accounts related to such Facility or Facilities qualify under a Medicaid “upper payment limit” program.

“U.S. Lender”: as defined in Section 2.16(e).

“Voting Stock”: Capital Stock of any Person having ordinary power to vote in the election of members of the board of directors, managers, trustees or other controlling Persons, of such Person (irrespective of whether, at the time, Capital Stock of any other class or classes of such entity shall have or might have voting power by reason of the occurrence of any contingency).

“Waivable Mandatory Prepayment”: as defined in Section 2.8(f).

“Weighted Average Life to Maturity”: when applied to any Indebtedness at any date, the number of years obtained by dividing: (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (b) the then outstanding principal amount of such Indebtedness; provided that for purposes of determining the Weighted Average Life to Maturity of any Indebtedness being refinanced or any Indebtedness that is being modified, refinanced, refunded, renewed, replaced or extended (the “Applicable Indebtedness”), the effects of any amortization or prepayments made on such Applicable Indebtedness prior to the date of the applicable modification, refinancing, refunding, renewal, replacement or extension shall be disregarded.

“Welltower Asset Buyback”: the purchase by Genesis Operations LLC or its Subsidiaries from FC-Gen Real Estate, LLC of certain facilities pursuant to the Welltower Lease.

“Welltower Intercreditor Agreement”: the Amended and Restated Amendment to Lease and Intercreditor Agreement, dated as of the Closing Date, by and among, *inter alios*, the Landlord (as defined therein), the Administrative Agent, Healthcare Financial Services, LLC, as administrative agent under the ABL Credit Agreement.

“Welltower Lease”: the Nineteenth Amended and Restated Master Lease Agreement, dated as of December 1, 2015, by and among FC-Gen Real Estate, LLC, a Delaware limited liability company, as landlord, and Genesis Operations, LLC, a Delaware limited liability company, as tenant.

“Welltower Lease Amendment Agreement”: the Third Amendment to the Welltower Lease, dated as of the Closing Date, by and among FC-Gen Real Estate, LLC, a Delaware limited liability company and Genesis Operations, LLC, a Delaware limited liability company.

“Wholly-Owned”: as to any Person, a Subsidiary of such person all of the outstanding Capital Stock of which (other than director’s qualifying shares) are owned by such Person or by one or more Wholly-Owned Subsidiaries of such Person.

“Withdrawal Liability”: at any time, any liability incurred (whether or not assessed) by any ERISA Affiliate and not yet satisfied or paid in full at such time with respect to any Multiemployer Plan pursuant to Section 4201 of ERISA.

“Write-Down and Conversion Powers”: with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

1.2 **Other Definitional Provisions.** (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to the Parent Companies, the Borrower and their Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, and (iii) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified, extended, replaced or refinanced from time to time (subject to any restrictions or qualifications on such amendments, restatements, supplements, restatements, modifications, extensions, replacements or refinancings set forth herein or in the Intercreditor Agreement or any Material Master Lease Intercreditor Agreement). Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to in Section 7 shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party or any Subsidiary of any Loan Party at “fair value.” To the extent that any provision of this Agreement requires or tests compliance with (or with respect to) the Financial Condition Covenants prior to the date that such covenants are first tested, such provision shall be deemed to refer to the first covenant level set forth in each applicable Financial Condition Covenant.

(c) Unless otherwise specified herein, any calculation of the Fixed Charge Coverage Ratio, Interest Coverage Ratio, Consolidated Total Leverage Ratio, and Consolidated Senior Secured Leverage Ratio shall be determined based on the most recently ended fiscal quarter for which financial statements are required to be delivered pursuant to Section 5.1(a) or (b), as applicable, prior to the applicable date of determination and subject to pro forma adjustments to the extent specified in any applicable provision.

(d) The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Annex, Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(e) The term “license” shall include sub-licenses.

(f) The term “lease” shall include sub-leases.

(g) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make a term loan (a “Loan”) in Dollars to the Borrower on the Closing Date in an amount not to exceed the amount of the Commitment of such Lender. The Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.3 and 2.9. The Borrower shall pay fees to the Initial Lenders on the Closing Date according to the terms of the Fee Letter.

2.2 [Reserved].

2.3 Procedure for Loan Borrowing. The Borrower shall give the Administrative Agent irrevocable notice, substantially in the form of Exhibit A-1 hereto, (which notice must be received by the

Administrative Agent not later than 3:00 P.M., New York City time, one Business Day prior to the anticipated Closing Date or, in the case the Loans on the Closing Date shall be Eurodollar Loans, three Business Days prior to the anticipated Closing Date) requesting that the Lenders make the Loans on the Closing Date and specifying (i) the aggregate principal amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether such Loans being incurred are to be made as ABR Loans or, to the extent permitted hereunder, Eurodollar Loans and, if Eurodollar Loans, the initial Interest Period applicable thereto and (iv) the Borrower. Upon receipt of such borrowing notice the Administrative Agent shall promptly notify each Lender thereof. Not later than 10:00 A.M., New York City time, on the Closing Date each Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Loan or Loans to be made by such Lender.

2.4 Repayment of Loans. The Loan of each Lender shall be payable in equal consecutive monthly installments, commencing on August 31, 2016, on the last Business Day of each calendar month following the Closing Date, and each such monthly installment shall be in an amount equal to such Lender's pro rata share of the amount indicated below (as adjusted to reflect any prepayments thereof in accordance with Section 2.14(h)):

Date of Payment	Principal Payment
Commencing on August 31, 2016, and continuing on the last Business Day of each calendar month until and including July 31, 2019	\$250,000
Commencing on August 31, 2019, and continuing on the last Business Day of each calendar month until and including June 30, 2020	\$500,000
July 29, 2020	Remaining principal amount of the Loans

provided that the terms of this Section 2.4 shall be subject to modification pursuant to the terms of the Initial Lenders Terms.

2.5 Repayment of Loans. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender the principal amount of each outstanding Loan of such Lender made to the Borrower in installments according to the amortization schedule set forth in Section 2.4 (or on such earlier date on which the Loans become due and payable pursuant to Section 8). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans made to the Borrower from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.11.

(b) Notwithstanding anything herein to the contrary, each Lender may, at its option, elect not to receive its pro rata share of any scheduled installments of principal repayments made pursuant to Section 2.4 and Section 2.5(a) (other than payments due on the Maturity Date or such earlier date on which the Loans become due and payable pursuant to Section 8), by giving written notice to the Borrower and the Administrative Agent of its election to do so at least five Business Days prior to the next scheduled installment of principal repayments. Any Lender may revoke such election at any time by giving written notice to the Borrower and the Administrative Agent of its election to do so no later than two Business Days prior to the next scheduled installment of principal repayments.

(c) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender

from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(d) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(b)(iv), and a subaccount therein for each Lender, in which shall be recorded (A) the amount of each Loan made hereunder and any Note evidencing such Loan, the Type of such Loan and each Interest Period applicable thereto, (B) the amount of any principal, interest and fees, as applicable, due and payable or to become due and payable from the Borrowers to each Lender hereunder and (C) the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(e) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.5(d) shall, to the extent permitted by applicable law, be conclusive absent manifest error, and the Lenders shall treat each registered holder as the owner of such Loan for all purposes of this Agreement, notwithstanding any notice to the contrary.

(f) Any Lender may request that the Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender or its registered assigns and in the form attached hereto as Exhibit I. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.6) be represented by one or more promissory notes in such form payable to the payee named therein and its registered assigns.

2.6 Fees, etc. The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates as set forth in any fee agreements.

2.7 Optional Prepayments. (a) The Borrower may at any time prepay the Loans, in whole or in part, subject to Section 2.14(i), but otherwise without premium or penalty, upon irrevocable notice (provided that such notice may be conditioned on receiving proceeds of any refinancing or Disposition) in substantially the form of Exhibit H hereto delivered to the Administrative Agent no later than 3:00 P.M., New York City time, three Business Days prior thereto, in the case of Eurodollar Loans, and no later than 3:00 P.M., New York City time, one Business Day prior to, in the case of ABR Loans, which notice shall specify (i) the date and amount of prepayment, and (ii) whether the prepayment is of Eurodollar Loans or ABR Loans; provided that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date on the amount prepaid. Partial prepayments of Loans shall be in an aggregate principal amount of \$500,000 or a whole multiple of \$500,000 in excess thereof, and shall be subject to the provisions of Section 2.14.

(b) Amounts to be applied in connection with prepayments pursuant to this Section shall be applied to the Obligations in accordance with Section 2.14. Each prepayment of Loans under this Section shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

2.8 Mandatory Prepayments. (a) If any Indebtedness (other than any Indebtedness permitted to be incurred in accordance with Section 7.1) shall be incurred by the Parent Companies, the Borrower or any of the Restricted Subsidiaries, the Borrower shall pay an amount equal to 100% of the Net Cash Proceeds of such Indebtedness within three Business Days of the date of receipt thereof to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14.

(b) If on any date any of the Parent Companies, the Borrower or any of the Restricted Subsidiaries shall receive Net Cash Proceeds from an Equity Issuance, the Borrower shall pay an amount equal to 50% of such Net Cash Proceeds within three Business Days of the date of receipt thereof to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14.

(c) If on any date any of the Parent Companies, the Borrower or any of the Restricted Subsidiaries shall for its own account receive Net Cash Proceeds from any Asset Sale (other than any Asset Sale that is of (A) ABL Priority Collateral (as defined in the Intercreditor Agreement), (B) Skilled RE Priority Collateral or (C) Scheduled Asset Sales) or any Recovery Event (other than any Recovery Event that is of (i) ABL Priority Collateral (as defined in the Intercreditor Agreement), (ii) Skilled RE Priority Collateral or (iii) Scheduled Asset Sales) then, unless a Reinvestment Notice shall be delivered in respect thereof, the Borrower shall pay an amount equal to 100% of such Net Cash Proceeds within five Business Days of the date of receipt thereof to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14; provided that delivery of such Reinvestment Notice shall be subject to the Administrative Agent's reasonable consent;¹ provided, further, that notwithstanding the foregoing, (1) on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant Reinvestment Event shall be paid to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14 and (2) on the date (the "Trigger Date") that is 180 days after any such Reinvestment Prepayment Date, an amount equal to the portion of any Committed Reinvestment Amount with respect to the relevant Reinvestment Event not actually expended by such Trigger Date shall be paid to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14.

(d) If, as of the last day of any fiscal quarter of Ultimate Parent, commencing with the fiscal quarter ending September 30, 2016, Ultimate Parent and its Restricted Subsidiaries shall have Liquidity (after giving pro forma effect to borrowings and letters of credit made or issued under the ABL Credit Agreement on or prior to the last day of such fiscal quarter) in excess of \$400,000,000 (such excess amount, "Excess Liquidity"), the Borrower shall, on the relevant Excess Liquidity Application Date thereafter, pay an amount equal to 100% of such Excess Liquidity to the Administrative Agent to be applied to the Obligations in accordance with Section 2.14. Each such payment shall be made on a date (an "Excess Liquidity Application Date") no later than three Business Days after the date financial statements with respect to such fiscal quarter (or fiscal year with respect to the fourth fiscal quarter) are required to be delivered pursuant to Section 5.1(a) or 5.1(b), as applicable.

(e) Amounts to be applied in connection with prepayments pursuant to Section 2.8 shall be applied to the Obligations in accordance with Section 2.14.

(f) Anything contained herein to the contrary notwithstanding, so long as any Loans are outstanding, in the event the Borrower is required to make any mandatory prepayment under Section 2.8 (b), (c) or (d) (each, a "Waivable Mandatory Prepayment"), not less than five Business Days prior to the date (the "Required Prepayment Date") on which the Borrower is required to make such Waivable Mandatory Prepayment, the Borrower shall notify the Administrative Agent of the amount of such prepayment, and the Administrative Agent will promptly thereafter notify each Lender holding an outstanding Loan of the amount of such Lender's pro rata share of such Waivable Mandatory Prepayment and such Lender's option to refuse such amount. Each such Lender shall give written notice to the Borrower and the Administrative Agent of its election to do so on or before two Business Days prior to the Required Prepayment Date (it being understood that any Lender which does not notify the Borrower and the Administrative Agent of its election to exercise such option on or before two Business Days prior to the Required Prepayment Date shall be deemed to have elected, as of such date, not to exercise such option).

¹ Discuss timing of payments in light of consent right over reinvestment.

The Administrative Agent shall notify the Borrower at least one Business Day prior to the Required Prepayment Date of the decision of the Lenders. If all of the Lenders unanimously agree to exercise their options to refuse such Waivable Mandatory Prepayment, then the amount of the Waivable Mandatory Prepayment shall be retained by the Borrower and used by the Borrower for working capital and other general corporate purposes. If any Lender does not agree to exercise their option to refuse such Waivable Mandatory Prepayment, then the Borrower shall make a prepayment of the Loans in the amount of Waivable Mandatory Prepayment, which prepayment shall be applied in accordance with Section 2.14.

2.9 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent prior irrevocable notice substantially in the form of Exhibit A-2 hereto of such election no later than 12:00 P.M., New York City time, on the third Business Day preceding the proposed conversion date; provided that if any Eurodollar Loan is so converted on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent prior irrevocable notice substantially in the form of Exhibit A-2 hereto of such election no later than 12:00 P.M., New York City time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor); provided that no ABR Loan under a particular Facility may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Required Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term “Interest Period” set forth in Section 1.1 and no later than 12:00 P.M., New York City time, on the third Business Day preceding the proposed continuation date, of the length of the next Interest Period to be applicable to such Loans; provided that if any Eurodollar Loan is so continued on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 2.17 and; provided, further, that no Eurodollar Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations, in which case, such Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period and; provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph such Loans shall be automatically continued as Eurodollar Loans with an Interest Period of one month on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.10 Minimum Amounts and Maximum Number of Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions, continuations and optional prepayments of Eurodollar Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that (a) after giving effect thereto, the aggregate principal amount of Eurodollar Loans comprising each tranche of Eurodollar Loans shall be equal to a minimum of \$1,000,000 or a whole multiple of \$100,000 in excess thereof and (b) no more than 10 tranches of Eurodollar Loans shall be outstanding at any one time.

2.11 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) If (i) all or a portion of the principal amount of any Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise) or (ii) all or a portion of any interest payable on any Loan or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2%, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable by the Borrower in arrears on each Interest Payment Date; provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

(e) The Borrower may elect to pay up to 2.00% per annum of interest on any Eurodollar Loan or ABR Loan as PIK Interest and such PIK Interest shall be added to the aggregate principal balance of the Loans in arrears on the applicable Interest Payment Date. The Borrower shall deliver to the Administrative Agent, at least five (5) Business Days prior to the applicable Interest Payment Date, a written notice setting forth (i) its election to pay a percentage of interest in the form of PIK Interest and (ii) the percentage of interest that shall constitute PIK Interest on the applicable Interest Payment Date. Any such election shall be deemed to remain in effect until superseded by a subsequent notice delivered as set forth in the preceding sentence. Notwithstanding anything herein to the contrary, following the occurrence and during the continuance of an Event of Default, the Borrower may not pay any interest as PIK Interest.

2.12 Computations of Interest and Fees. (a) All computations of interest and of fees shall be made by the Applicable Agent on the basis of a year of 360 days and, in the case of ABR Loans 365/366 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest and fees are payable. Each determination of an interest rate or the amount of a fee hereunder shall be made by the Administrative Agent (including determinations of a Eurodollar Rate or ABR in accordance with the definitions of “Eurodollar Rate” and “ABR”, respectively) and shall be conclusive, binding and final for all purposes, absent manifest error.

(b) The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate or fee pursuant to Section 2.11(a) and Section 2.11(b).

2.13 Inability to Determine Interest Rate. If prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that by reason of any changes arising after the date of this Agreement the Eurodollar Rate determined or to

be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as certified by such Lenders) of making or maintaining their affected Loans during such Interest Period, the Administrative Agent shall give telecopy notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then-current Interest Period with respect thereto, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent (which action the Administrative Agent will take promptly after the conditions giving rise to such notice no longer exist), no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Borrower have the right to convert Loans under the relevant Facility to Eurodollar Loans.

2.14 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder and each payment by the Borrower shall be made pro rata according to the respective Loan Percentages of the relevant Lenders in respect of each tranche of the Loans. Subject to Sections 2.21(d)(iv) and Section 2.22(b)(2), each payment (including prepayments) in respect of principal, interest or fees in respect of Loans shall be applied among tranches of Loans as directed by the Borrower. Each payment (including prepayments) in respect of principal or interest in respect of any tranche of the Loans and each payment in respect of fees payable hereunder shall be applied to the amounts of such obligations owing to the Lenders with respect to such tranche, pro rata according to the respective amounts then due and owing to such Lenders; provided, the provisions of this sentence shall not be construed to apply to any payment made pursuant to Sections 2.21 or 2.22, or obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant.

(b) Payments. The Borrower shall make each payment under any Loan Document not later than 2:00 P.M., New York City time, on the day when due to the Administrative Agent by wire transfer to the following account (or at such other account or by such other means to such other address as Administrative Agent shall have notified the Borrower in writing within a reasonable time prior to such payment) in immediately available Dollars and without setoff or counterclaim:

Bank Name: KeyBank

Address: 127 Public Square, Cleveland, OH 44114

ABA #: 041001039

Account #: 353321001011

Account Name: Welltower Inc.

(c) Payment Dates. If any payment hereunder (other than payments on Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(d) Advancing Payments. (i) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that

would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent on demand, such amount with interest thereon, at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation, for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be presumptively correct in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall give notice of such fact to the Borrower and the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans under the relevant Facility, on demand, from the Borrower. If the Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays its share of the applicable borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such borrowing.

(ii) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the relevant Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each relevant Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

(e) Application of Voluntary Prepayments. Unless otherwise provided in this Section or elsewhere in any Loan Document, all payments and any other amounts received by an Administrative Agent from or for the benefit of the Borrower shall be applied to repay the Obligations the Borrower designates. Amounts repaid or prepaid pursuant to this clause (e) or clause (f) below on account of the Loans may not be reborrowed.

(f) Application of Mandatory Prepayments. Subject to the provisions of clause (g) below with respect to the application of payments during the continuance of an Event of Default, any payment made by the Borrower to an Agent pursuant to Section 2.8 or any other prepayment of the Obligations required to be applied in accordance with this clause (f) shall be applied: first, to repay the outstanding principal balance of the Loans until paid in full in accordance with Section 2.14(h), and second, the excess (if any) shall be retained by the Borrower.

(g) Application of Payments During an Event of Default. Notwithstanding anything herein to the contrary, following the occurrence and during the continuance of an Event of Default, and notice thereof to the Administrative Agent by the Borrower or the Required Lenders, all payments received on account of the Obligations shall be applied by the Administrative Agent as follows:

first, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts payable to the Administrative Agent in its capacity as such;

second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts payable to the Lenders (including fees and disbursements and other charges of counsel) arising under the Loan Documents, ratably among them in proportion to the respective amounts described in this clause second payable to them;

third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause third payable to them;

fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans and amounts owing with respect to Specified Hedge Agreements and Cash Management Documents in each case ratably based upon the respective aggregate amounts of all such Obligations owing in accordance with the respective amounts thereof then due and payable;

fifth, to the payment in full of all other Obligations, in each case ratably among the Administrative Agent and the Lenders based upon the respective aggregate amounts of all such Obligations owing to them in accordance with the respective amounts thereof then due and payable; and

finally, the balance, if any, after all Obligations have been paid in full, to the Borrower or as otherwise required by Law;

provided, that, notwithstanding anything to the contrary set forth above, in no event shall the proceeds of any Collateral owned, or any Guarantee Obligations provided, by any Loan Party under any Loan Document be applied to repay or cash collateralized any Excluded Swap Obligation with respect to such Loan Party.

(h) Application of Payments Generally. All repayments of any Loans shall be applied first, to repay such Loans outstanding as ABR Loans or Loans subject to a fixed rate of interest and then, to repay such Loans outstanding as Eurodollar Loans, with those Eurodollar Loans having earlier expiring Interest Periods being repaid prior to those having later expiring Interest Periods. Each optional prepayment on account of principal of and interest on the Loans pursuant to Section 2.7 shall be applied to any installments thereof as the Borrower shall determine. Each mandatory prepayment on account of principal of and interest on the Loans pursuant to Sections 2.8(a), (b), (c) and (d) shall be applied first, to the payment required to be made on the Maturity Date and second, to the remaining scheduled installments of principal in inverse order of maturity. If sufficient amounts are not available to pay in cash all outstanding Obligations described in any priority level set forth in this Section, the available amounts shall be applied, unless otherwise expressly specified herein, to such Obligations ratably based on the proportion of the Secured Parties' interest in such Obligations. Any priority level set forth in this Section that includes interest shall include all such interest, whether or not accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or similar proceeding, and whether or not a claim for post-filing or post-petition interest is allowed in any such proceeding. While an Event of Default is continuing, any payments or prepayments received by Administrative Agent shall be applied under Section 2.14(g).

2.15 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority first made, in each case, subsequent to the date hereof:

(i) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder;

(ii) shall subject any Lender to any Taxes (other than (A) Non-Excluded Taxes imposed on or with respect to any payment made by or on account of any obligation of the Borrower hereunder, (B) Excluded Taxes (including any change in rate of Excluded Taxes) and (C) Other Taxes) on or with respect to this Agreement, or any Loan made by it or any letter of credit or participation therein; or

(iii) shall impose on such Lender any other condition affecting this Agreement or Eurodollar Loans made by such Lender hereunder not otherwise contemplated hereunder (other than with respect to any Taxes);

and the result of any of the foregoing is to increase the cost to such Lender by an amount which such Lender reasonably deems in good faith to be material, of making, converting into, continuing or maintaining Eurodollar Loans, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or liquidity or in the interpretation or application thereof or compliance by such Lender or such Lender's holding company with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made, in each case, subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such holding company's capital or liquidity as a consequence of its obligations hereunder to a level below that which such Lender or such Lender's holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such holding company's policies with respect to capital adequacy) by an amount deemed in good faith by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a reasonably detailed written request therefor (consistent with the detail provided by such Lender to similarly situated borrowers), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) with reasonable detail demonstrating how such amounts were derived shall be presumptively correct in the absence of manifest error. Notwithstanding anything to the contrary in this Section, the Borrower shall not be required to compensate a Lender pursuant to this Section for any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; provided that if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Obligations.

(d) Notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof and (ii) all requests, rules,

guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case, pursuant to Basel III, shall in each case be deemed to be a change in a Requirement of Law, regardless of the date enacted, adopted, issued or implemented.

2.16 Taxes. (a) All payments made by or on behalf of the Borrower or any Guarantor under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any Taxes, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority responsible for administering taxes, excluding (i) Taxes imposed on or measured by net income (however determined), franchise Taxes, and branch profits taxes, in each case (A) imposed on the Administrative Agent or any Lender as a result of a present, former or future connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such Tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document), or (B) imposed as a result of the Administrative Agent or any Lender being organized under the laws of or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof); (ii) any United States withholding Tax that (A) is imposed on amounts payable to a Lender at the time such Lender becomes a party to this Agreement or designates a new lending office (other than pursuant to a request by the Borrower under Sections 2.19 or 2.20 of this Agreement), except to the extent that such Lender (or its assignor, if any) was entitled at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Tax pursuant to this Section or (B) or is attributable to such Lender's failure to comply with Section 2.16(d) and Section 2.16(e), and (iii) any United States withholding Tax imposed under FATCA (together the amounts described in clauses (i)-(iii) are the "Excluded Taxes"). If any such Taxes that are not Excluded Taxes (the "Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable by or on behalf of the Borrower or any Guarantor hereunder, the amounts payable by the Borrower or such Guarantor shall be increased to the extent necessary to yield the Administrative Agent or such Lender (after deduction or withholding of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement.

(b) The Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent, timely reimburse the Administrative Agent for payment of any Other Taxes.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the Administrative Agent or the relevant Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof if such receipt is obtainable, or, if not, other reasonable evidence of payment satisfactory to the Administrative Agent.

(d) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Borrower and to the Lender from which the related participation shall have been purchased) (i) two accurate and complete signed copies of IRS Form W-8ECI, W-8EXP, W-8BEN or W-8BEN-E (claiming benefits under an applicable treaty) or W-8IMY (together with any applicable underlying forms), whichever is applicable, (ii) in the case of a Non-U.S. Lender claiming exemption from United States federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit F and two accurate and complete signed copies of IRS Form W-8BEN or W-8BEN-E, or any subsequent versions or

successors to such forms, in each case properly completed and duly executed by such Non-U.S. Lender. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation), and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent. In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) Each Lender that is a United States person (as such term is defined in Section 7701(a)(30) of the Code) (a “U.S. Lender”) shall deliver to the Borrower and the Administrative Agent two accurate and complete signed copies of IRS Form W-9, or any subsequent versions or successors to such form. Such forms shall be delivered by each U.S. Lender on or before the date it becomes a party to this Agreement, and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent. In addition, each U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such U.S. Lender.

(f) The Borrower shall indemnify the Administrative Agent and any Lender, within 30 days after the written demand therefor, for the full amount of any Non-Excluded Taxes or Other Taxes (including any Non-Excluded Taxes or Other Taxes imposed or asserted on amounts payable under this Section) payable or paid by the Administrative Agent or Lender or required to be withheld or deducted from a payment to the Administrative Agent or Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes are correctly or legally asserted by the relevant Governmental Authority. A certificate as to the amount of such amount or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent) or by the Administrative Agent on its behalf of on behalf of a Lender, shall be conclusive absent manifest error.

(g) If any Secured Party determines, in good faith, that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower have paid additional amounts pursuant to this Section, it shall promptly pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the Administrative Agent or Lender be required to pay any amount to the Borrower pursuant to this paragraph (g) the payment of which would place the Lender or the Administrative Agent in a less favorable net after-Tax position than the Lender or the Administrative Agent would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its Tax Returns (or any other information relating to its Taxes which it deems confidential) to the Borrower or any other Person.

(h) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Non-Excluded Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Non-Excluded Taxes and without limiting the obligation of the Borrower to do so), (ii) any Taxes attributable to such Lender’s failure to comply with the provisions of Section 10.6 relating to the maintenance of a Participant Register and (iii)

any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (h). The agreements in this paragraph (h) shall survive the resignation and/or replacement of the Administrative Agent.

(i) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this paragraph, FATCA shall include any amendments made to FATCA after the date of this Agreement.

(j) The agreements in this Section shall survive the termination of this Agreement and the payment of the Obligations.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

2.17 Indemnity. The Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense (other than lost profits, including the Applicable Margin) that such Lender may actually sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment, conversion or continuation of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. A reasonably detailed certificate as to (showing in reasonable detail the calculation of) any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be presumptively correct in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Obligations.

2.18 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof, in each case, made after the date hereof, shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, such Lender shall promptly give notice thereof to the Administrative Agent and the Borrower, and (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall be suspended during the period of such illegality and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be

converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law.

If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.17.

2.19 Mitigation of Costs; Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.15, 2.16(a), 2.17 or 2.18 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided that no such designation is made on terms that, in the sole judgment of such Lender, subject such Lender and its lending office(s) to any unreimbursed costs or are otherwise disadvantageous to such Lender and its lending office(s); provided, further, that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 2.15, 2.16(a) or 2.18.

2.20 Replacement of Lenders. The Borrower shall be permitted to replace with a financial institution any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.15, 2.16 or 2.17 (to the extent a request made by a Lender pursuant to the operation of Section 2.17 is materially greater than requests made by other Lenders) or gives a notice of illegality pursuant to Section 2.18, (b) defaults in its obligation to make Loans hereunder, or (c) that has refused to consent to any waiver or amendment with respect to any Loan Document that requires the consent of each Lender directly affected thereby or of each Lender and has been consented to by the Required Lenders; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (iii) the Borrower shall be liable to such replaced Lender under Section 2.17 (as though Section 2.17 were applicable) if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (iv) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent to the extent that an assignment to such replacement financial institution of the rights and obligations being acquired by it would otherwise require the consent of the Administrative Agent pursuant to Section 10.6(b), (v) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6, (vi) the Borrower shall pay all additional amounts (if any) required pursuant to Section 2.15 or 2.16, as the case may be, in respect of any period prior to the date on which such replacement shall be consummated, (vii) if applicable, the replacement financial institution shall consent to such amendment or waiver, (viii) in the case of any such assignment resulting from a claim for reimbursement under Section 2.15 or Section 2.16, such assignment will result in a reduction in such reimbursement thereafter; (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender, and (x) the replacement financial institution shall be an Eligible Assignee.

2.21 [Reserved].

2.22 [Reserved].

2.23 [Reserved].

2.24 Nature and Extent of Borrower's Liability. The Borrower hereby subordinates any claims, including any rights at law or in equity to payment, subrogation, reimbursement, exoneration, contribution, indemnification or set off, that it may have at any time against any other Loan Party, howsoever arising, to

the satisfaction in full of all Obligations (other than contingent indemnification obligations not yet due and payable).

SECTION 3. REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans, the Parent Companies and the Borrower hereby jointly represents and warrants (as to itself and each of its Subsidiaries) to the Agents and each Lender, which representations and warranties shall be deemed made on the Closing Date (immediately after giving effect to the Transactions) and on the date of each borrowing of Loans hereunder, that:

3.1 Corporate Existence; Compliance with Law. (a) Except as set forth on Schedule 3.1(a), each Loan Party and each of its Restricted Subsidiaries (i) is duly and solely organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified to do business as a foreign entity and in good standing under the laws of each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing would not, in the aggregate, reasonably be expected to have a Material Adverse Effect, (iii) has all requisite power and authority and the legal right to own, pledge, mortgage and operate its property, to lease or sublease any property it operates under a Lease or sublease, as applicable, and to conduct its business as now or currently proposed to be conducted, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect, (iv) is in compliance with all applicable Requirements of Law and Healthcare Laws, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect, and (v) has all necessary Permits and Primary Licenses from or by, has made all necessary filings with, and has given all necessary notices to, each Governmental Authority having jurisdiction, to the extent required for such ownership, lease, sublease, operation, occupation or conduct of business, except where the failure to obtain such Permits and Primary Licenses, make such filings or give such notices, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Except as set forth on Schedule 3.1(b), each Healthcare Facility (i) is being operated as an assisted living, skilled nursing or independent living facility, (ii) is in conformance in all material respects with all insurance, reimbursement and cost reporting requirements, and (iii) is in compliance with all applicable Requirements of Law and Healthcare Laws (giving effect to any waivers thereof currently in place), including all Primary Licenses, except, in each case, where the failure to be in conformance or compliance would not reasonably be expected to have a Material Adverse Effect. Notwithstanding the foregoing, each Healthcare Facility has a provider agreement that is in full force and effect under Medicare and/or Medicaid, except where the failure to do so would be limited to one or more Healthcare Facilities accounting in the aggregate for less than 5% of Consolidated EBITDAR of GHLLC. There is no threatened in writing, existing or pending revocation, suspension, termination, probation, restriction, limitation, or nonrenewal proceeding by any Third-Party Payor Program, to which any Loan Party or any Restricted Subsidiary may presently be subject, except as could not reasonably be expected to have a Material Adverse Effect.

(c) Except as set forth on Schedule 3.1(c), all Primary Licenses necessary for using and operating the Healthcare Facilities for the uses described in clause (b), above, are either held by the Loan Parties or the Subsidiaries, or in the name of the applicable Loan Party or Subsidiary, as required under applicable Requirements of Law, and are in full force and effect, unless failure to have same could not reasonably be expected to have a Material Adverse Effect.

(d) To the Loan Parties' knowledge, with respect to any Healthcare Facility, there are no proceedings by any Governmental Authority or notices thereof that are reasonably likely directly or indirectly, or with the passage of time (i) to have a material adverse impact on the Loan Parties' or the Subsidiaries' ability to accept and/or retain patients or residents or operate such

Healthcare Facility for its current use or result in the imposition of a fine, a sanction, a lower rate certification or a lower reimbursement rate for services rendered to eligible patients or residents, except to the extent that the same could not reasonably be expected to have a Material Adverse Effect, and, with respect to the Loan Parties' or the Subsidiaries' ability to accept and/or retain patients or residents or operate such Healthcare Facility, reimbursement for which is provided under Medicare or Medicaid, except to the extent that the same could not be reasonably likely to have an adverse impact on one or more Healthcare Facilities accounting in the aggregate for more than 5% of the Consolidated EBITDAR of GHLLC, (ii) to modify, limit or result in the transfer, suspension, revocation or imposition of probationary use of any of the Permits or Primary Licenses, other than a transfer of such Permit or Primary License to a new location or to any Loan Party if such Permit or Primary License is not already held by such Loan Party, except to the extent same would not be reasonably likely to have a Material Adverse Effect, or (iii) to affect any Loan Party's or Subsidiary's continued participation in the applicable Third-Party Payor Programs, or any successor programs thereto, except to the extent that the same could not reasonably be expected to have a Material Adverse Effect, and, with respect to any Loan Party's or Subsidiary's continued participation in Medicare or Medicaid, except to the extent that the same could not reasonably be expected to affect one or more Healthcare Facilities accounting in the aggregate for more than 5% of the Consolidated EBITDAR of GHLLC.

(e) With respect to any Healthcare Facility, except as set forth on Schedule 3.1(e), no Healthcare Facility currently has outstanding any violation, and no statement of charges or deficiencies has been made or penalty enforcement action has been undertaken each that remain outstanding against any Healthcare Facility, any Loan Party, any Subsidiary or against any officer, director, partner, member or stockholder of the Borrower, by any Governmental Authority, and there have been no violations threatened in writing against any Healthcare Facility's, or any Loan Party's or any Subsidiary's certification for participation in applicable Third-Party Payor Programs that remain open or unanswered except to the extent same could not reasonably be expected to have a Material Adverse Effect and, with respect to any Healthcare Facility's or any Loan Party's certificate for participation in Medicare or Medicaid, except to the extent that the same could not reasonably be expected to affect one or more Healthcare Facilities accounting in the aggregate for more than 5% of the Consolidated EBITDAR of Ultimate Parent.

(f) With respect to any Healthcare Facility, (i) there are no current, pending or outstanding Third-Party Payor Programs reimbursement audits, appeals or recoupment efforts actually pending at any Healthcare Facility and (ii) to the Loan Parties' knowledge, there are no years that are subject to an open audit in respect of any Third-Party Payor Program, other than customary audit rights pursuant to an Insurer's program, which, in the case of clauses (i) and (ii), could reasonably be expected to have a Material Adverse Effect and, with respect to any such open audit in respect of Medicare or Medicaid (other than customary audit rights pursuant to Medicare or Medicaid), could reasonably be expected to adversely affect one or more Healthcare Facilities accounting in the aggregate for more than 5% of the Consolidated EBITDAR of Ultimate Parent. No Loan Party nor any Subsidiary (i) has received federal funds authorized under the Hill-Burton Act (42 U.S.C. 291, *et seq.*), as it may be amended or (ii) is a participant in any federal or state program whereby any governmental agency may have the right to recover funds by reason of the advance of federal or state funds.

3.2 Loan Documents and Lease Amendment Agreements. (a) The execution, delivery and performance by each Loan Party of the Loan Documents and Lease Amendment Agreements to which it is a party and the consummation of the other transactions contemplated therein (i) are within such Loan Party's corporate or similar powers and, at the time of execution thereof, have been duly authorized by all necessary corporate and similar action, (ii) do not (A) contravene such Loan Party's organizational or governing documents, (B) violate any applicable Requirement of Law in any material respect, (C) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration

of, any material Contractual Obligation (including the Material Master Leases) of any Loan Party or any of their Restricted Subsidiaries other than those that (x) have been permanently waived or consented to in writing by the applicable counterparty or (y) would not, in the aggregate, have a Material Adverse Effect or (D) result in the imposition of any Lien (other than a Lien permitted by Section 7.2) upon any property of any Loan Party or any of their Restricted Subsidiaries and (iii) do not require any Permit of, or filing with, any Governmental Authority or any consent of, or notice to, any Person, other than (A) with respect to the Loan Documents, the filings required to perfect the Liens created by the Loan Documents, (B) those listed on Schedule 3.2 and that have been, or will be prior to the Closing Date, obtained or made, copies of which have been, or, upon request, will be, prior to the Closing Date, made available or delivered to the Administrative Agent, and each of which on the Closing Date, will be in full force and effect, and (C) those which the failure to obtain would not result in a Material Adverse Effect. The Material Master Leases are valid, binding and enforceable according to their terms.

(b) From and after its delivery to the Administrative Agent, each Loan Document that has been duly executed and delivered to the other parties thereto by each Loan Party thereto, is the legal, valid and binding obligation of such Loan Party and is enforceable against such Loan Party in accordance with its terms except to the extent limited by general principles of equity and by bankruptcy, insolvency, fraudulent conveyance or other similar laws affecting creditors' rights generally.

3.3 Financial Statements. (a) The Audited Financial Statements were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (ii) fairly present in all material respects the financial condition of Ultimate Parent and its Subsidiaries, as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the periods covered thereby, except as otherwise expressly noted therein.

(b) The unaudited Consolidated balance sheets with respect to Ultimate Parent dated March 31, 2016, and the related Consolidated statements of income or operations and cash flows for the fiscal quarter ended on that date, in each case, (x) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (y) fairly present in all material respects the financial condition of Ultimate Parent and its Subsidiaries, as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (x) and (y), to the absence of footnotes and to normal year-end audit adjustments.

(c) The Consolidated pro forma balance sheet of Ultimate Parent and its Subsidiaries as at March 31, 2016, and the related Consolidated pro forma statements of income and cash flows of Ultimate Parent and its Subsidiaries for the twelve months then ended, certified by the chief financial officer or treasurer of Ultimate Parent, copies of which have been furnished to each Lender, fairly present in all material respects the Consolidated pro forma financial condition of Ultimate Parent and its Subsidiaries as at such date and the Consolidated pro forma results of operations of Ultimate Parent and its Subsidiaries for the period ended on such date, in each case giving effect to the Transactions, all in accordance with GAAP.

(d) The annual business plan and the Consolidated forecasted projections of Ultimate Parent and its Subsidiaries were prepared in good faith on the basis of the assumptions stated therein, which assumptions were believed to be reasonable in light of the conditions existing at the time of delivery of such forecasts, it being understood that actual results may vary from such forecasts and that such variations may be material.

3.4 Material Adverse Effect. Since December 31, 2015, there have been no events, circumstances, developments or other changes in facts that would, in the aggregate, have a Material Adverse Effect.

3.5 Solvency. Both before and after giving effect to (a) the disbursement of the proceeds of the Loans, (b) the consummation of the Transactions and (c) the payment and accrual of all transaction costs in connection with the foregoing and any contribution and indemnification between such Person, the Parent Companies, the Borrower and the Restricted Subsidiaries, on a Consolidated basis, are Solvent.

3.6 Litigation. Except as disclosed on Schedule 3.6, there are no pending (or, to the knowledge of any Loan Party, threatened) actions, investigations, suits, proceedings, audits, claims, demands, orders or disputes affecting the Loan Parties or any Restricted Subsidiary with, by or before any Governmental Authority other than those that could not reasonably be expected to, in the aggregate, have a Material Adverse Effect.

3.7 Taxes. Except as set forth on Schedule 3.7 for which reserves shall be established upon the reasonable request of the Administrative Agent, or for such matters as would not reasonably be expected individually or in the aggregate to cause a Material Adverse Effect, all federal, state, local and foreign income and franchise and other material tax returns, reports and statements (collectively, the “Tax Returns”) required to be filed by any Loan Party or any Restricted Subsidiary have been filed in its own name with the appropriate Governmental Authorities in all jurisdictions in which such Tax Returns are required to be filed, all such Tax Returns are true and correct in all material respects, and all Taxes, charges and other impositions reflected therein or otherwise due and payable have been paid prior to the date on which any Liability may be added thereto for non-payment thereof except for those contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves are maintained on the books of the appropriate Loan Party or any Restricted Subsidiary in accordance with GAAP. Other than as set forth on Schedule 3.7, no material Tax Return is under audit or examination by any Governmental Authority and no written notice of such an audit or examination or any written assertion of any claim for material Taxes has been given or made by any Governmental Authority. Except as set forth on Schedule 3.7, or for such matters as would not reasonably be expected individually or in the aggregate to cause a Material Adverse Effect, proper and accurate amounts have been withheld by each Loan Party or any Restricted Subsidiary from their respective employees for all periods in full and complete compliance with the Tax, social security and unemployment withholding provisions of applicable Requirements of Law and such withholdings have been timely paid to the respective Governmental Authorities. No Tax Affiliate has participated in a “reportable transaction” within the meaning of Treasury Regulation Section 1.6011-4(b) or has been a member of an affiliated, combined or unitary group other than the group of which a Tax Affiliate is the common parent.

The Borrower is treated as a partnership for U.S. federal income tax purposes and for all applicable state income tax purposes and has not made any election to be treated as an association taxable as a corporation under the Code or under any corresponding provision of federal, state or local tax law.

To the extent required to be paid on or prior to the Closing Date, all Other Taxes required to be paid in connection with the granting of the security interest under the Loan Documents have been paid or will be paid on the Closing Date.

3.8 Margin Regulations. No Loan Party is engaged in the business of extending credit for the purpose of, and no proceeds of any Loan or other extensions of credit hereunder will be used for the purpose of, buying or carrying margin stock (within the meaning of Regulation U of the Board) or extending credit to others for the purpose of purchasing or carrying any such margin stock, in each case in contravention of Regulation T, U or X of the Board.

3.9 No Burdensome Obligations; No Defaults. No Loan Party nor any Restricted Subsidiary is a party to any Contractual Obligation, no Loan Party nor any Restricted Subsidiary has organizational or governing documents containing obligations, and, to the knowledge of the Loan Parties, there are no applicable Requirements of Law, in each case the compliance with which would have, in the aggregate, a Material Adverse Effect. No Loan Party nor any Restricted Subsidiary (and, to the knowledge of each Loan Party, no other party thereto) is in default under or with respect to any Contractual Obligation of any Loan Party or any Restricted Subsidiary, other than those that would not, in the aggregate, have a Material Adverse Effect.

3.10 Investment Company Act. No Loan Party nor any Restricted Subsidiary is an “investment company” or an “affiliated person” of, or “promoter” or “principal underwriter” for, an “investment company”, as such terms are defined in the Investment Company Act of 1940.

3.11 Labor Matters. There are no strikes, work stoppages, slowdowns or lockouts existing, pending (or, to the knowledge of any Loan Party, threatened) against or involving any Loan Party or any Restricted Subsidiary, except, for those that would not, in the aggregate, have a Material Adverse Effect. Except as set forth on Schedule 3.11, as of the Closing Date, (a) there is no collective bargaining or similar agreement with any union, labor organization, works council or similar representative covering any employee of any Loan Party, (b) no petition for certification or election of any such representative is existing or pending with respect to any employee of any Loan Party or any Restricted Subsidiary and (c) no such representative has sought certification or recognition with respect to any employee of any Loan Party or any Restricted Subsidiary.

3.12 ERISA. (a) Each Benefit Plan and Multiemployer Plan, and each trust thereunder, intended to qualify for tax exempt status under Section 401 or 501 of the Code or other Requirements of Law so qualifies. Except for those that would not, in the aggregate, have a Material Adverse Effect, (x) each Benefit Plan is in compliance with applicable provisions of ERISA, the Code and other Requirements of Law, (y) there are no existing or pending (or to the knowledge of any Loan Party, threatened) claims (other than routine claims for benefits in the normal course), sanctions, actions, lawsuits or other proceedings or (to the knowledge of any Loan Party) investigation involving any Benefit Plan and, to the knowledge of any Loan Party, Multiemployer Plan, to which any Loan Party or any Restricted Subsidiary incurs or otherwise has or could have an obligation or any Liability and (z) no ERISA Event is reasonably expected to occur. On the Closing Date, no ERISA Event has occurred in connection with which obligations and liabilities (contingent or otherwise) remain outstanding. Except for such liabilities that would not, in the aggregate, have a Material Adverse Effect, no ERISA Affiliate would have any Withdrawal Liability as a result of a complete withdrawal, as of the Closing Date, from any Multiemployer Plan.

(b) Schedule 3.12(b) sets forth, as of the Closing Date, a complete and correct list of, and that separately identifies all Foreign Pension Plans. Each Foreign Pension Plan, and each trust thereunder, intended to qualify for tax exempt status under any Requirements of Law so qualifies. Except for those that would not, in the aggregate, have a Material Adverse Effect, each Foreign Pension Plan is in compliance with all requirements of law applicable thereto and the respective requirements of the governing documents for such plan. No Loan Party has engaged in a transaction which would subject any Loan Party, directly or indirectly, to a tax or civil penalty that could reasonably be expected to result in a Material Adverse Effect. With respect to each Foreign Pension Plan, reserves have been established in the financial statements furnished to Lenders in respect of any unfunded liabilities in accordance with applicable law and prudent business practice or, where required, in accordance with ordinary accounting practices in the jurisdiction in which such Foreign Pension Plan is maintained. The aggregate unfunded liabilities with respect to such Foreign Pension Plans will not result in liability of the Borrower that could reasonably be expected to result in a Material Adverse Effect.

3.13 Environmental Matters. Except for such matters as would not reasonably be expected individually or in the aggregate to cause a Material Adverse Effect, (i) the operations of each Loan Party and each Restricted Subsidiary are and have been in compliance with all applicable Environmental Laws, including obtaining, maintaining and complying with all Permits required by any applicable Environmental Law, (ii) no Loan Party nor any Restricted Subsidiary is subject to or has received written notice of any Environmental Claim, or to its knowledge been threatened with any potential Environmental Claim, excluding any Environmental Claim which has been fully resolved with no further obligations on the part of said Loan Party or Restricted Subsidiary, (iii) no Loan Party or Restricted Subsidiary has received notice from a Governmental Authority that a Lien in favor of such Governmental Authority has attached to any Property of any Loan Party or Restricted Subsidiary, securing, in whole or part, Environmental Liabilities, (iv) there has been no Release, or to the knowledge of any Loan Party, threatened Release, on, under or migrating to or from any real property currently, or to the knowledge of any Loan Party, formerly, owned, leased, subleased, operated, or otherwise occupied by any Loan Party or any Restricted Subsidiary that is likely to result in any Loan Party or Restricted Subsidiary incurring Environmental Liabilities, and (v) to the knowledge of any Loan Party, there are no facts, circumstances or conditions arising out of or relating to the operations of any Loan Party or any Restricted Subsidiary or real property currently or, to the knowledge of any Loan Party, formerly owned, leased, subleased, operated or otherwise occupied by or for any Loan Party or any Restricted Subsidiary that would be reasonably expected to result in any Loan Party or any Restricted Subsidiary incurring Environmental Liabilities.

3.14 Intellectual Property. To the knowledge of each Loan Party, except as could not reasonably be expected individually or in the aggregate to cause a Material Adverse Effect, (a) each Loan Party and each Restricted Subsidiary owns or licenses all Intellectual Property that is necessary for the operations of its business, (b) the conduct and operations of the businesses of each Loan Party and each Restricted Subsidiary does not infringe, misappropriate, dilute, violate or otherwise impair any Intellectual Property owned by any other Person and (c) no other Person has contested any right, title or interest of any Loan Party or any Restricted Subsidiary in or to any Intellectual Property, other than, in each case, as cannot reasonably be expected to affect the Loan Documents and the transactions contemplated therein. Except for matters which are not reasonably expected to, in the aggregate, have a Material Adverse Effect, there are (x) no pending (or, to the knowledge of any Loan Party, threatened) actions, investigations, suits, proceedings, audits, claims, demands, orders or disputes affecting any Loan Party or any Restricted Subsidiary, (y) no judgment or order rendered by any competent Governmental Authority, and (z) no settlement agreement or similar Contractual Obligation entered into by any Loan Party or any Restricted Subsidiary, in each case, with respect to Intellectual Property owned by any Loan Party or any Restricted Subsidiary and/or based on a claim of infringement, misappropriation, dilution, violation or impairment or contest of Intellectual Property owned by a third party, and no Loan Party knows of any valid bases for any such claim.

3.15 Title; Real Property. (a) Set forth on Schedule 3.15 is, as of the Closing Date, (i) a complete and accurate list of all Healthcare Facilities and other material real property in which any Loan Party and any Restricted Subsidiary owns a leasehold, joint venture or other interest, and (ii) each Contractual Obligation made by a Loan Party or a Restricted Subsidiary, whether contingent or otherwise, to Dispose of such real property on or after the date hereof.

(b) Each Loan Party and each Restricted Subsidiary has good and marketable, valid, and binding and enforceable leasehold interests in all leased real property that is purported to be leased by it as set forth on Schedule 3.15 and owns or leases all of its personal property (other than Intellectual Property) regardless of the location of such personal property, in each case, free and clear of all Liens other than Liens permitted under Section 7.2 (other than Section 7.2(c)) and such real property and personal property constitutes all property (other than Intellectual Property) necessary to conduct the business as currently conducted.

3.16 Full Disclosure. The information (other than projections and statements of a general economic or general industry nature) prepared or furnished in writing by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with any Loan Document or any other transaction contemplated therein (in each case, as modified or supplemented by other information so furnished), taken as a whole, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances when made, not materially misleading, when considered in their entirety; provided, however, that projections contained therein are not to be viewed as factual and that actual results during the periods covered thereby may differ from the results set forth in such projections by a material amount.

3.17 Patriot Act; OFAC. (a) To the extent applicable, each Loan Party and its Subsidiaries are in compliance in all material respects with (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended), and any other enabling legislation or executive order relating thereto, and (ii) the PATRIOT Act.

(b) No Loan Party or any of its Subsidiaries (or officer or director thereof) and, to the knowledge of the Loan Parties, no direct or indirect parent or joint venture thereof (or director or officer of such direct and indirect parent or joint venture), (i) is currently the subject of any Sanctions, (ii) is located, organized or residing in any Designated Jurisdiction, or (iii) is or has been (within the previous five years) engaged in any transaction with any Person who is now or was then the subject of Sanctions or who is located, organized or residing in any Designated Jurisdiction. No Loan, nor the proceeds from any Loan, is being or has been used, directly or, to the knowledge of the Loan Parties, indirectly, to lend, contribute, provide or has otherwise made available to fund any activity or business in any Designated Jurisdiction or to fund any activity or business of any Person located, organized or residing in any Designated Jurisdiction or who is the subject of any Sanctions, or in any other manner that will result in any violation by any Person (including any Lender or the Administrative Agent) of Sanctions. No part of the proceeds of the Loans made hereunder will be used by any Loan Party or its Affiliates, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office or anyone else acting in an official capacity in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

3.18 No Default. No Default or Event or Default has occurred and is continuing.

3.19 Use of Proceeds. The Borrower shall use the proceeds (i) to finance the Refinancing; (ii) to pay all related fees and expenses associated with the foregoing and (iii) for working capital and general corporate purposes.

3.20 Insurance. Schedule 3.20 sets forth, as of the Closing Date, a true, complete and correct description of all general liability, casualty, property and business interruption insurance maintained by each Loan Party for itself or for the Restricted Subsidiaries as of the Closing Date. As of the Closing Date, such insurance is in full force and effect and all premiums have been duly paid. As of the date hereof, the Loan Parties and the Restricted Subsidiaries have insurance in such amounts and covering such risks and liabilities as is customary with companies in the same or similar businesses operating in the same or similar locations.

3.21 Reportable Transactions. Neither the Borrower nor any of its Restricted Subsidiaries expects to identify one or more of the Loans under this Agreement as a “reportable transaction” on IRS Form 8886 filed with the U.S. Tax Returns for purposes of Section 6011, 6111 or 6112 of the Code or the Treasury regulations promulgated thereunder.

3.22 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Collateral Agent for the benefit of the Secured Parties, a legal and valid security interest (with the priority specified in the Intercreditor Agreement) in the Collateral as provided in the Guarantee and Collateral Agreement described therein (including any proceeds of any item of Collateral), subject to no Liens other than Liens permitted by Section 7.2. In the case of (i) the Pledged Securities described in the Guarantee and Collateral Agreement, when any stock certificates or notes, as applicable, representing such Pledged Securities are delivered to the Collateral Agent and (ii) the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 3.22(a) (which financing statements have been duly completed and delivered to the Collateral Agent), recordation of the security interest of the Collateral Agent on behalf of the Secured Parties has been made in the United States Patent and Trademark Office or the Copyright Office, and such other filings as are specified on Schedule 3.22(a) are made, the Collateral Agent shall have a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral (including any proceeds of any item of Collateral) (solely to the extent a security interest in such Collateral can be perfected through the filing of financing statements in the offices specified on Schedule 3.22(a), the recordation of the security interest of the Collateral Agent on behalf of the Secured Parties in the United States Patent and Trademark Office and the other filings specified on Schedule 3.22(a), and through the delivery of the Pledged Securities required to be delivered on the Closing Date), as security for the Obligations, in each case prior and superior in right to any other Person (except with respect Customary Permitted Liens).

(b) Upon the execution and delivery of any Closing Date Mortgage and any Mortgage to be executed and delivered pursuant to Section 6.10(b), such Mortgage shall be effective to create in favor of the Collateral Agent for the benefit of the Secured Parties a legal and valid Lien on the mortgaged property described therein and proceeds thereof; and when such Mortgage is filed in the recording office designated by the Borrower, such Mortgage shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such mortgaged property and the proceeds thereof, as security for the Obligations (as defined in the relevant Mortgage), in each case prior and superior in right to any other Person (except with respect to Liens permitted by Section 7.2).

SECTION 4. CONDITIONS PRECEDENT

The obligation of each Lender to make the Loans on the Closing Date is subject to the satisfaction (or waiver) of (i) each of the conditions precedent set forth in the Initial Lenders Terms and (ii) each of the following conditions precedent, in each case on or prior to the Commitment Termination Date:

(a) Credit Agreement. The Administrative Agent shall have received this Agreement, executed and delivered by the Administrative Agent, the Parent Companies, the Borrower and each Lender whose name appears on the signature pages hereof.

(b) Security Documents. The Administrative Agent shall have received (i) the Guarantee and Collateral Agreement, executed and delivered by the parties thereto, (ii) the Intercreditor Agreement, executed and delivered by the parties thereto, (iii) the Closing Date Mortgages and (iv) the Master Lease Intercreditor Agreements, executed and delivered by the parties thereto, in form reasonably satisfactory to the Administrative Agent and on terms consistent with those provided in each Lease Amendment Agreement, as applicable.

(c) ABL Loan Documents. Prior to or substantially simultaneously with the making of Loans on the Closing Date, the Administrative Agent shall be reasonably satisfied with the terms and conditions of the ABL Credit Agreement (or an amendment thereto), executed by the parties thereto.

(d) Consummation of the Refinancing; Extinguishment of Liens. On or prior to the Closing Date and concurrently with the incurrence of the Loans, Indebtedness under the Existing Credit Agreement shall have been repaid in full, together with all fees and other amounts owing thereon and all commitments thereunder shall have been terminated and all liens securing the obligations under the Existing Credit Agreement shall have been terminated (or arrangements reasonably satisfactory to the Administrative Agent for such termination shall have been made). The Parent Companies, the Borrower and their Restricted Subsidiaries shall have no Indebtedness for borrowed money outstanding as of the Closing Date other than the Indebtedness under the Loan Documents and the other Indebtedness permitted by Section 7.1.

(e) Solvency Certificate. The Administrative Agent shall have received a solvency certificate signed by a Responsible Officer of Ultimate Parent, substantially in the form of Exhibit G hereto.

(f) Lien Searches. The Collateral Agent shall have received the results of recent lien searches on certain Loan Parties as agreed between the Collateral Agent and the Loan Parties, and such search shall reveal no Liens on any of the assets of such Loan Parties, except for Liens permitted by Section 7.2 or Liens to be discharged on or prior to the Closing Date.

(g) Closing Certificate. The Administrative Agent shall have received a certificate of each of the Parent Companies, the Borrower and each Subsidiary Guarantor dated the Closing Date, substantially in the form of Exhibit D, with appropriate insertions and attachments.

(h) Insurance Certificates. The Borrower shall have used commercially reasonable efforts to deliver to the Administrative Agent a certificate in form and substance reasonably satisfactory to the Administrative Agent from the Borrower's insurance broker demonstrating that the insurance required to be maintained by Section 6.5 are in full force and effect, together with endorsements naming the Collateral Agent, on behalf of the Secured Parties, as additional insured or loss payee thereunder to the extent required by such Section 6.5.

(i) Financial Statements. The Administrative Agent shall have received (i) the Audited Financial Statements and (ii) unaudited Consolidated balance sheets and related statements of income, changes in equity and cash flows of Ultimate Parent for each subsequent fiscal quarter after December 31, 2015 ended at least 45 days before the Closing Date.

(j) Pro Forma Financial Statements. The Administrative Agent shall have received a pro forma Consolidated balance sheet and related pro forma Consolidated statement of income of the Parent Companies, the Borrower and their respective Restricted Subsidiaries as of and for the twelve-month period ending on the last day of the most recently completed four-fiscal quarter period ended at least 45 days prior to the Closing Date, prepared after giving effect to the Transactions as if the Transactions had occurred as of such date (in the case of such balance sheet) or at the beginning of such period (in the case of such other financial statements).

(k) Legal Opinions. The Administrative Agent shall have received an executed legal opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Loan Parties, covering such customary matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require and in form and substance reasonably satisfactory to the Administrative Agent.

(l) Pledged Stock; Stock Powers; Pledged Notes. The Collateral Agent shall have received (i) the certificates representing the shares, if any, of Capital Stock of each Parent Company (other than Ultimate Parent) and the Borrower and (to the extent required by the terms of the Guarantee and Collateral Agreement) each of the Borrower's Subsidiaries pledged to the Collateral Agent pursuant to

(and, in the case of the Capital Stock of any Foreign Subsidiary, subject to the limitations of) the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) each promissory note (if any) required to be pledged to the Collateral Agent pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(m) Filings, Registrations and Recordings. Each document (including, without limitation, any UCC financing statement) required by the Security Documents to be filed, registered or recorded in order to create in favor of the Collateral Agent for the benefit of the Secured Parties, a Lien (with the priority specified in the Intercreditor Agreements) on the Collateral described therein (subject to Liens permitted by Section 7.2), shall have been delivered to the Collateral Agent in proper form for filing, registration or recordation.

(n) Master Lease Amendments. The Administrative Agent shall have received copies of the Lease Amendment Agreements, in each case executed by the parties thereto, in form and substance reasonably acceptable to the Lenders.

(o) Fees. All fees and reasonable out-of-pocket expenses, to the extent due and payable and invoiced at least 1 Business Day prior to the Closing Date, shall have been paid.

(p) Representations and Warranties. On the Closing Date, each of the representations and warranties set forth in Section 3 shall be true and correct in all respects (it being understood and agreed that any representation or warranty which by its terms is made as of a specified date shall be required to be true and correct in all material respects only as of such specified date).

(q) Borrowing Notice. The Administrative Agent shall have received an irrevocable notice of borrowing in accordance with Section 2.3 and substantially in the form of Exhibit A-1 hereto.

(r) Attestation Certificate. The Administrative Agent shall have received a certificate attesting to the compliance with clauses (c), (d), (p), (t) and (u) of this Section on the Closing Date and attesting to the authenticity of the documents delivered under clauses (c) and (n) from a Responsible Officer of Ultimate Parent.

(s) USA Patriot Act. The Administrative Agent shall have received, at least 3 Business Days prior to the Closing Date, from each of the Loan Parties documentation and other information reasonably requested in writing by the Administrative Agent in connection with applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act, to the extent requested by the Administrative Agent at least 7 Business Days prior to the Closing Date.

(t) Material Adverse Effect. Since December 31, 2015, no event, circumstance, development or other change in facts shall have occurred that has had or would have, in the aggregate, a Material Adverse Effect.

(u) Insolvency. As of the Closing Date, none of Ultimate Parent nor any of its Subsidiaries shall have filed or otherwise become subject to a case under the Bankruptcy Code.

SECTION 5. REPORTING COVENANTS

Each of Ultimate Parent and the Borrower (on behalf of itself and each of the Subsidiaries) hereby agrees that, beginning on the Closing Date and so long as the Commitments remain in effect or any Loan or other amount is owing to any Lender or any Agent hereunder (other than contingent or indemnification obligations not then asserted or due), the Parent Companies and the Borrower shall and (to the extent relevant) shall cause each of the Restricted Subsidiaries to:

5.1 Financial Statements. Deliver to the Administrative Agent each of the following:

(a) Quarterly Reports. As soon as available, and in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year, the Consolidated unaudited balance sheet of Ultimate Parent and its Subsidiaries in each case, as of the close of such fiscal quarter and related Consolidated statements of income and cash flow for such fiscal quarter and that portion of the fiscal year ending as of the close of such fiscal quarter, setting forth in comparative form the figures for the corresponding period in the prior fiscal year and the figures contained in the latest projections, in each case certified by a Responsible Officer of Ultimate Parent in each case, as fairly presenting in all material respects the Consolidated financial position, results of operations and cash flow of Ultimate Parent and its Subsidiaries as at the dates indicated and for the periods indicated in accordance with GAAP (subject to the absence of footnote disclosure and normal year-end audit adjustments). The financial statements delivered under this clause (a) shall include an unaudited schedule reflecting the adjustments necessary to eliminate the accounts of the Unrestricted Subsidiaries (if any).

(b) Annual Reports. As soon as available, and in any event within 120 days after the end of each fiscal year, the Consolidated balance sheet of Ultimate Parent and its Subsidiaries in each case, of the end of such year and related Consolidated statements of income, stockholders' equity and cash flow for such fiscal year, each prepared in accordance with GAAP, together with a certification by Ultimate Parent's nationally-recognized independent registered public accountants that such Consolidated financial statements fairly present in all material respects the Consolidated financial position, results of operations and cash flow of Ultimate Parent and its Subsidiaries as at the dates indicated and for the periods indicated therein in accordance with GAAP without qualification as to the scope of the audit or as to going concern and without any other similar qualification. The financial statements delivered under this clause (b) shall include an unaudited schedule reflecting the adjustments necessary to eliminate the accounts of the Unrestricted Subsidiaries (if any).

(c) Compliance Certificate. Together with each delivery of any financial statement pursuant to clause (a) or (b) above, a Compliance Certificate substantially in the form attached hereto as Exhibit C, duly executed by a Responsible Officer of Ultimate Parent in each case, that, among other things, (i) shows in reasonable detail the calculations used in determining each financial covenant, (ii) demonstrates compliance with each Financial Condition Covenant that is tested at least on a quarterly basis and (iii) states that no Default is continuing as of the date of delivery of such Compliance Certificate or, if a Default is continuing, states the nature thereof and the action that the Borrower proposes to take with respect thereto.

(d) Projections. As soon as available, but in any event not later than 30 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2016), a reasonably detailed Consolidated budget for the following fiscal year in a form reasonably acceptable to the Administrative Agent including a projected Consolidated balance sheet of the Parent Companies, the Borrower and the Restricted Subsidiaries as of the end of the following fiscal year and the related Consolidated statements of projected cash flows and projected income.

(e) Management Discussion and Analysis. Together with each delivery of any Compliance Certificate pursuant to clause (c) above, a discussion and analysis of the financial condition and results of operations of the Loan Parties for the portion of the fiscal year then elapsed and discussing the reasons for any significant variations from the projections for such period and the figures for the corresponding period in the previous fiscal year.

(f) Audit Reports, Management Letters, Etc. Together with each delivery of any financial statement for any fiscal year pursuant to clause (b) above, copies of each management letter, audit report or similar letter or report received by Ultimate Parent in each case, from any independent registered certified public accountant (including Ultimate Parents' accountants) in connection with such financial statements or any audit thereof, each certified to be complete and correct copies by a Responsible Officer of Ultimate Parent in each case, as part of the Compliance Certificate delivered in connection with such financial statements.

(g) Insurance. Together with each delivery of any financial statement for any fiscal year pursuant to clause (b) above, each in form and substance satisfactory to the Administrative Agent and certified as complete and correct by a Responsible Officer of Ultimate Parent in each case, as part of the Compliance Certificate delivered in connection with such financial statements, a summary of all material insurance coverage maintained as of the date thereof by any Loan Party and any Restricted Subsidiary and including a representation that all improvements on any parcel of real property that are within a special flood hazard area as defined under the U.S. Flood Disaster Protection Act of 1973, as amended or as a wetlands area by any governmental entity having jurisdiction over any real property, are covered by flood insurance, together with such other related documents and information as the Administrative Agent may require.

Information required to be delivered pursuant to Sections 5.1(a), 5.1(b) and 5.1(e) shall be deemed to have been delivered if such information, or one or more annual, quarterly or other periodic reports containing such information, shall be available on the website of the SEC at <http://www.sec.gov>; provided that, for the avoidance of doubt, Ultimate Parent shall be required to provide copies of the compliance certificates required by clause (c) of this Section 5.1 to the Administrative Agent.

5.2 Other Events. Give the Administrative Agent notice of each of the following (which may be made by telephone if promptly confirmed in writing) promptly but in any event within 5 days after any Responsible Officer of any Loan Party knows or has reason to know of it: (a)(i) any Default under this Agreement or any Material Master Lease and (ii) any event that would have a Material Adverse Effect, specifying, in each case, the nature and anticipated effect thereof and any action proposed to be taken in connection therewith, (b) any event reasonably expected to result in a mandatory payment of the Obligations pursuant to the ABL Credit Agreement, including without limitation any Recovery Event over \$1,500,000, which notice shall state the material terms and conditions of such transaction and estimating the Net Cash Proceeds thereof, (c) any potential, threatened or existing material litigation or material proceeding against, or material investigation by or before any Governmental Authority of (or any agent, contractor, employee, designee of any Governmental Authority, including any private contractors retained by and/or acting on behalf of any Governmental Authority), any Loan Party, any Restricted Subsidiary or any Healthcare Facility, that could reasonably be expected to have a Material Adverse Effect, or to materially and adversely affect the right to operate any Healthcare Facility, (d) to the extent not already disclosed, the entering into any Material Master Lease, and (e) the closing of, or loss or non-renewal (or written threat of loss) of Primary License related to, any Healthcare Facility, or withdrawal from Medicare, Medicaid or TRICARE or any of the next five largest Third-Party Payor Programs based on the reimbursements from such Third-Party Payor Programs to Ultimate Parent and its Subsidiaries on a Consolidated basis.

5.3 ERISA Matters. Give the Administrative Agent (a) on or prior to any filing by any ERISA Affiliate of any notice of intent to terminate any Title IV Plan, a copy of such notice, provided, that when such a notice is filed by an ERISA Affiliate that is not a Loan Party, such notice must only be given to the Administrative Agent where such termination would reasonably be expected to have a material impact on a Loan Party, and (b) promptly, and in any event within 10 days, after any Responsible Officer of any ERISA Affiliate knows or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a notice (which may be made by telephone if promptly confirmed in writing) describing such waiver request and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notice filed with the PBGC or the IRS pertaining thereto.

5.4 Environmental Matters. (a) Provide the Administrative Agent notice of each of the following (which may be made by telephone if promptly confirmed in writing) promptly but in any event no later than 14 days after any Responsible Officer of any Loan Party knows of it (and, upon reasonable request of the Administrative Agent, documents and information in connection therewith): (i)(A) unpermitted Releases, (B) the receipt by any Loan Party of any written notice of violation of or potential liability or similar notice under, or the existence of any condition that could reasonably be expected to result in violations of or liabilities under, any Environmental Law or (C) the commencement of, or any material change to, any action, investigation, suit, proceeding, audit, claim, demand, dispute alleging a violation of or liability under any Environmental Law or any Environmental Claim, that, for each of clauses (A), (B) and (C) above (and, in the case of clause (C), if adversely determined), in the aggregate for each such clause, could reasonably be expected to result in a Material Adverse Effect, and (ii) the receipt by any Loan Party of notification that any property of any Loan Party is subject to any Lien in favor of any Governmental Authority securing, in whole or in part, Environmental Liabilities.

(b) Upon request of the Administrative Agent, provide the Administrative Agent a report containing an update as to the status of any matter as to which notice has been provided to the Administrative Agent pursuant to Section 5.4(a).

5.5 Other Information. Provide the Administrative Agent with such other documents and information with respect to the business, property, condition (financial or otherwise), legal, financial or corporate or similar affairs or operations of any Loan Party as the Administrative Agent or such Lender through the Administrative Agent may from time to time reasonably request, including, without limitation, if requested by the Administration Agent, copies of field audits and appraisals that are delivered to the administrative agent under the ABL Facility.

SECTION 6. AFFIRMATIVE COVENANTS

Each of the Parent Companies and the Borrower (on behalf of itself and each of its Restricted Subsidiaries) hereby agrees that, beginning on the Closing Date and so long as the Commitments remain in effect or any Loan or other amounts owing to any Lender or any Agent hereunder (other than contingent or indemnification obligations not then asserted or due), the Parent Companies and the Borrower shall and (to the extent relevant) shall cause each of their Restricted Subsidiaries to (i) perform the covenants set forth in the Initial Lenders Terms and (ii):

6.1 Maintenance of Corporate Existence. (i) Preserve and maintain its legal existence, including doing all the things necessary to observe organizational formalities (except to the extent expressly permitted by Section 7.5); (ii) preserve and maintain its rights (charter and statutory), privileges, franchises and Permits necessary or desirable in the conduct of its business, except, in the case of clause (ii), the failure to do so would not, in the aggregate, have a Material Adverse Effect.

6.2 Compliance with Laws, Etc. (a) Comply in all material respects with and cause each of its employees, and use commercially reasonable efforts to cause each of its, contractors and its tenants or operators under any Lease to comply in all material respects with all applicable Requirements of Law including Healthcare Laws, Permits and the Primary Licenses. Each Loan Party and Restricted Subsidiary shall maintain in all material respects all records required to be maintained by any Governmental Authority or otherwise under the Healthcare Laws. No Loan Party or Restricted Subsidiary shall transfer any Permit to any location other than in compliance with Healthcare Laws or pledge any Permit as collateral security for any Indebtedness (except as permitted under the Loan Documents), and each Loan Party and Restricted Subsidiary shall hold each Permit free from restrictions or known conflicts, which, in each case, would materially impair the use or operation of the related Facility for the uses described in Section 3.1(b). The Borrower shall not (i) subject to Section 6.4, rescind, withdraw or revoke the Permit for any Healthcare Facility or amend, modify, supplement or otherwise alter the nature, tenor or scope of the Permit for any Healthcare Facility to the extent that such change, revocation or alteration in the Permit would have a Material Adverse Effect; or (ii) voluntarily transfer or encourage the transfer of any resident of a Healthcare Facility to any other facility, unless such transfer is permitted or required by Requirements of Law or Healthcare Laws, is for reasons relating to the welfare, health or safety of the resident to be transferred or other individuals or residents at the facility or is due to good faith concerns that the resident will not be able to pay his or her bills owed to the Healthcare Facility.

(b) If required under applicable Requirements of Law, maintain in full force and effect all Permits and Primary Licenses for the Healthcare Facilities, and a provider agreement or participation agreement for each Third-Party Payor Program, except to the extent that any such failure to maintain such Permits, Primary Licenses, provider agreements or participation agreements could not be reasonably likely to result in a Material Adverse Effect. True and complete copies of the Permits, including any certificates of occupancy, the Primary Licenses, and provider agreement or participation agreement shall be delivered to the Administrative Agent promptly upon its reasonable request to the extent such copies are available.

(c) To the extent applicable, and except as could not be reasonably expected to have a Material Adverse Effect, operate each Healthcare Facility in substantial compliance with all requirements for participation in all Third-Party Payor Programs; provided, however, that, each Loan Party and Restricted Subsidiary may withdraw from Third-Party Payor Programs (other than from Medicare, Medicaid or TRICARE) in the ordinary course of business.

(d) Other than in the normal course of business, and except as could not be reasonably expected to have a Material Adverse Effect, with respect to each Healthcare Facility, not change the terms of any Third-Party Payor Program now or hereinafter in effect or their normal billing payment or reimbursement policies and procedures with respect thereto (including the amount and timing of finance charges, fees and write-offs). All cost reports and financial reports submitted by the Borrower to any third party payor shall be materially accurate and complete and shall not be misleading in any material respects and all patient or resident records, including patient or resident trust fund accounts, shall remain true and correct in all material respects.

(e) Comply with all obligations under the contracts and leases with residents of each Healthcare Facility, and no Loan Party or Restricted Subsidiary shall commit or permit any default by a Loan Party or a Restricted Subsidiary thereunder except, in any case, where the failure to do so, either individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect.

(f) Make all payments and otherwise perform all obligations in respect of all Material Master Leases to which Ultimate Parent or any of its Restricted Subsidiaries is a party, keep such leases in

full force and effect and not allow such leases to lapse or be terminated other than in accordance with their terms or any rights to renew such leases to be forfeited or cancelled, notify the Administrative Agent of any default by any party with respect to such leases and cooperate with the Administrative Agent in all respects to cure any such default, and cause each of its Restricted Subsidiaries to do so, except, in any case, where the failure to do so, either individually or in the aggregate, would not be reasonably likely to have a Material Adverse Effect.

6.3 Payment of Obligations. Pay or discharge before they become delinquent (a) all material claims, Taxes, assessments, charges and levies imposed by any Governmental Authority and (b) all other lawful claims that if unpaid would, by the operation of applicable Requirements of Law, become a Lien upon any property of any Loan Party, except, in each case, for those whose amount or validity is being contested in good faith by proper proceedings diligently conducted and for which adequate reserves are maintained on the books of the appropriate Loan Party or Restricted Subsidiary in accordance with GAAP or with respect to which failure to do so would not have a Material Adverse Effect.

6.4 Maintenance of Property. Maintain and preserve, in its own name, (a) in good working order and condition all of its property necessary in the conduct of its business, and (b) all rights, permits, licenses, approvals and privileges (including all Permits and Primary Licenses) necessary, used or useful, whether because of its ownership, lease, sublease or other operation or occupation of property or other conduct of its business, and shall make all necessary or appropriate filings with, and give all required notices to, Governmental Authorities, except for such failures to maintain and preserve the items set forth in clauses (a) and (b) or to make such necessary or appropriate filings above that would not, in the aggregate, have a Material Adverse Effect.

6.5 Maintenance of Insurance. (a) Maintain or cause to be maintained in full force and effect all policies of insurance of the kinds customarily insured against by Persons engaged in the same or similar business (including self insurance) with respect to the property and businesses of the Loan Parties and the Restricted Subsidiaries with financially sound and reputable insurance companies or associations of similar nature.

(b) With respect to the Insurance Captives, the Borrower shall (i) upon request, provide to the Administrative Agent any and all actuarial reports, opinions and studies performed by actuaries or insurance advisors related to its business, including information related to the professional and general liability claims and other claims covered by the Insurance Captives and (ii) cause the Insurance Captives to at all times be in good standing under the statutes of the jurisdiction of its organization and in compliance with all applicable Requirements of Law, including establishing and maintaining assets of the Insurance Captives in an amount necessary to comply with the self-insurance retention program requirements in accordance with applicable Requirements of Law.

6.6 Keeping of Books. Keep proper books of record and account, in which full, true and correct entries in all material respects shall be made in accordance with GAAP and in substantial compliance in all material respects with all other applicable Requirements of Law of all financial transactions and the assets and business of each Loan Party and each Restricted Subsidiary.

6.7 Access to Books and Property. Permit the Administrative Agent (and, after an Event of Default, the Lenders and any Related Person of any of them accompanying the Administrative Agent) at any reasonable time during normal business hours and with reasonable advance notice to the Borrower (during the continuance of an Event of Default, 1 Business Day shall be deemed to be reasonable advance notice) to (a) visit and inspect the property of each Loan Party and each Restricted Subsidiary and examine and make copies of and abstracts from, the corporate (and similar), financial, operating and other books and records of each Loan Party and each Restricted Subsidiary, (b) discuss the affairs, finances and accounts of

such Loan Party or such Restricted Subsidiary with any officer or director of any Loan Party or any Restricted Subsidiary and (c) communicate with an officer of any Loan Party or any Restricted Subsidiary and upon receipt of prior approval, directly with any registered certified public accountants (including Ultimate Parent's accountants) of any Loan Party or any Restricted Subsidiary; provided, that, excluding any such visits and inspections during the continuation of an Event of Default the Administrative Agent and the Lenders shall not exercise such rights more than one time (in the aggregate) in any calendar year. Each Loan Party and each Restricted Subsidiary shall authorize their respective registered certified public accountants (including Ultimate Parent's accountants) to communicate directly with the Administrative Agent, the Lenders, their respective Related Persons and such officer contemporaneously, and to disclose to the Administrative Agent, the Lenders and their respective Related Persons all financial statements and other documents and information as they might have and are available to a Loan Party or a Restricted Subsidiary and the Administrative Agent or any Lender reasonably requests with respect to any Loan Party or any Restricted Subsidiary. The Administrative Agent and the Lenders shall give the Parent Companies and the Borrower the opportunity to participate in any discussions with Ultimate Parent's independent public accountants.

6.8 Environmental. Comply with, and maintain its real property, whether owned, leased, subleased or otherwise operated or occupied, in compliance with, all applicable Environmental Laws (including by implementing any Remedial Action necessary to achieve such compliance or that is required by orders and directives of any Governmental Authority) except for failures to comply that would not, in the aggregate, have a Material Adverse Effect. Without limiting the foregoing, if the Administrative Agent at any time has a reasonable basis to believe that there exist material violations of Environmental Laws by any Loan Party or that there exist any material Environmental Liabilities, in each case, then each Loan Party shall promptly upon receipt of request from the Administrative Agent, cause the performance of environmental audits and assessments, including subsurface sampling of soil and groundwater, and cause the preparation of such reports, in each case as the Administrative Agent may from time to time reasonably request. In the event (a) the Loan Party does not commence such work within thirty (30) days of such request and diligently pursue such work or (b) there is an Event of Default, the Administrative Agent, upon written notice to such Loan Party, shall have access to such real property to undertake the work, provided, that the Administrative Agent shall only be allowed to do so under the following conditions: (i) that it provide written notice at least five (5) business days in advance prior to the intended entrance onto the real property; (ii) that the work be conducted during normal business hours; (iii) that the Administrative Agent indemnify and hold harmless said Loan Party for any damages or losses resulting from the performance of the work by the Administrative Agent or its representatives; (iv) that the Administrative Agent ensure that the real property is restored to its pre-work condition, including, without limitation, restoring any surfaces that were disturbed during the performance of the work and properly closing any wells or boreholes installed during the performance of the work; and (v) abiding by all other health and safety requirements of the Loan Party that would typically be imposed on a visitor to the real property. Such audits, assessments and reports, to the extent not conducted by the Administrative Agent, shall be conducted and prepared by reputable environmental consulting firms reasonably acceptable to the Administrative Agent and shall be in form and substance reasonably acceptable to the Administrative Agent.

6.9 Post Closing Obligations. Cause to be performed and completed, to the Administrative Agent's reasonable satisfaction, all of the obligations set forth on Schedule 6.9 hereto within the time periods set forth on Schedule 6.9 or such longer period as the Administrative Agent shall permit in its reasonable discretion.

6.10 Additional Collateral, etc. (a) Subject to the Intercreditor Agreement (if applicable), with respect to any personal property or registered Intellectual Property (other than assets expressly excluded from the Collateral pursuant to the Security Documents) located in the United States acquired or created

after the Closing Date by any Loan Party that is required by the terms of this Agreement and the other Loan Documents to become Collateral (other than any property subject to a Lien expressly permitted by Section 7.2(c) and any Skilled RE Priority Collateral) as to which the Collateral Agent for the benefit of the Secured Parties does not have a perfected Lien, except as otherwise provided in the Security Documents promptly, but in any case within 45 days (which period may be extended by the Administrative Agent in its reasonable discretion), (i) give notice of such property to the Collateral Agent and execute and deliver to the Collateral Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Collateral Agent reasonably requests to grant to the Collateral Agent for the benefit of the Secured Parties a security interest in such Property (with the priority specified in the Intercreditor Agreement) and (ii) take all actions reasonably requested by the Collateral Agent to grant to the Collateral Agent for the benefit of the Secured Parties a perfected security interest (to the extent required by the Security Documents and with the priority required by the Intercreditor Agreement) in such property (with respect to property of a type owned by a Loan Party as of the Closing Date to the extent the Collateral Agent for the benefit of the Secured Parties, has a perfected security interest in such property as of the Closing Date), including, without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be reasonably requested by the Collateral Agent.

(b) Subject to the Intercreditor Agreement (if applicable), with respect to any fee owned real property located in the United States having a value (together with improvements thereof) of at least \$1,000,000 acquired after the Closing Date by any Loan Party (other than any such real property subject to a Lien expressly permitted by Section 7.2(c), (i), (o), (p) or (x); provided, however, that with respect to Liens permitted by Section 7.2(c) or (i), this exception shall apply to the extent such Liens expressly restrict the granting of a Mortgage) (i) within 45 days of such acquisition, give notice of such acquisition to the Collateral Agent and, if requested by the Collateral Agent promptly thereafter execute and deliver a Mortgage (subject to Liens permitted by Section 7.2) in favor of the Collateral Agent for the benefit of the Secured Parties, covering such real property (provided that no Mortgage nor survey shall be obtained if the Collateral Agent reasonably determines in consultation with the Borrower that the costs of obtaining such Mortgage or survey are excessive in relation to the value of the security to be afforded thereby), (ii) if reasonably requested by the Collateral Agent (A) provide the Lenders with a lenders' title insurance policy with extended coverage covering such real property in an amount at least equal to the purchase price of such real property as well as a current ALTA survey thereof, together with a surveyor's certificate unless the title insurance policy referred to above shall not contain an exception for any matter shown by a survey (except to the extent an existing survey has been provided and specifically incorporated into such title insurance policy), each in form and substance reasonably satisfactory to the Collateral Agent, and (B) use commercially reasonable efforts to obtain any consents or estoppels reasonably deemed necessary by the Collateral Agent in connection with such Mortgage, each of the foregoing in form and substance reasonably satisfactory to the Collateral Agent and (iii) if requested by the Collateral Agent deliver to the Collateral Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Collateral Agent.

(c) Except as otherwise permitted in the Security Documents, with respect to any (x) new Domestic Subsidiary that is created or acquired after the Closing Date by any Loan Party that is a Material Restricted Subsidiary or (y) any Unrestricted Subsidiary designated as a Restricted Subsidiary after the Closing Date, promptly, but in any case within 45 days of such creation, acquisition or designation (which period may be extended by the Administrative Agent in its reasonable discretion), (i) give notice of such acquisition, creation or designation to the Collateral Agent, (ii) if such Subsidiary is a Material Restricted Subsidiary, (A) execute and deliver to the Collateral Agent such amendments to the Guarantee and Collateral Agreement or such other Security Documents or other documents as the Collateral Agent reasonably deems necessary to grant to the Collateral Agent for the benefit of the Secured Parties a perfected security interest (to the extent required by the Security Documents and with the priority specified in the Intercreditor Agreement) in the Capital Stock of such new Material Restricted Subsidiary that is owned by

such Loan Party and (B) deliver to the Collateral Agent the certificates, if any, representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of such Loan Party, and (iii) if such new Material Restricted Subsidiary is a Wholly-Owned Domestic Subsidiary, cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement and (B) to take such actions necessary or advisable to grant to the Collateral Agent for the benefit of the Secured Parties a perfected security interest (to the extent required by the Security Documents and with the priority specified in the Intercreditor Agreement) in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary (to the extent the Collateral Agent, for the benefit of the Secured Parties, has a perfected security interest in the same type of Collateral as of the Closing Date), including, without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be reasonably requested by the Collateral Agent; provided that, notwithstanding anything to the contrary in this Section 6.10(c), the provisions of this Section 6.10(c) shall not apply to any Material Restricted Subsidiary that is a HUD Sub-Facility Entity or a HUD RE Entity.

(d) With respect to any new Foreign Subsidiary directly owned by a Parent Company, the Borrower or a Domestic Subsidiary that is created or acquired after the Closing Date by any Loan Party, promptly, but in any case within 45 days of such acquisition (which period may be extended by the Administrative Agent in its sole discretion), (i) give notice of such acquisition or creation to the Collateral Agent and, if requested by the Collateral Agent, execute and deliver to the Collateral Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Collateral Agent deems necessary or reasonably advisable in order to grant to the Collateral Agent, for the benefit of the Secured Parties, a perfected security interest (to the extent required by the Security Documents and with the priority specified in the Intercreditor Agreement) in the Capital Stock of such new Subsidiary that is owned by such Loan Party (provided that (x) in no event shall more than 65% of the total outstanding voting Capital Stock of any Foreign Subsidiary be required to be so pledged and (y) 100% of non-voting stock of any Foreign Subsidiary, if any, shall be required to be so pledged) and (ii) to the extent permitted by applicable law, deliver to the Collateral Agent the certificates, if any, representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of such Loan Party, and take such other action as may be necessary in the reasonable opinion of the Collateral Agent, to perfect or ensure appropriate priority of the Lien of the Collateral Agent thereon.

(e) Notwithstanding anything to the contrary in any Loan Document, this Section shall not apply with respect to any collateral (i) to the extent the Administrative Agent has reasonably determined that the value of such collateral to which this Section would otherwise apply is insufficient to justify the difficulty, time and/or expense of obtaining a perfected Lien therefrom and (ii) if so provided in any Security Document.

6.11 Further Assurances. Maintain the security interest created by the Security Documents as a perfected security interest having at least the priority specified in the Intercreditor Agreement (to the extent such security interest can be perfected through the filing of UCC-1 financing statements, the Intellectual Property filings to be made pursuant to Schedule 4 of the Guarantee and Collateral Agreement, the execution of control agreements, or the delivery of Pledged Securities required to be delivered under the Guarantee and Collateral Agreement), subject to the rights of the Loan Parties under the Loan Documents to Dispose of the Collateral. From time to time the Loan Parties shall execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions, as the Collateral Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of renewing the rights of the Secured Parties with respect to the Collateral as to which the Collateral Agent, for the ratable benefit of the Secured Parties, has a perfected Lien pursuant hereto or thereto, including, without limitation, filing any financing or

continuation statements or financing change statements under the UCC (or other similar laws) in effect in any United States jurisdiction with respect to the security interests created hereby.

6.12 Use of Proceeds. The proceeds of the Loans shall be used to effect the Transactions and for general corporate (including working capital) purposes of the Parent Companies and their Subsidiaries not prohibited by this Agreement.

6.13 Material Master Leases. With respect to any Material Master Lease (other than the Master Leases), cause the parties to such Material Master Lease to execute an intercreditor or similar agreement satisfactory to the Administrative Agent, on terms substantially similar to those set forth in the Master Lease Intercreditor Agreements or on terms no less favorable to the Lenders than those set forth in the Master Lease Intercreditor Agreements, as reasonably determined by the Administrative Agent.

6.14 Local Counsel Opinions. Use commercially reasonable efforts to, upon fifteen (15) Business Days prior written notice by the Administrative Agent, deliver to the Administrative Agent local counsel opinions in Connecticut, Maryland, New Jersey, North Carolina, Pennsylvania, Virginia and West Virginia, covering such customary matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require and in form and substance reasonably satisfactory to the Administrative Agent; provided that the Loan Parties shall no longer be required to deliver such opinions if such written notice is not delivered to the Loan Parties on or before September 30, 2016.

6.15 Taxes. For as long as the Obligations remain outstanding, the Borrower will be treated as a partnership for U.S. federal income tax purposes and for all applicable state income tax purposes and shall not make any election to be treated as an association taxable as a corporation under the Code or under any corresponding provision of federal, state or local tax law.

SECTION 7. NEGATIVE COVENANTS

Each of the Parent Companies and the Borrower (on behalf of itself and each of its Restricted Subsidiaries) hereby agree that, beginning on the Closing Date and so long as the Commitments remain in effect or any Loan or other amount is owing to any Lender or the Agents hereunder (other than contingent or indemnification obligations not then asserted or due), the Parent Companies and the Borrower shall not, and shall not permit any of their Restricted Subsidiaries to:

7.1 Indebtedness. Incur, create, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 7.1, and any Permitted Refinancing thereof;

(b) Indebtedness created hereunder and under the other Loan Documents;

(c) intercompany Indebtedness of Ultimate Parent and the Restricted Subsidiaries to the extent permitted by Section 7.4(c); provided that (i) each item of intercompany Indebtedness consisting of intercompany loans and advances made by a Restricted Subsidiary that is not a Subsidiary Guarantor to a Parent Company, a Subsidiary Guarantor or the Borrower which exceeds \$5,000, individually, or \$1,000,000, in the aggregate, shall be evidenced by a promissory note (which shall be substantially in the form of Exhibit M hereto) with customary subordination provisions, (ii) each item of intercompany Indebtedness consisting of intercompany loans and advances made by a Subsidiary that is a Borrower, to the extent required to be pledged under the Security Agreement, shall be evidenced by a promissory note, and (iii) each such promissory note under clause (ii) hereof shall be pledged to the Collateral Agent pursuant to the Security Agreement to the extent required thereby;

(d) Indebtedness of Ultimate Parent or any Restricted Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, and extensions, renewals, replacements, modifications, refundings and refinancing of any such Indebtedness that do not increase the outstanding principal amount thereof (other than to the extent of any premiums, interest or costs and expenses incurred in connection therewith) (“Purchase Money Indebtedness”); provided that (i) such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this Section 7.1(d), when combined with the aggregate principal amount of all Capital Lease Obligations incurred pursuant to Section 7.1(e), shall not exceed \$35,000,000 at any time outstanding;

(e) Capital Lease Obligations in an aggregate principal amount, when combined with the aggregate principal amount of all Indebtedness incurred pursuant to Section 7.1(d), not in excess of \$35,000,000 at any time outstanding and Permitted Refinancings thereof;

(f) Indebtedness in respect of bid, workers’ compensation claims, self-insurance obligations, bankers’ acceptances, performance or surety, appeal or similar bonds issued for the account of and completion guarantees and other similar obligations provided by Ultimate Parent or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations with respect to letters of credit supporting such bid bonds, performance bonds, surety bonds and similar obligations;

(g) Indebtedness assumed in connection with a Permitted Acquisition and any Permitted Refinancing thereof; provided that (i) such Indebtedness is not incurred in contemplation of, or in connection with, such Permitted Acquisition, (ii) both immediately prior and after giving effect thereto, no Event of Default shall exist or result therefrom, (iii) the Consolidated Total Leverage Ratio calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such incurrence for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered as if such incurrence had occurred as of the first day of such period shall be 0.25:1.00 less than the Consolidated Total Leverage Ratio required pursuant to Section 7.14 and (iv) Ultimate Parent shall have delivered to the Administrative Agent a certificate of a Responsible Officer to the effect set forth in clauses (ii) and (iii) above setting forth reasonably detailed calculations demonstrating compliance with subclauses (ii) and (iii) above;

(h) unsecured Indebtedness of Ultimate Parent or any of the Restricted Subsidiaries, so long as at the time of the incurrence thereof and after giving effect thereto, the Consolidated Total Leverage Ratio does not exceed 0.50:1.00 less than the applicable maximum Consolidated Total Leverage Ratio set forth in Section 7.14, calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such incurrence for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered, and Permitted Refinancings thereof; provided, that such Indebtedness does not mature or have scheduled amortization or payments of principal and is not subject to mandatory redemption or prepayment (except customary asset sale or change of control provisions), in each case prior to the date that is 91 days after the Maturity Date at the time such Indebtedness is incurred;

(i) Guarantee Obligations by Ultimate Parent or the Restricted Subsidiaries of Indebtedness of Ultimate Parent and the Restricted Subsidiaries so long as Ultimate Parent or the Restricted Subsidiaries incurring such Indebtedness are permitted to incur such Indebtedness represented by such Guarantee Obligation hereunder;

(j) Indebtedness of Ultimate Parent and its Subsidiaries in respect of the ABL Loan Documents (including the HUD Sub-Facility Credit Agreement) in an aggregate principal amount not exceeding \$600,000,000 at any time outstanding (and any Permitted Refinancing thereof permitted by the Intercreditor Agreement);

- (k) other Indebtedness of Ultimate Parent or the Restricted Subsidiaries in an aggregate principal amount not exceeding \$55,000,000 at any time outstanding;
- (l) Indebtedness arising from agreements of Ultimate Parent or any Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case entered into in connection with Permitted Acquisitions or other Investments and the disposition of any business, assets or Capital Stock permitted hereunder;
- (m) Indebtedness consisting of (A) trade obligations or (B) accrued current liabilities for services rendered to Ultimate Parent or any Restricted Subsidiary, in each case, arising in the ordinary course of business;
- (n) Indebtedness in respect of netting services, automatic clearinghouse arrangements, overdraft protections, employee credit card programs and other cash management and similar arrangements in the ordinary course of business;
- (o) Indebtedness representing deferred compensation to employees of the Parent Companies, the Borrower or any of their Subsidiaries incurred in the ordinary course of business consistent with past practice;
- (p) Guarantees incurred in the ordinary course of business in respect of obligations to suppliers, customers, franchisees, lessors and licensees;
- (q) Indebtedness incurred in the ordinary course of business in respect of obligations of Ultimate Parent or any Restricted Subsidiary to pay the deferred purchase price of goods or services or progress payments in connection with such goods and services;
- (r) Indebtedness consisting of (A) the financing of insurance premiums or (B) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business consistent with past practice;
- (s) Indebtedness incurred by Ultimate Parent or any of the Restricted Subsidiaries in respect of letters of credit, bank guarantees, bankers' acceptances, warehouse receipts or similar instruments issued or created in the ordinary course of business or consistent with past practice, including in respect of workers compensation claims, health, disability or other employee benefits or property, casualty or liability insurance or self-insurance or other Indebtedness with respect to reimbursement-type obligations regarding workers compensation claims;
- (t) Indebtedness of Ultimate Parent and the Restricted Subsidiaries under any Hedge Agreement permitted under Section 7.4(f);
- (u) Indebtedness of any Loan Parties owed to former or current management, directors, officers or employees (or their transferees, estates or beneficiaries under their estates) of the Parent Companies, the Borrower or any of the Restricted Subsidiaries in lieu of any cash payment permitted to be made under Section 7.6(a)(iii); provided that all such Indebtedness shall be unsecured;
- (v) Guarantees in respect of Indebtedness of directors, officers and employees of the Parent Companies, the Borrower or the Restricted Subsidiaries in respect of expenses of such Persons in connection with relocations and other ordinary course of business purposes, if the aggregate amount of Indebtedness so guaranteed, when added to the aggregate amount of loans and advances then outstanding under Section 7.4(e), shall not at any time exceed \$7,000,000;

(w) Indebtedness in respect of Real Property Financing Obligations, including but not limited to, Indebtedness of Ultimate Parent and its Subsidiaries in respect of the Skilled RE Loan Documents in an aggregate principal amount not exceeding \$176,746,800 at any time outstanding (and any Permitted Refinancing thereof) and the Revera Loan Documents in an aggregate principal amount not exceeding \$171,090,000 at any time outstanding (and any Permitted Refinancing thereof);

(x) Indebtedness of Restricted Subsidiaries that are not Loan Parties in an aggregate principal amount not exceeding \$10,000,000 at any time outstanding, so long as such Indebtedness is non-recourse to the Loan Parties;

(y) Indebtedness the net proceeds of which are used to fund the purchase of Healthcare Facilities in connection with the Welltower Asset Buyback, so long as (i) at the time of the incurrence thereof and after giving effect thereto, Ultimate Parent would be in compliance with the Financial Condition Covenants, (ii) the Fixed Charge Coverage Ratio at the time of incurrence thereof and after giving effect thereto shall not be less than the Fixed Charge Coverage Ratio immediately prior to such incurrence and after giving effect thereto, in each case, calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such incurrence for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered and (iii) such Indebtedness has a final maturity date equal to or later than 90 days after the Maturity Date;

(z) unsecured Indebtedness in an aggregate principal amount not exceeding \$125,000,000 at any time outstanding; provided that (i) both immediately prior and after giving effect thereto, no Event of Default shall exist or result therefrom and (ii) such Indebtedness does not mature or have scheduled amortization or payments of principal and is not subject to mandatory redemption or prepayment in cash (except customary asset sale or change of control provisions), in each case prior to the date that is 91 days after the Maturity Date at the time such Indebtedness is incurred; and

(aa) Indebtedness of Ultimate Parent and its Subsidiaries in respect of the HUD RE Entities' obligations under the HUD RE Loan Agreements (and any Permitted Refinancing thereof).

The accrual of interest, the accretion of accreted value and the payment of interest in the form of additional Indebtedness shall not be deemed to be an incurrence of Indebtedness for purposes of this Section. The principal amount of any non-interest bearing Indebtedness or other discount security constituting Indebtedness at any date shall be the principal amount thereof that would be shown on a balance sheet of Ultimate Parent in each case, dated such date prepared in accordance with GAAP.

7.2 Liens. Create, incur, assume or permit to exist any Lien on any property or assets (including Capital Stock or other securities of any person, including Ultimate Parent or any Restricted Subsidiary) now owned or hereafter acquired by it or on any income or revenues or rights in respect of any thereof, except:

(a) Liens on property or assets of Ultimate Parent and the Restricted Subsidiaries existing on the date hereof and set forth in Schedule 7.2; provided that such Liens shall secure only those obligations which they secure on the date hereof other than newly created improvements thereon or proceeds from the disposition of such property and extensions, renewals and replacements thereof permitted hereunder;

(b) any Lien created under the (i) Loan Documents, (ii) the HUD Sub-Facility Credit Agreement (or any Permitted Refinancing thereof) and (iii) ABL Loan Documents (or any Permitted Refinancing thereof); provided that such Liens are subject to the terms of the Intercreditor Agreement;

(c) any Lien existing on any property or asset prior to the acquisition thereof by Ultimate Parent or any Restricted Subsidiary or existing on any property or assets of any person that becomes a Restricted Subsidiary after the date hereof, in each case, prior to the time such person becomes a Restricted Subsidiary, as the case may be; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such person becoming a Restricted Subsidiary, (ii) such Lien does not apply to any other property or assets of Ultimate Parent or any Restricted Subsidiary other than newly created improvements thereon or proceeds from the disposition of such property and (iii) such Lien secures only those obligations which it secures on the date of such acquisition or the date such person becomes a Restricted Subsidiary, as the case may be, and extensions, renewals and replacement of any such Liens securing Indebtedness permitted under Section 7.1(g) hereof;

(d) Liens for Taxes not yet due or which are being contested in compliance with Section 6.3;

(e) Liens in respect of property of Ultimate Parent or the Restricted Subsidiaries imposed by Requirements of Law, which were incurred in the ordinary course of business and do not secure Indebtedness for borrowed money, such as carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business and securing obligations that are not due or payable or which are being contested in compliance with Section 6.3;

(f) pledges and deposits made in the ordinary course of business in compliance with workmen's compensation, unemployment insurance and other social security laws or regulations;

(g) deposits to secure the performance of bids, trade contracts (other than for Indebtedness), leases (other than Capital Lease Obligations), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(h) zoning restrictions, easements, rights-of-way, restrictions on use of real property and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and do not materially detract from the value of the property subject thereto or interfere with the ordinary conduct of the business of Ultimate Parent or any of the Restricted Subsidiaries;

(i) purchase money security interests in real property, improvements thereto or equipment hereafter acquired (or, in the case of improvements, constructed) by Ultimate Parent or any Restricted Subsidiary; provided that (i) such security interests secure Indebtedness permitted by Section 7.1(d), (ii) such security interests are incurred, and the Indebtedness secured thereby is created, within 180 days after such acquisition (or construction) and (iii) such security interests do not apply to any other Property or assets of Ultimate Parent or any Restricted Subsidiary;

(j) Liens securing judgments that have not resulted in an Event of Default under clause (i) of Section 8;

(k) licenses (with respect to Intellectual Property and other property), leases or subleases granted to third parties not interfering in any material respect with the ordinary conduct of the business of Ultimate Parent or any Restricted Subsidiary or resulting in a material diminution in the value of any Collateral as security for the Obligations;

(l) any (i) interest or title of a lessor or sublessor under any lease not prohibited by this Agreement, (ii) Lien or restriction that the interest or title of such lessor or sublessor may be subject to, or (iii) subordination of the interest of the lessee or sublessee under such lease to any Lien or restriction referred to in the preceding clause (ii), so long as the holder of such Lien or restriction agrees to recognize the rights of such lessee or sublessee under such lease;

(m) Liens arising from filing UCC financing statements relating solely to Leases not prohibited by this Agreement;

(n) Liens securing obligations (other than obligations representing Indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of Ultimate Parent and the Restricted Subsidiaries;

(o) Liens on the property subject to any Sale and Lease-Back Transactions, securing obligations thereunder in an aggregate principal amount outstanding at any time not to exceed \$7,000,000;

(p) Liens incurred in connection with (i) Capital Lease Obligations securing obligations permitted to be incurred pursuant to Section 7.1(e) and (ii) Real Property Financing Obligations permitted to be incurred pursuant to Section 7.1(w), including (x) any Lien created under the Skilled RE Loan Documents (including junior Liens in the ABL Priority Collateral subject to the Intercreditor Agreement) and any Permitted Refinancing thereof and (y) any Lien created under the Revera Loan Documents and any Permitted Refinancing thereof;

(q) pledges and deposits in the ordinary course of business and consistent with past practices securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Ultimate Parent or any of the Restricted Subsidiaries;

(r) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on the items in the course of collection and (ii) in favor of a banking or other financial institution arising as a matter of law or under customary general terms and conditions encumbering deposits or other funds maintained with a financial institution (including the right of set off) and that are within the general parameters customary in the banking industry; provided that, to the extent that such collection bank, banking or other financial institution has executed and delivered a control agreement, such Lien will be subordinated or waived to the extent set forth in such control agreement;

(s) Liens (i) on cash advances in favor of the seller of any property to be acquired in an Investment permitted pursuant to Section 7.4 to be applied against the purchase price for such Investment or (ii) consisting of an agreement to Dispose of any property in a Disposition permitted under Section 7.5, in each case, solely to the extent such Investment or Disposition, as the case may be, would have been permitted on the date of the creation of such Lien;

(t) Liens that are contractual rights of setoff (i) relating to the establishment of depository relations with banks or other financial institutions not given in connection with the issuance of Indebtedness, (ii) relating to pooled deposit or sweep accounts of Ultimate Parent or any of the Restricted Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of Ultimate Parent and the Restricted Subsidiaries or (iii) relating to purchase orders and other agreements entered into with customers of Ultimate Parent or any of the Restricted Subsidiaries, in each case, in the ordinary course of business; provided that, to the extent that such collection bank, banking or other financial institution has executed and delivered a control agreement, such Lien will be subordinated or waived to the extent set forth in such control agreement;

(u) (i) Liens solely on any cash earnest money deposits made by Ultimate Parent or any of the Restricted Subsidiaries in connection with any letter of intent or purchase agreement permitted hereunder and (ii) the filing of UCC financing statements solely as a precautionary measure in connection with operating leases or consignment of goods and similar arrangements;

(v) Liens in favor of a Loan Party on assets of a Subsidiary that is not required to be a Subsidiary Guarantor;

(w) in the case of any joint venture, any put and call arrangements related to its Capital Stock set forth in its organizational documents or any related joint venture or similar agreement;

(x) Liens incurred in connection with Indebtedness permitted to be incurred pursuant to Section 7.1(y);

(y) other Liens with respect to property or assets of Ultimate Parent or any Restricted Subsidiary securing obligations in an aggregate principal amount outstanding at any time not to exceed \$10,000,000;

(z) Liens granted in connection with the pledge or transfer of the Capital Stock of a joint venture permitted hereunder;

(aa) Liens granted to secure obligations under and in accordance with (i) the Material Master Leases; provided that such Liens are subject to the terms of the Material Master Lease Intercreditor Agreements and (ii) other facility lease agreements (other than Material Master Leases) in the ordinary course of business; and

(bb) Liens on any Indebtedness permitted under Section 7.1(aa).

7.3 Sale and Lease-Back Transactions. Enter into any arrangement, directly or indirectly, with any person (other than Ultimate Parent or any Restricted Subsidiary) whereby it shall Dispose of any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (a "Sale and Lease-Back Transaction") unless (a) the Disposition of such property is permitted by Section 7.5, (b) any Capital Lease Obligations or Liens arising in connection therewith are permitted by Sections 7.1 and 7.2, as the case may be and either (1) consist of Real Property Financing Obligations and Liens granted in connection therewith or (2) are in an aggregate principal amount not exceeding \$35,000,000 at any time outstanding and (c) Ultimate Parent shall be in compliance with the Financial Condition Covenants calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such incurrence for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered as if such Sale and Lease-Back Transaction had occurred as of the first day of such period; provided that, the Net Cash Proceeds of such Sale and Lease-Back Transaction shall be applied in accordance with Section 2.8(c);

7.4 Investments, Loans and Advances. Purchase, hold or acquire any Capital Stock, evidences of Indebtedness or other securities of, make or permit to exist any loans or advances to, or make or permit to exist any investment or any other interest in, any other person (all of the foregoing, "Investments"), except:

(a) (i) Investments by Ultimate Parent and the Restricted Subsidiaries existing on the date hereof or Investments by Ultimate Parent and its Restricted Subsidiaries existing on the Closing Date, in each case, in the Capital Stock of their subsidiaries and (ii) additional investments by Ultimate Parent and the Restricted Subsidiaries in the Capital Stock of the Restricted Subsidiaries; provided that, (A) except as permitted by Section 6.10, any such Capital Stock held by Ultimate Parent or a Subsidiary Guarantor shall be pledged pursuant to the Guarantee and Collateral Agreement to the extent required thereby and (B) after the date hereof, the aggregate amount of investments made pursuant to this Section 7.4(a) and Section 7.4(c) by Loan Parties in, and loans and advances made pursuant to this Section 7.4(a) and Section 7.4(c)

by Loan Parties to, Restricted Subsidiaries that are not Loan Parties (determined without regard to any write-downs or write-offs of such investments, loans and advances) shall not exceed \$15,000,000 at any time outstanding;

(b) Investments in cash and Cash Equivalents;

(c) Investments made by Ultimate Parent in any Restricted Subsidiary and made by any Restricted Subsidiary in Ultimate Parent or any other Restricted Subsidiary; provided that (i) any such Investments made by a Loan Party shall be pledged pursuant to the Guarantee and Collateral Agreement to the extent required thereby and (ii) the amount of such Investments made by Loan Parties in Restricted Subsidiaries that are not Loan Parties shall be subject to the limitation set forth in clause (a) above;

(d) Investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, customers and suppliers, in each case in the ordinary course of business; provided that, the Borrower shall provide prompt written notice to the Administrative Agent of any such settlement of accounts for which the face value is greater than or equal to \$1,000,000 individually (or for a group of related accounts) and for each such settlement if the aggregate face value of such accounts is greater than or equal to \$15,000,000;

(e) Ultimate Parent and the Restricted Subsidiaries may make loans and advances in the ordinary course of business to employees, directors and officers of the Parent Companies, the Borrower and the Restricted Subsidiaries in an aggregate principal amount at any time outstanding, when added to the aggregate amount of guarantees under Section 7.1(w), not to exceed \$7,000,000 (i) for reasonable and customary business-related travel, entertainment, relocation and analogous ordinary business purposes, (ii) in connection with such person's purchase of Capital Stock of Ultimate Parent and (iii) for any other purpose;

(f) Ultimate Parent and the Restricted Subsidiaries may enter into Hedge Agreements that are not speculative in nature and are made in the ordinary course of business;

(g) to the extent that such assets or Capital Stock are transferred to Ultimate Parent or a Restricted Subsidiary contemporaneously with such acquisition and such acquisition is consensual and approved by the board of directors of such Acquired Entity or Business, Ultimate Parent and the Restricted Subsidiaries may acquire all or substantially all the assets of a Person or line of business of such Person, or not less than 75% of the Capital Stock (other than directors' qualifying shares) of a Person; provided that (i) the Acquired Entity or Business shall be in a line of Business permitted by Section 7.8(a); (ii) at the time of such transaction (A) after giving effect thereto, no Event of Default shall have occurred and be continuing; (B) Ultimate Parent would be in compliance with the Financial Condition Covenants calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such transaction for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered, as if such transaction had occurred as of the first day of such period; (C) Ultimate Parent's Consolidated Total Leverage Ratio does not exceed 0.25:1.00 less than the applicable maximum Consolidated Total Leverage Ratio set forth in Section 7.14, calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such transaction for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered and (D) Ultimate Parent shall comply, and shall cause the Acquired Entity or Business to comply, with the applicable provisions of Section 6.10 and the Security Documents to the extent required thereby; and (iii) on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such transaction for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered, as if such transaction had occurred as of the first day of such period, the aggregate of the Acquired EBITDA of any Persons acquired in accordance with this Section 7.4(g) during the term of this Agreement

that are not at such time Guarantors shall not exceed 10% of pro forma Consolidated EBITDA of Ultimate Parent and the Restricted Subsidiaries (any acquisition of an Acquired Entity or Business meeting all the criteria of this Section 7.4(g) being referred to herein as a “Permitted Acquisition”);

(h) Investments set forth in Schedule 7.4;

(i) Ultimate Parent and the Restricted Subsidiaries may receive and hold promissory notes and other non-cash consideration received in connection with Asset Sales permitted under Section 7.5;

(j) Ultimate Parent and the Restricted Subsidiaries may make Capital Expenditures permitted hereunder;

(k) other Investments in an aggregate amount at any time outstanding not exceeding the amount of the Net Cash Proceeds received after the Closing Date from any Excluded Issuance (other than the proceeds of any Excluded Issuance made in connection with an exercise of Ultimate Parent’s Cure Right under Section 7.16(a));

(l) [reserved];

(m) Investments made directly to the Insurance Captives in the amounts required by the actuarial analysis or statutory requirement, copies of which are provided to the Administrative Agent pursuant to Section 6.5;

(n) to the extent constituting Investments, transactions permitted by Sections 7.1, 7.2, 7.3, 7.5, and 7.6;

(o) Investments to the extent financed solely with the Qualified Capital Stock of Ultimate Parent;

(p) Guarantees incurred by Ultimate Parent or any Restricted Subsidiary with respect to operating leases or of other obligations that do not constitute Indebtedness, in each case entered into by Ultimate Parent or any Restricted Subsidiary in the ordinary course of business;

(q) Investments of any Person in existence at the time such Person becomes a Restricted Subsidiary in accordance with the terms hereof; provided that such Investment was not made in connection with or anticipation of such Person becoming a Restricted Subsidiary and any modification, replacement, renewal or extension thereof on terms at least as favorable on the whole to the Lenders;

(r) loans and advances to any Parent Company in lieu of, and not in excess of the amount of (after giving effect to any other such loans or advances), Restricted Payments to the extent permitted to be made to such Parent Company in accordance with Section 7.6(a);

(s) so long as no Default or Event of Default shall have occurred and be continuing or result therefrom, Investments in Healthcare Facilities guaranteed by or otherwise subject to a mortgage, deed of trust or similar encumbrance in favor of HUD, which Investments shall not exceed, in the aggregate, \$200,000 per such Healthcare Facility;

(t) so long as no Default or Event of Default shall have occurred and be continuing at the time thereof or would result therefrom, Investments in joint ventures in an amount not to exceed \$25,000,000 at any time outstanding; and

(u) other Investments in an amount not to exceed \$40,000,000 at any time outstanding, so long as (i) no Default or Event of Default shall have occurred and be continuing at the time thereof or would result therefrom, (ii) the outstanding principal balance of the Loans is less than \$50,000,000, (iii) the Skilled RE Credit Facility shall have been repaid such that the loan-to-value ratio of the Skilled RE Credit Facility is less than 75% and (iv) all covenants hereunder and in the Welltower Lease and the Omega Lease shall have been complied with in all material respects.

For purposes of covenant compliance with this Section, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment, less any amount paid, repaid, returned, distributed or otherwise received in cash in respect of such Investment not to exceed the original amount of such Investment.

7.5 Mergers, Consolidations, Sales of Assets and Acquisitions.

(a) Consummate any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(i) (A) any Restricted Subsidiary may be merged, amalgamated, liquidated or consolidated with or into and may Dispose of all or substantially all of its assets to the Borrower (provided that, in the case of such merger, amalgamation, liquidation or consolidation, the Borrower shall be the continuing or surviving corporation), (B) any Restricted Subsidiary may be merged, amalgamated, liquidated or consolidated with or into and may Dispose of all or substantially all of its assets to any Restricted Subsidiary (other than the Borrower and provided that if one of the parties to such merger, amalgamation, liquidation or consolidation or Disposition is a Subsidiary Guarantor, either (x) such Subsidiary Guarantor shall be the continuing or surviving corporation or the recipient of such assets or (y) simultaneously with such transaction, the continuing or surviving corporation shall become a Subsidiary Guarantor and the Borrower shall comply with Section 6.10 in connection therewith); provided that, neither the Borrower nor any of its Subsidiaries may be merged, amalgamated, liquidated or consolidated with or into nor may Dispose of all or substantially all of its assets to Ultimate Parent or any of its Subsidiaries (other than Borrower and its Subsidiaries), (C) any Restricted Subsidiary (other than the Borrower and its Subsidiaries) may be merged, amalgamated, liquidated or consolidated with or into and may Dispose of all or substantially all of its assets to the Borrower and its Restricted Subsidiaries (provided that the Borrower or any of its Restricted Subsidiaries shall be the continuing or surviving corporation or the recipient of such assets) or (D) Parent and Holdings may be dissolved or merged with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation);

(ii) any Non-Guarantor Subsidiary that is a Foreign Subsidiary may be merged or consolidated with or into, or be liquidated into, any other Non-Guarantor Subsidiary, and any Non-Guarantor Subsidiary that is a Domestic Subsidiary may be merged or consolidated with or into, or be liquidated into, any other Non-Guarantor Subsidiary that is a Domestic Subsidiary;

(iii) any Non-Guarantor Subsidiary that is a Foreign Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation, dissolution, winding-up or otherwise) to any Loan Party or any other Non-Guarantor Subsidiary, and any Non-Guarantor Subsidiary that is a Domestic Subsidiary may Dispose of all or substantially all of its assets (upon voluntary liquidation dissolution, winding-up or

otherwise) to any Loan Party or any other Non-Guarantor Subsidiary that is a Domestic Subsidiary;

(iv) any Restricted Subsidiary (other than the Borrower) may liquidate or dissolve if (i) the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and (ii) to the extent such Restricted Subsidiary is a Loan Party, any assets or business not otherwise Disposed of or transferred in accordance with Section 7.5(b) or, in the case of any such business, discontinued, shall be transferred to, or otherwise owned or conducted by, a Loan Party after giving effect to such liquidation or dissolution; and

(v) any Restricted Subsidiary may merge or consolidate in order to consummate an Asset Sale permitted by Section 7.5(b); and

(vi) Permitted Acquisitions permitted by Section 7.4(g) may be consummated.

(b) Make any Asset Sale (other than an involuntary Asset Sale, such as casualty, condemnation or similar events) not otherwise permitted under paragraph (a) above (A) except for sales or other dispositions of non-core assets acquired in a Permitted Acquisition; provided that (1) such sales shall be consummated within 360 days of such Permitted Acquisition and (2) the consideration received for such assets shall be in an amount at least equal to the fair market value thereof (determined in good faith by the Borrower), (B) unless (i) such Asset Sale is between Restricted Subsidiaries that are not Loan Parties or (ii) such Asset Sale is from a Loan Party to a Restricted Subsidiary that is not a Loan Party; provided that the fair market value of all assets sold, transferred, leased, or Disposed of pursuant to this paragraph (b)(B)(ii) shall not exceed \$15,000,000 in the aggregate, (C) unless such Asset Sale is from a Loan Party to a Restricted Subsidiary that is a HUD Sub-Facility Entity or a HUD RE Entity, in each case, to the extent necessary to comply with requirements of Law related to HUD, (D) unless (i) such Asset Sale is for consideration at least 75% of which is cash, (ii) consideration for such Asset Sale is at least equal to the fair market value of the assets being sold, transferred, leased or Disposed of, (iii) the fair market value of all assets sold, transferred, leased, or Disposed of pursuant to this paragraph (b) shall not exceed \$130,000,000 in any fiscal year; provided that for purposes of this clause (iii), (x) the amount of any liabilities of Ultimate Parent or any Restricted Subsidiary that are assumed by the transferee of any such assets and (y) involuntary Asset Sales, such as casualty, condemnation or similar events shall be excluded, (iv) no Event of Default shall have occurred and be continuing or result therefrom and (v) Ultimate Parent shall be in compliance with the Financial Condition Covenants, in each case, calculated on a Pro Forma Basis as of the most recently completed period of four consecutive fiscal quarters ending prior to such Asset Sale for which the financial statements and certificates required by Section 5.1(a) or 5.1(b), as the case may be, and 5.1(c) have been delivered, as if such Asset Sale had occurred as of the first day of such period and (E) Dispositions of assets described on Schedule 7.5(b) ("Scheduled Asset Sales") so long as the Net Cash Proceeds of such Dispositions are applied first, to repay the indebtedness and other obligations under the Skilled RE Credit Agreement, the Revera Credit Agreement and/or any restructured real estate loan that replaces the Skilled RE Credit Agreement and/or the Revera Credit Agreement until paid in full, and second, as otherwise required by Section 2.8(c).

7.6 Restricted Payments; Restrictive Agreements. (a) Declare or make, any Restricted Payment; provided that (i) (A) the Restricted Subsidiaries that are not Loan Parties may declare and pay dividends or make other distributions ratably to their equity holders, (B) the Borrower may declare and pay dividends or make other distributions to Ultimate Parent and its Subsidiaries that

are managing members of the Borrower (it being understood and agreed that this clause (i)(B) shall not permit any Restricted Payments to be made by the Borrower to any Person other than Ultimate Parent and its Subsidiaries that are managing members of the Borrower) and (c) any Subsidiary may make a Restricted Payment to a Loan Party; (ii) the Borrower and the Restricted Subsidiaries may acquire shares of Ultimate Parent delivered or to be delivered to a director, officer or employee of the Parent Companies, the Borrower or a Restricted Subsidiary in connection with the grant, vesting, exercise or payment of a stock option, warrant or other equity or equity-based award granted by the Parent Companies, the Borrower or a Restricted Subsidiary, and the Loan Parties may make distributions in order to satisfy the exercise or purchase price of the award and/or any Tax withholding obligations arising in connection with such event, provided that any Restricted Payment made under this clause (ii) shall be non-cash; (iii) the repurchase or redemption of Capital Stock of Ultimate Parent and the Borrower owned by former or current management, directors, officers or employees (or their transferees, estates or beneficiaries under their estates) of any Parent Company, the Borrower or any of the Restricted Subsidiaries or to make payments (including on promissory notes issued to pay the purchase price) with respect to such repurchases or redemptions upon death, disability, retirement, severance or termination of employment or service or pursuant to any employee, management or director equity plan, employee, management or director stock option plan or any other employee, management or director benefit plan or any agreement (including any stock subscription or shareholder agreement) or similar equity incentives or equity-based incentives in an aggregate amount not to exceed \$4,000,000 in any fiscal year; (iv) payments of customary fees to members of its or any Parent Company's board of directors and in respect of insurance coverage or for indemnification obligations under any law, indenture, contract or agreement to any director or officer of any Parent Company or any of its Restricted Subsidiaries shall be permitted; (v) [reserved]; (vi) [reserved]; (vii) [reserved]; (viii) any Parent Company may make payments in cash, in lieu of the issuance of fractional shares, upon the exercise of warrants or upon the conversion or exchange of Capital Stock of Ultimate Parent and the Borrower; (ix) [reserved]; and (x) the Borrower may pay cash distributions in respect of taxes owing by the Borrower's direct or indirect investors in respect of GHLLC and the Restricted Subsidiaries ("Tax Distributions"); provided that no payments or distributions in cash may be made (i) in the case of an Event of Default having occurred and being continuing under Section 8(b) or (c) or (ii) in the case of an Event of Default having occurred and being continuing under Section 8(d) with respect to the covenants contained in Section 7.13, Section 7.14 or Section 7.15 for two consecutive fiscal quarters.

(b) Enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (i) the ability of Ultimate Parent or any Restricted Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets to secure the Obligations, or (ii) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Capital Stock or to make or repay loans or advances to Ultimate Parent or any Restricted Subsidiary or to guarantee Indebtedness of Ultimate Parent or any Restricted Subsidiary; provided that (A) the foregoing shall not apply to restrictions and conditions imposed by law or regulations or by any Loan Document, the ABL Loan Documents, the Skilled RE Loan Documents, any Material Master Lease entered into prior to the Closing Date, or such other Indebtedness as is set forth on Schedule 7.1, (B) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary or any other permitted asset sale pending such sale; provided such restrictions and conditions apply only to the Subsidiary or other asset that is to be sold and such sale is permitted hereunder, (C) the foregoing shall not apply to restrictions and conditions imposed on any Foreign Subsidiary by the terms of any Indebtedness of such Foreign Subsidiary permitted to be incurred hereunder, (D) clause (i) of the foregoing shall not apply to restrictions or conditions imposed by any agreement creating Liens permitted by Section 7.2 prohibiting further Liens on the properties encumbered thereby, (E) clause (i) of the foregoing shall not apply to (x) customary provisions in Leases and other contracts restricting the subletting or assignment thereof or (y) any Material Master Leases entered into after the Closing Date; provided, however, in each case, such restrictions shall not be more adverse to the Lenders and the Borrower than the equivalent restrictions set forth in these Material Master Leases existing as of the Closing Date, as modified by the Master Lease Intercreditor Agreements, (F) the foregoing shall not apply to customary provisions in joint venture agreements, partnership agreements, limited liability organizational

governance documents, asset sale agreements, sale and leaseback agreements and other similar agreements, (G) the foregoing shall not apply to restrictions and conditions in any other agreement that does not restrict in any manner (directly or indirectly) Liens created pursuant to the Loan Documents on any Collateral securing the Secured Obligations and does not require the direct or indirect granting of any Lien securing any Indebtedness or other obligation by virtue of the granting of Liens on or pledge of property of any Loan Party to secure the Secured Obligations, (H) the foregoing shall not apply to restrictions and conditions in any Indebtedness permitted pursuant to Section 7.1 to the extent such restrictions or conditions are no more restrictive than the restrictions and conditions in the Loan Documents, (I) the foregoing shall not apply to customary provisions restricting assignment of any agreement entered into by Ultimate Parent or any Restricted Subsidiary in the ordinary course of business, (J) the foregoing shall not apply to any agreement assumed in connection with any Permitted Acquisition, which encumbrance or restriction is not applicable to any person, or the properties or assets of any person, other than the person or the properties or assets of the person so acquired and (K) the foregoing shall not apply to restrictions and conditions that (x) exist in any agreement in effect at the time any Restricted Subsidiary becomes a Subsidiary of Ultimate Parent in each case, so long as such agreement was not entered into in contemplation of such person becoming a Subsidiary, (y) is imposed by any amendments or refinancings that are otherwise permitted by the Loan Documents of the contracts, instruments or obligations referred to above; provided that such amendments and refinancings are no more materially restrictive with respect to such prohibitions and limitations than those prior to such amendment or refinancing and such restrictions are limited solely to such Restricted Subsidiary.

7.7 Transactions with Affiliates. Except for transactions between or among Ultimate Parent and the Restricted Subsidiaries, sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that Ultimate Parent or any of the Restricted Subsidiaries may engage in any of the foregoing transactions on terms and conditions not less favorable to Ultimate Parent or such Restricted Subsidiary than could be obtained on an arm's-length basis from unrelated third parties; provided that with respect to any such transaction or series of transactions involving aggregate consideration in excess of \$25,000,000, a majority of the board of directors of Ultimate Parent in each case, shall have determined in good faith that the criteria set forth above are satisfied and have approved the relevant transaction as evidenced by a resolution of the board of directors of Ultimate Parent; provided, further, the following transactions shall be permitted;

- (a) Investments permitted under Section 7.4(e), (p) and (q);
- (b) employment and severance arrangements between the Parent Companies, the Borrower or any of the Restricted Subsidiaries and their respective officers and employees in the ordinary course of business and transactions pursuant to stock option plans and employee benefit plans and arrangements;
- (c) the payment of customary fees and reasonable out-of-pocket costs to, and indemnities provided on behalf of, directors, officers, employees and consultants of the Parent Companies, the Borrower and the Restricted Subsidiaries in the ordinary course of business to the extent attributable to the ownership or operation of Ultimate Parent and the Restricted Subsidiaries;
- (d) any agreement, instrument or arrangement as in effect as of the date hereof and set forth on Schedule 7.7, or any amendment thereto (so long as any such amendment is not materially disadvantageous to the Lenders when taken as a whole as compared to the applicable agreement as in effect on the date hereof as reasonably determined in good faith by the Borrower);
- (e) Restricted Payments permitted under Section 7.6;

(f) the issuance or transfer of Equity Interests of Ultimate Parent to any Permitted Investor or to any former, current or future director, manager, officer, employee or consultant (or any Controlled Investment Affiliate or immediate family member of any of the foregoing) of the Borrower, any of its Subsidiaries or any direct or indirect parent thereof;

(g) entry into a tax sharing agreement with any Parent Company providing for (in each case subject to compliance with Section 7.6) the payment of Taxes (including interest and penalties) and expenses, control of tax filings and contests, and other normal, usual and customary provisions, but only to the extent such taxes are attributable to the income or business of Ultimate Parent and its Subsidiaries; and

(h) transactions entered into in the ordinary course of business that are consistent with past practices.

7.8 Business of the Borrower and the Restricted Subsidiaries. (a) Engage at any time in any Business or Business activity other than the Business currently conducted by it and, in the good faith judgment of Ultimate Parent, Business activities reasonably incidental, complementary or related thereto.

(b) Amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to any organizational documents of any Loan Party in any manner that is materially adverse to the Lenders, without the prior consent of the Administrative Agent (with approval of the Required Lenders).

(c) Sell, lease, transfer or otherwise convey, in one or a series of related transactions, all or substantially all of the assets of Ultimate Parent and the Restricted Subsidiaries, taken as a whole.

7.9 Other Indebtedness and Agreements. (a)(i) Permit any waiver, supplement, modification, amendment, termination or release of any indenture, instrument or agreement pursuant to which any Subordinated Indebtedness or unsecured Material Indebtedness (for the avoidance of doubt, excluding Real Property Financing Obligations) of Ultimate Parent or any Restricted Subsidiary is outstanding if the effect of such waiver, supplement, modification, amendment, termination or release would materially increase the obligations of the obligor or confer additional material rights on the holder of such Indebtedness in a manner materially adverse to Ultimate Parent, such Restricted Subsidiary or the Lenders or (ii) permit any waiver, supplement, modification, amendment, termination or release of any Material Master Lease, any Material Master Lease Intercreditor Agreement or any Lease Amendment Agreement in any manner that is materially adverse to the Lenders without the prior written consent of Administrative Agent, which shall not be unreasonably withheld.

(b) Make any distribution, whether in cash, property, securities or a combination thereof, in respect of, or pay, or commit to pay, or directly or indirectly redeem, repurchase, retire or otherwise acquire for consideration, other than regular scheduled payments of principal and interest as and when due (to the extent not prohibited by applicable subordination provisions), or set apart any sum for the aforesaid purposes, any Subordinated Indebtedness or unsecured Material Indebtedness (excluding Real Property Financing Obligations for the avoidance of doubt) (other than (i) the Loans, (ii) with proceeds of any Excluded Issuance made after the Closing Date (other than (x) proceeds of any Excluded Issuance made in connection with an exercise of Ultimate Parent's Cure Right under Section 7.16(a) and (y) the amount of such Net Cash Proceeds applied as a mandatory prepayment pursuant to Section 2.8(b)), (iii) the conversion or exchange into Equity Interests of any Parent Company and (iv) pursuant to the terms of Indebtedness convertible or exchangeable into, or by reference to, Capital Stock of Ultimate Parent).

7.10 [Reserved]

7.11 Account Changes; Fiscal Year. Change its fiscal year or its method for determining fiscal quarters or fiscal months.

7.12 Capital Expenditures. Permit the aggregate amount of Capital Expenditures made by Ultimate Parent and its Restricted Subsidiaries on a consolidated basis, in any period set forth below, to exceed the amount set forth below for such period; provided, that such amount for any fiscal year shall be increased by, to the extent that a Permitted Acquisition is consummated during or prior to such fiscal year (but after the Closing Date), an amount equal to \$1,000 per licensed bed of such Acquired Entity or Business (the "Acquired Permitted CapEx Amount") (provided, that with respect to the fiscal year during which any such Permitted Acquisition occurs, the amount of additional Capital Expenditures permitted as a result of this proviso shall be an amount equal to the product of (x) the Acquired Permitted CapEx Amount and (y) a fraction, the numerator of which is the number of days remaining in such fiscal year after the date such Permitted Acquisition is consummated and the denominator of which is the actual number of days in such fiscal year):

<u>Period</u>	<u>Amount</u>
January 1, 2015 through December 31, 2015	\$94,000,000
January 1, 2016 through December 31, 2016	\$96,000,000
January 1, 2017 through Scheduled Revolving Credit Termination Date	\$98,000,000

The amount of permitted Capital Expenditures set forth above in respect of any fiscal year commencing with the fiscal year ending on December 31, 2013, shall be increased by an amount equal to 50% of the unused permitted Capital Expenditures for the immediately preceding fiscal year (including the portion thereof (if any) of the unused permitted Capital Expenditures carried forward to such preceding fiscal year pursuant to this sentence).

7.13 Minimum Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio as of the last day of each fiscal quarter ending during a period set forth below to be less than the ratio set forth opposite such period below:

<u>Period</u>	<u>Ratio</u>
January 1, 2015 through March 31, 2015	2.00 to 1.00
April 1, 2015 through June 30, 2015	2.00 to 1.00
July 1, 2015 through September 30, 2015	2.00 to 1.00
October 1, 2015 through March 31, 2016	2.25 to 1.00
April 1, 2016 through December 31, 2017	1.25 to 1.00
January 1, 2018 through June 30, 2018	1.50 to 1.00
July 1, 2018 through June 30, 2019	1.75 to 1.00
July 1, 2019 and thereafter	2.00 to 1.0

7.14 Maximum Leverage Ratio. Permit the Consolidated Total Leverage Ratio as of the last day of each fiscal quarter ending during a period set forth below to be greater than the ratio set forth opposite such period below:

<u>Period</u>	<u>Ratio</u>
January 1, 2015 through March 31, 2015	4.50 to 1.00
April 1, 2015 through June 30, 2015	4.50 to 1.00
July 1, 2015 through March 31, 2016	4.25 to 1.00
April 1, 2016 through March 31, 2017	6.00 to 1.00
April 1, 2017 through September 30, 2017	5.75 to 1.00
October 1, 2017 through June 30, 2018	5.50 to 1.00
July 1, 2018 through December 31, 2018	5.25 to 1.00
January 1, 2019 through December 31, 2019	4.50 to 1.00
Thereafter	4.00 to 1.00

7.15 Minimum Interest Coverage Ratio. Permit the Interest Coverage Ratio as of the last day of each fiscal quarter ending during a period set forth below to be less than the ratio set forth opposite such period below:

<u>Period</u>	<u>Amount</u>
January 1, 2015 through March 31, 2015	3.25:1.00
April 1, 2015 through June 30, 2015	3.25:1.00
July 1, 2015 through March 31, 2016	3.50:1.00
April 1, 2016 through March 31, 2017	2.00:1.00
April 1, 2017 through September 30, 2017	2.25:1.00
October 1, 2017 through December 31, 2018	2.50:1.00
January 1, 2019 through December 31, 2019	2.75:1.00
Thereafter	3.00:1.00

7.16 Certain Cure Rights.

(a) Notwithstanding anything to the contrary contained herein, in the event Ultimate Parent fails to comply with the requirements of either covenant as set forth in Section 7.13, Section 7.14 or Section 7.15 (each, a “Financial Cure Covenant”) as at the last day of any fiscal quarter (a fiscal quarter ending on such day, a “Curable Period”), after the Closing Date until the expiration of the 5th Business Day subsequent to the date the certificate calculating the Financial Cure Covenants is required to be delivered pursuant to Section 5.1(c) with respect to the period ending on the last day of such fiscal quarter, Ultimate Parent shall have the right (the “Cure Right”) to include any cash equity contribution made to Ultimate Parent or LLC Parent after the beginning of such fiscal quarter and prior to the end of the Curable Period in the calculation of Consolidated EBITDA, with respect to Sections 7.13, 7.14 and 7.15, and unrestricted cash and Cash Equivalents, with respect to Section 7.15 (the “Cure Amount”). Upon the receipt by Ultimate Parent or LLC Parent of cash equity (other than Disqualified Capital Stock) in an amount equal to the Cure Amount pursuant to the exercise of such Cure Right, the Financial Cure Covenants shall be recalculated giving effect to the following pro forma adjustments:

(i) Consolidated EBITDA, unrestricted cash or Cash Equivalents, as applicable, for the Curable Period shall be increased, solely for the purpose of measuring the Financial Cure Covenants for such fiscal quarter and for applicable subsequent periods

which include such fiscal quarter, and disregarded for any other purpose under this Agreement (including determining the availability of any baskets and step-downs), by an amount equal to the Cure Amount; and

(ii) if, after giving effect to the foregoing recalculations, Ultimate Parent shall then be in compliance with the requirements of the Financial Cure Covenants, Ultimate Parent shall be deemed to have satisfied the requirements of the Financial Cure Covenants as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable breach or default of the Financial Cure Covenants which had occurred shall be deemed cured for all purposes of this Agreement.

(b) Limitations on Exercise of Cure Right, etc. Notwithstanding anything herein to the contrary, (A) in no event shall Ultimate Parent be entitled to exercise the Cure Right more than twice in any consecutive four quarter period or more than three times during the term of this Agreement; (B) the Cure Amount shall be no greater than the amount which, if added to Consolidated EBITDA, unrestricted cash or Cash Equivalents, as applicable, for the Curable Period, would cause Ultimate Parent to be in compliance with the Financial Cure Covenants for the relevant determination period ending on the last day of such Curable Period (it being understood and agreed that for purposes of calculating such amount no effect shall be given to any pricing, financial ratio-based conditions or any baskets with respect to covenants under this Agreement on account of receipt of such proceeds) and (C) such proceeds shall not result in any reduction of Indebtedness for purposes of calculating compliance with any of the financial covenants for such fiscal quarter and for applicable subsequent periods which include such fiscal quarter. Upon the Administrative Agent's receipt of an irrevocable notice from the Borrower that Ultimate Parent intends to exercise the Cure Right with respect to the Financial Cure Covenants as of the last day of any fiscal quarter (the "Notice of Intent to Cure"), then, until the 10th day subsequent to the date the certificate calculating such Financial Cure Covenants is required to be delivered pursuant to Section 5.1(c) to which such Notice of Intent to Cure relates, neither the Administrative Agent nor any Lender shall exercise the right to accelerate the Loans or terminate the Commitments and neither the Administrative Agent nor any Lender shall exercise any right to foreclose on or take possession of the Collateral solely on the basis of an Event of Default having occurred and being continuing under Section 7.13, Section 7.14 or Section 7.15, as applicable, in respect of the period ending on the last day of such fiscal quarter.

SECTION 8. EVENTS OF DEFAULT

In case of the happening of any of the following events ("Events of Default"):

(a) any representation or warranty made or deemed made in or in connection with any Loan Document hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been incorrect, false or misleading in any material respect when so made, deemed made or furnished;

(b) default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise;

(c) default shall be made in the payment of any interest on any Loan or any fee or any other amount (other than an amount referred to in (b) above) due under any Loan Document, when and as the same shall become due and payable, and such default shall continue unremedied for a period of 3 Business Days;

(d) default shall be made in the due observance or performance by any Loan Party of any covenant, condition or agreement contained in Section 5.1, Section 5.2(a)(i), Section 6.1 (solely with respect to the Borrower), Section 6.9, Section 6.14 or in Section 7;

(e) default shall be made in the due observance or performance by any Loan Party of any covenant, condition or agreement contained in any Loan Document (other than those specified in (b), (c) or (d) above) and such default shall continue unremedied for a period of 30 days after the earlier of (i) the date on which a Responsible Officer of any Loan Party becomes aware of such failure and (ii) the date on which notice thereof shall have been given to the Borrower from the Administrative Agent or the Required Lenders;

(f) (i) the Parent Companies, the Borrower or any of the Restricted Subsidiaries shall fail to pay any principal or interest, regardless of amount, due beyond any grace period in respect of any Material Indebtedness, when and as the same shall become due and payable, or (ii) any other event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (ii) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries, or of a substantial part of the property or assets of the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries, under Title 11 of the Bankruptcy Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries or for a substantial part of the property or assets of the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries or (iii) the winding-up or liquidation of the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries, and in the case of clauses (i), (ii) and (iii), such proceeding or petition shall continue undismissed or unstayed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the Bankruptcy Code, as now constituted or hereafter amended, or any other federal, state or foreign bankruptcy, insolvency, receivership or similar law, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or the filing of any petition described in (g) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries or for a substantial part of the property or assets of the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take any action for the purpose of effecting any of the foregoing;

(i) one or more judgments, orders or decrees shall be rendered against the Parent Companies, the Borrower, or any of the Material Restricted Subsidiaries, or any combination thereof and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not

be effectively vacated, discharged, bonded or stayed, or any writ or warrant of attachment or similar process shall be entered or filed upon assets or properties of the Parent Companies, the Borrower, or any of the Subsidiaries to enforce any such judgment, order or decree and such judgment, order and decree is for the payment of money in an aggregate amount in excess of \$30,000,000 (net of any amounts covered by applicable insurance or self-insurance);

(j) an ERISA Event shall have occurred that when taken together with all other such ERISA Events, could reasonably be expected to result in a liability of the Parent Companies, the Borrower or any of the Restricted Subsidiaries in an aggregate amount exceeding \$30,000,000;

(k) except pursuant to a valid, binding and enforceable termination or release permitted under the Loan Documents and executed by the Administrative Agent or as otherwise expressly permitted under any Loan Document, (i) as a result of any action or inaction by a Loan Party, any material provision of any Loan Document shall, at any time after the delivery of such Loan Document, fail to be valid and binding on, or enforceable against, any Loan Party that is a party thereto, (ii) as a result of any action or inaction by a Loan Party, any Loan Document purporting to grant a Lien to secure any Obligation shall, at any time after the delivery of such Loan Document, fail to create a valid and enforceable Lien on any material portion of the Collateral purported to be covered thereby or such Lien shall fail or cease to be a perfected Lien with the priority required in the relevant Loan Document, or (iii) any Loan Party shall state in writing that any of the events described in clause (i) or (ii) above shall have occurred;

(l) there shall have occurred a Change of Control;

(m) the formal written revocation or termination by any Governmental Authority of any Primary License related to Healthcare Facilities to the extent any such revocations or terminations, in the aggregate, could reasonably be expected to result in a Material Adverse Effect; or

(n) there shall have occurred any event of default under any Material Master Lease;

then, and in every such event (other than an event with respect to the Borrower described in paragraph (g) or (h) above), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate forthwith the Commitments and (ii) declare the Loans then outstanding to be forthwith due and payable in whole or in part, whereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and any unpaid accrued Fees and all other liabilities of the Borrower accrued hereunder and under any other Loan Document, shall become forthwith due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding; and in any event with respect to the Borrower described in paragraph (g) or (h) above, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and any unpaid accrued fees and all other liabilities of the Borrower accrued hereunder and under any other Loan Document, shall automatically become due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein or in any other Loan Document to the contrary notwithstanding.

SECTION 9. THE AGENTS

9.1 Appointment. Each Lender hereby irrevocably appoints Welltower Inc. to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are

reasonably incidental thereto. Welltower Inc. hereby accepts such appointment. The provisions of this Article are solely for the benefit of the Agents and the Lenders, and the Borrower shall not have rights as a third-party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to any Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties.

9.2 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the Facility as well as activities as the Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

9.3 Exculpatory Provisions. (a) No Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, no Agent shall: (i) be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing; (ii) have any duty to take any discretionary action or exercise any discretionary powers, except (in the case of the Administrative Agent) discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law; and (iii) except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by such Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 8 and Section 10.1), or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and non-appealable judgment. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default unless and until the Administrative Agent shall have received written notice from a Lender or the Borrower referring to this Agreement, describing such Default and stating that such notice is a “notice of default.”

(c) No Agent-Related Person shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any

Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Section 4 or elsewhere herein, other than (in the case of the Administrative Agent) to confirm receipt of items expressly required to be delivered to it

9.4 Reliance by the Agents. Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to any Borrowing that by its terms shall be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to any such Borrowing. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.5 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Agents hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under the applicable Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Agents hereunder, the Agents shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of either Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.6 Indemnification. Whether or not the transactions contemplated hereby are consummated, each Lender shall indemnify upon demand each Agent-Related Person (to the extent not reimbursed by or on behalf of the Borrower and without limiting the obligations of any Loan Party to do so) on a pro rata basis (determined as of the time that the applicable payment is sought based on each Lender's ratable share at such time) and hold harmless each Agent-Related Person against any and all Indemnified Liabilities incurred by it; provided that no Lender shall be liable for payment to any Agent-Related Person of any portion of such Indemnified Liabilities to the extent determined in a final, non-appealable judgment of a court of competent jurisdiction to have resulted from such Agent-Related Person's own gross negligence or willful misconduct (and no action taken in accordance with the directions of the Required Lender shall be deemed to constitute gross negligence or willful misconduct for purposes of this Section). In the case of any investigation, litigation or proceeding giving rise to any Indemnified Liabilities, this Section applies whether any such investigation, litigation or proceeding is brought by any Lender or any other Person.

Without limitation of the foregoing, each Lender shall reimburse the Administrative Agent upon demand for its ratable share of any costs or out-of-pocket expenses (including the fees, disbursements and other charges of counsel) incurred by the Administrative Agent in connection with preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights and responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Administrative Agent is not reimbursed for such costs or expenses by or on behalf of the Borrower.

To the extent required by any applicable Law, the Administrative Agent may withhold from any payment to any Lender an amount equivalent to any U.S. federal income Tax. If the IRS or any other Governmental Authority asserts a claim that the Administrative Agent did not properly withhold U.S. federal income Tax from amounts paid to or for the account of any Lender because the appropriate form was not delivered or was not properly executed or because such Lender failed to notify the Administrative Agent of a change in circumstance which rendered the exemption from, or reduction of, U.S. federal income Tax ineffective or for any other reason, or if the Administrative Agent reasonably determines that a payment was made to a Lender pursuant to this Agreement without deduction of applicable withholding tax from such payment, such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as Tax or otherwise, including any penalties or interest and together with all reasonable costs and out-of-pocket expenses (including reasonable fees and expenses of counsel) incurred in connection therewith.

9.7 Agent in Its Individual Capacity. Any Agent shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent hereunder, and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as such Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of business with, Ultimate Parent or any Subsidiary or other Affiliate thereof as if such Person were not an Agent hereunder and without any duty to account therefor to the Lenders.

9.8 Successor Agents. The Administrative Agent may resign as Administrative Agent upon 30 days’ notice to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall appoint from among the Lenders a successor agent (which may be an Affiliate of a Lender), with the consent of the Borrower at all times other than during the existence of an Event of Default under Sections 8.1(b), (c), (g) or (h) (which consent shall not be unreasonably withheld or delayed). If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment prior to the effective date of the resignation of the Administrative Agent, then the Administrative Agent may (but shall not be obligated to), on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on such effective date, where (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent may (but shall not be obligated to) continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor’s appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents.

The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Section and Section 9.3 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

9.9 Authorization to Release Liens and Guarantees. The Agents are hereby irrevocably authorized by each of the Lenders to effect any release or subordination of Liens or Guarantee Obligations contemplated by Section 10.15 without further action or consent by the Lenders. The Agents are hereby irrevocably authorized by each of the Lenders to (and to execute any documents or instruments necessary to) enter into any intercreditor agreement contemplated by the terms hereof (including, without limitation, the Intercreditor Agreement and the Material Master Lease Intercreditor Agreements) (and in the case of any such intercreditor agreement entered into prior to the Closing Date, the Lenders hereby ratify and confirm such authority), and the parties hereto acknowledge that such intercreditor agreements are binding upon them. Each Lender (a) hereby agrees that it will be bound by and will take no actions contrary to the provisions of any such intercreditor agreement, (b) hereby authorizes and instructs the Agents to enter into any such intercreditor agreement and to subject the Liens on the Collateral securing the Obligations to the provisions thereof and (c) without any further consent of the Lenders, hereby authorizes and instructs the Agents to negotiate, execute and deliver on behalf of the Secured Parties any intercreditor agreement or any amendment to (or amendment and restatement of) the Security Documents. In addition, each Lender hereby authorizes the Agents to enter into (i) any amendments to any intercreditor agreement, and (ii) any other intercreditor arrangement, in the case of clauses (i) and (ii), to the extent required to give effect to the establishment of intercreditor rights and privileges as contemplated and required or permitted pursuant to this Agreement. Each Lender waives any conflict of interest, now contemplated or arising hereafter, in connection therewith and agrees not to assert against any Agent or any of its affiliates any claims, causes of action, damages or liabilities of whatever kind or nature relating thereto.

9.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to the Borrower, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders, and the Administrative Agent and their respective agents and counsel and all other amounts due to the Lenders, and the Administrative Agent under Sections 2.6 and 10.5(a)) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation,

expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.6 and 10.5(a).

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers.

(a) Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section. The Required Lenders and each Loan Party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding or deleting any provisions to this Agreement or the other Loan Documents or otherwise changing in any manner the rights or obligations of the Agents, the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan or the Commitment Termination Date, extend the scheduled date or reduce the amount of any amortization payment in respect of any Loan, reduce the stated rate of any interest or fee payable hereunder (except that any amendment or modification of defined terms used in the financial ratios in this Agreement, waiver (or amendment to the terms) of any mandatory prepayment or waiver of post-default rates of interest shall not constitute a reduction in the rate of interest or fees or the forgiveness or reduction of principal or interest for purposes of this clause (i)) or extend the scheduled date of any payment thereof, in each case without the written consent of each Lender directly and adversely affected thereby; (ii) eliminate or reduce the voting rights of any Lender under this Section without the written consent of such Lender; (iii) reduce any percentage specified in the definition of "Required Lenders", consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Guarantors from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; (iv) amend, modify or waive any provision of paragraph (a) or (b) of Section 2.14 without the written consent of each Lender directly and adversely affected thereby; (v) amend, modify or waive any provision of Section 9 without the written consent of the Agents; or (vi) amend the assignment provisions of Section 10.6 to make such provisions more restrictive without the written consent of each Lender directly and adversely affected thereby.

(b) Each waiver or consent under any Loan Document shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on any Loan Party shall entitle any Loan Party to any notice or demand in the same, similar or other circumstances. No failure on the part of any Secured Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

(c) Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agents and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Agents shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing unless limited by the terms of such waiver, but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent on any such subsequent or other Default or Event of Default

(d) Notwithstanding the foregoing, this Agreement may be amended upon the request of the Borrower, and without the consent of any other Lender to provide for relevant Replacement Loans (as defined below) in order to permit the refinancing of all outstanding Loans (“Refinanced Loans”) with a replacement term loan tranche hereunder (“Replacement Loans”); provided that (i) the aggregate principal amount of such Replacement Loans shall not exceed the aggregate principal amount of such Refinanced Loans plus interest and fees and the amount of any reasonable fees and expenses incurred in connection with such refinancing, (ii) the Applicable Margin for such Replacement Loans during the period prior to the maturity of such Refinanced Loans shall not be higher than the Applicable Margin for such Refinanced Loans, (iii) the Weighted Average Life to Maturity of such Replacement Loans shall not be shorter than the Weighted Average Life to Maturity of such Refinanced Loans at the time of such refinancing, (iv) until the non-extended Loans have been paid in full, all other terms applicable to such Replacement Loans shall be substantially identical to, or less favorable to the Lenders providing such Replacement Loans than, those applicable to such Refinanced Loans, except to the extent necessary to provide for covenants and other terms applicable to any period after the latest final maturity of the Loans in effect immediately prior to such refinancing (and subject to the terms of the Intercreditor Agreement) and (v) each Lender under the applicable tranche or tranches of Loans being extended shall have the opportunity to participate in such extension on the same terms and conditions as each other Lender in such tranche or tranches; provided that no existing Lender will have any obligation to commit to any such extension.

(e) In addition, notwithstanding anything in this Section to the contrary, if the Administrative Agent and the Borrower shall have jointly identified an obvious error or any error or omission of a technical nature, in each case, in any provision of the Loan Documents, then the Administrative Agent and the Borrower shall be permitted to amend such provision or provision, and, in each case, such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Required Lenders to the Administrative Agent within 10 Business Days following receipt of notice thereof.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or 3 Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice or, subject to the last sentence of this Section, email notice, when received, addressed as follows in the case of the Parent Companies, the Borrower, the Agents, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

The Parent Companies and the Borrower: FC-GEN Operations Investment, LLC
101 East State Street
Kennett Square, PA 19348 USA
Attention: Michael Sherman, Senior Vice President and General Counsel
Telephone: 610-444-6350
Facsimile: 484-733-5449
E-mail: michael.sherman@genesishcc.com

Administrative Agent and Welltower Inc.
Collateral Agent: 4500 Dorr Street
Toledo, Ohio 43615-4040
Attention: Evelyn Evans-Eck, Risk Manager
Telephone: 419-247-2836
Email: eevans@welltower.com

provided that any notice, request or demand to or upon the Agents, the Lenders, the Parent Companies or the Borrower shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Agents; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Agents and the applicable Lender. Each of the Agents may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 Payment of Expenses; Indemnification; Limitation of Liability. (a) The Borrower agrees (i) to pay or reimburse each Agent for all their respective reasonable and documented out-of-pocket costs and expenses incurred in connection with the syndication of the Facility (other than fees payable to syndicate members) and the development, preparation, execution and delivery of this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith and any amendment, supplement or modification thereto, and, as to the Agents only, the administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable and documented fees and disbursements and other charges of counsel to the Agents (including one primary counsel and such local counsel as the Agents may reasonably require in connection with collateral matters, but no more than one counsel in any jurisdiction) in connection with all of the foregoing, (ii) to pay or reimburse each Lender and the Agents for all their documented out-of-pocket costs and expenses incurred in connection with the enforcement of any rights under this Agreement, the other Loan Documents and any such other documents, including, without limitation, the fees and disbursements of one primary counsel to each Lender and the Agents, taken as a whole (and, if necessary, one firm of local counsel in each appropriate jurisdiction (which may include a single special counsel acting in multiple jurisdictions) and in the case of an actual or perceived conflict of interest, of another firm of counsel for such affected Person), and other advisors and professionals engaged by the Administrative Agent in connection with enforcement proceedings, (iii) to pay, indemnify, or reimburse each Lender and the Agents for, and hold each Lender and the Agents harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and similar other Taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents and (iv) to pay, indemnify or reimburse each Lender, each Agent and their respective affiliates, and their respective officers, directors, trustees, employees, advisors, agents and controlling Persons (each, an "Indemnitee") for, and hold each Indemnitee harmless from and against any and all other liabilities, obligations, losses, damages, penalties, costs, expenses or disbursements arising out of any

actions, judgments or suits of any kind or nature whatsoever, arising out of or in connection with any actual or prospective claim, action or proceeding (including any investigation of, preparation for, or defense of any pending or threatened claim, action or proceeding) relating to or otherwise with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including, without limitation, any of the foregoing relating to the making of any Loan, the use of proceeds of the Loans, the violation of, noncompliance with or liability under, any Environmental Law applicable to, or any Environmental Claims or any Environmental Liabilities related to, the operations of the Parent Companies, the Borrower, any of their Subsidiaries or any of the Properties and the fees and disbursements and other charges of one legal counsel for all such Indemnitees, taken as a whole (and, if necessary, one firm of local counsel in each appropriate jurisdiction (which may include a single special counsel acting in multiple jurisdictions) and in the case of an actual or perceived conflict of interest, of another firm of counsel for such affected Indemnitee) in connection therein (all the foregoing in this clause (iv), collectively, the “Indemnified Liabilities”) regardless of whether such Indemnitee is a party thereto, and whether or not any such claim, litigation, investigation or proceeding is brought by the Borrower, their equity holders, their respective Affiliates, their respective creditors or any other Person; provided that neither the Parent Companies nor the Borrower shall have any obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities have resulted from gross negligence or willful misconduct of such Indemnitee or material breach in bad faith of this Agreement by such Indemnitee, in each case, as determined in a final non-appealable judgment of a court of competent jurisdiction. All amounts due under this Section shall be payable promptly after receipt of a reasonably detailed invoice therefor. Statements payable by the Borrower pursuant to this Section shall be submitted to the Borrower at the address thereof set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Obligations.

(b) In no event shall any Agent-Related Person have any liability to any Loan Party, any Lender, or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort or contract or otherwise) arising out of any Loan Party’s or any Agent-Related Person’s transmission of approved electronic communications through the internet or any use of any E-System, except to the extent such liability of any Agent-Related Person is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted primarily from such Agent-Related Person’s gross negligence or willful misconduct; provided that in no event shall any party hereto have any liability to any other Person for indirect, special, incidental, consequential damages or punitive damages (as opposed to direct or actual damages); provided, further, that the foregoing shall not limit the Borrower’s indemnification obligations to the Indemnitees pursuant to Section 10.5(a) in respect of damages incurred or paid by an Indemnitee to a third party. .

10.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b) (i) Subject to the conditions set forth in paragraphs (b)(ii) and (c) below, any Lender may assign to one or more Eligible Assignees (any Person to whom such an assignment and delegation is to be made being herein called an “Assignee”), all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Lenders; provided that no consent of the Lenders shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund (as defined below); and

(B) the Administrative Agent; provided that no consent of the Administrative Agent shall be required for an assignment to a Lender, an Affiliate of a Lender or an Approved Fund (provided that the Administrative Agent shall acknowledge any such assignment).

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans under the Facility, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of (I) the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or (II) if earlier, the "trade date" (if any) specified in such Assignment and Assumption) shall not be less than \$1,000,000 in the case of any assignment in respect of the Facility, unless the Borrower and the Administrative Agent otherwise consent; provided that such amounts shall be aggregated in respect of each Lender and its Affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 (which shall not be payable by the Parent Companies or any of their Affiliates); provided that only one such fee shall be payable in the case of contemporaneous assignments to or by two or more related Approved Funds; and

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire.

For the purposes of this Section, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) (i) an entity or an Affiliate of an entity that administers or manages a Lender or (ii) an entity or an Affiliate of an entity that is the investment advisor to a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 10.5(a)). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) (i) The Administrative Agent, acting as agent of the Borrower shall establish and maintain at its address referred to in Section 10.2 (or at such other address as the Administrative Agent may notify the Borrower) (A) a record of ownership (the "Register") in which the Administrative Agent agrees to register by book entry the interests (including any rights to receive payment hereunder) of the Administrative Agent

and each Lender in the Obligations, each of their obligations under this Agreement to participate in each Loan and any assignment of any such interest, obligation or right and (B) accounts in the applicable Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lenders (and each change thereto pursuant to Section 2.20 and Section 10.6), (2) the Commitments of each applicable Lender, (3) the amount of each Loan and each funding of any participation described in clause (A) above, for Eurodollar Loans, the Interest Period applicable thereto, (4) the amount of any principal or interest due and payable or paid with respect to Loans recorded in the applicable Register and (5) any other payment received by the Administrative Agent from the Borrower and its application to the Obligations.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph. This Section 10.06(b) shall be construed so that the Loans are at all times maintained in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.

(c) [reserved];

(d) [reserved];

(e) [reserved];

(f) [reserved];

(g) [reserved];

(h) Any Lender may, without the consent of the Borrower or the Administrative Agent sell participations to one or more banks or other entities (a "Participant"), but in any event not to the Borrower or any of its Affiliates or Subsidiaries, or certain Persons identified to the Administrative Agent by the Borrower prior to the Closing Date, in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly and adversely affected thereby pursuant to the proviso to the second sentence of Section 10.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section (but, with respect to any particular Participant, to no greater extent than the Lender that sold the participation to such participant except to the extent such participation is made with the Borrower's prior written consent). Each Lender having sold a participation shall maintain a register on which it records the name and address

of each Participant and the amounts of such Participant's participation interest in the Loan and/or the Commitment.

(i) A Participant shall not be entitled to receive any greater payment under Sections 2.15 or 2.16 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent to such greater amounts. No Participant shall be entitled to the benefits of Section 2.16 unless such Participant complies with Section 2.16(d) or (e), as (and to the extent) applicable, as if such Participant were a Lender.

(ii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(i) Any Lender may, without the consent of or notice to the Administrative Agent or the Borrower, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to (i) a Federal Reserve Bank or (ii) any holder of, or trustee for the benefit of the holders of, such Lender's Capital Stock, voting trust certificates, bonds, debentures, instruments and other evidence of Indebtedness, and all warrants, options and other rights to acquire the foregoing, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto. The Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in this paragraph (i).

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by setoff, pursuant to events or proceedings of the nature referred to in Sections 8(g) or (h), or otherwise), other than in connection with assignments hereunder, in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter

recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right after an Event of Default has occurred and is continuing, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) after the expiration of any cure or grace periods, to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final but excluding trust accounts, employee benefit accounts, payroll, petty cash, tax and withholding accounts and the like), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission or by electronic mail in “portable document format” shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the Parent Companies, the Borrower, the Agents and the Lenders with respect to the subject matter hereof and thereof.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission to Jurisdiction; Waivers. Each of the Parent Companies and the Borrower hereby irrevocably and unconditionally:

(a) agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or tort or otherwise, against the Administrative Agent, any Lender, any Related Party of any of the foregoing, in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in a forum other than the courts of the State of New York sitting in New York County, and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Nothing in this Agreement

or in any other Loan Document shall affect any right that the Administrative Agent, the Collateral Agent, any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction;

(b) waives, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (a) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 Acknowledgments. Each of the Parent Companies and the Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) (i) neither the Agents nor any Lender has any fiduciary relationship with or duty to either the Parent Companies or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, (ii) the relationship between the Agents and Lenders, on one hand, and the Parent Companies and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor and (iii) waives, to the fullest extent permitted by applicable law, any claims it may have against any Agent or Lender in respect of such fiduciary relationship claim; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Parent Companies, the Borrower and the Lenders.

10.14 Confidentiality. The Agents and the Lenders agree to treat any and all information, regardless of the medium or form of communication, that is disclosed, provided or furnished, directly or indirectly, by or on behalf of the Parent Companies or any of their affiliates, whether in writing, orally, by observation or otherwise and whether furnished before or after the Closing Date (“Confidential Information”), strictly confidential. Without limiting the foregoing, each Agent and each Lender agrees to maintain the confidentiality of all Confidential Information, and each Agent and each Lender agrees not to disclose Confidential Information, at any time, in any manner whatsoever, directly or indirectly, to any other Person whomsoever, except (1) to its directors, officers, employees, counsel, trustees, agents and other advisors (collectively, the “Representatives”), (2) to prospective Lenders and participants in connection with the syndication (including secondary trading) of the Facility and Commitments and Loans hereunder, in each case who are informed of the confidential nature of the information and agree to observe and be bound by standard confidentiality terms, (3) upon the request or demand of any Governmental

Authority having or purporting to have jurisdiction over it, (4) in response to any order of any Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (5) in connection with any litigation or similar proceeding among the Loan Parties and Affiliates, on one hand, and the Agents and the Lenders and each of their respective Affiliates, on the other hand, (6) that has been publicly disclosed other than in breach of this Section, (7) to any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, (8) to the extent necessary or customary for inclusion in league table measurements, (9) to the extent reasonably required or necessary, in connection with the exercise of any remedy under the Loan Documents or (10) to the extent such Confidential Information was acquired by the Administrative Agent or such Lender in their capacity as landlord or any other role between the Administrative Agent or such Lender on one hand and the Parent Companies or any of their affiliates on the other. Notwithstanding the foregoing provisions herein to the contrary, no protected health information, as defined under HIPAA, shall be used or disclosed hereunder in violation of the HIPAA.

10.15 Release of Collateral and Guarantee Obligations; Subordination of Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, (i) in connection with any Disposition of Property permitted by the Loan Documents or permitted by the Required Lenders the security interest in any Collateral being Disposed of in such Disposition under clause (a)(i) shall be automatically released, (ii) in connection with any transaction permitted by the Loan Documents, which results in any Subsidiary Guarantor becoming a HUD Sub-Facility Entity and/or a HUD RE Entity, in each case, to the extent necessary to comply with requirements of Law related to HUD, the security interest in any Collateral owned by such Subsidiary Guarantor and any pledge of Capital Stock of such Subsidiary Guarantor shall be automatically released (and its Guarantee Obligations shall be terminated) and (iii) upon the request of the Borrower, the Collateral Agent shall (without notice to, or vote or consent of, any Lender, any Hedge Counterparty that is a party to any Specified Hedge Agreement or any Cash Management Counterparty that is a party to any Cash Management Document) take such additional actions as shall be required to evidence release of its security interest in any Collateral being released pursuant to this Section 10.15, and to release any Guarantee Obligations under any Loan Document of any Person being Disposed of in such Disposition under clause (a)(i), to the extent necessary to permit consummation of such Disposition. Any execution and delivery of documents pursuant to the preceding sentence of this Section 10.15 shall be without recourse to or warranty by the Administrative Agent (other than as to the Administrative Agent's authority to execute and deliver such documents). Any representation, warranty or covenant contained in any Loan Document relating to any such Property so Disposed of (other than Property Disposed of to Ultimate Parent or any of its Subsidiaries) shall no longer be deemed to be repeated once such Property is so Disposed of.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations (other than (x) obligations in respect of any Specified Hedge Agreement or Cash Management Document and (y) any contingent or indemnification obligations not then asserted or due) have been paid in full, all Commitments have terminated or expired, the security interest in the Collateral and the Guarantee Obligations under the Loan Document shall be automatically released and, upon request of the Borrower, the Collateral Agent shall (without notice to, or vote or consent of, any Lender, or any affiliate of any Lender that is a party to any Specified Hedge Agreement or Cash Management Document) take such actions as shall be required to evidence the release of its security interest in all Collateral, and the release of all Guarantee Obligations under any Loan Document, whether or not on the date of such release there may be outstanding Obligations in respect of Specified Hedge Agreements or Cash Management Documents or contingent or indemnification obligations not then asserted or due. Any such release of Guarantee Obligations shall be deemed subject to the provision that such Guarantee Obligations shall be reinstated if after such release any portion of any payment in respect of the Obligations guaranteed thereby shall be rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the

Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payment had not been made.

10.16 Accounting Changes. In the event that any Accounting Change (as defined below) shall occur and such change results in a change in the method of calculation of the financial ratios, standards or terms in this Agreement, then the Parent Companies, the Borrower and the Agents agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Parent Companies' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Parent Companies, the Borrower, the Agents and the Required Lenders, the financial ratios and all standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC and shall include changes in the determination of whether a lease is a capital lease or an operating lease under GAAP.

10.17 WAIVERS OF JURY TRIAL. EACH OF THE PARENT COMPANIES, THE BORROWER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.18 USA PATRIOT ACT. Each Lender hereby notifies the Loan Parties that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Loan Parties, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Loan Parties in accordance with the Act.

10.19 Acknowledgement and Consent to Bail-In of EEA Financial Institution. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties to any such Loan Document, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[REMAINDER OF THE PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

GENESIS HEALTHCARE, INC.,
as Ultimate Parent

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: Senior Vice President, Secretary and
Assistant Treasurer

FC-GEN OPERATIONS INVESTMENT, LLC,
as Borrower and LLC Parent

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: Senior Vice President, Secretary and
Assistant Treasurer

GEN OPERATIONS I, LLC,
as Parent

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: Senior Vice President, Secretary and
Assistant Treasurer

GEN OPERATIONS II, LLC,
as Holdings

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: Senior Vice President, Secretary and
Assistant Treasurer

WELLTOWER INC.,
as Administrative Agent and Collateral Agent

By: /s/ Justin Skiver

Name: Justin Skiver

Title: Authorized Signatory

HCRI TUCSON PROPERTIES, INC.,
as Initial Lender

By: /s/ Justin Skiver

Name: Justin Skiver

Title: Authorized Signatory

OHI MEZZ LENDER, LLC,
as Initial Lender

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: COO

AMENDMENT NO. 1 TO CREDIT AGREEMENT

This Amendment No. 1 to Credit Agreement (this “**Agreement**”), dated as of April 28, 2016 (the “**Effective Date**”), is entered into by and among GENESIS HEALTHCARE, INC., a Delaware corporation (“**Genesis Healthcare**”), and Genesis Healthcare’s direct and indirect subsidiaries listed on Annex I hereto (together with Genesis Healthcare, collectively, “**Borrowers**”), the financial institutions who are or hereafter become parties to the Credit Agreement (as defined below) as lenders (the “**Lenders**”) and L/C issuers (“**L/C Issuers**”) and HEALTHCARE FINANCIAL SOLUTIONS, LLC, a Delaware limited liability company, as Administrative Agent for the Lenders and L/C Issuers (in such capacity, and together with its successors and permitted assigns, “**Administrative Agent**”).

WHEREAS, Borrowers, the Lenders, L/C Issuers and Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement, dated as of February 2, 2015, (as it may have been amended, restated, supplemented or otherwise modified through the date hereof, the “**Existing Credit Agreement**” and as amended hereby and as it may be further amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), pursuant to which Administrative Agent, L/C Issuers and Lenders have agreed, among other things, to provide to Borrowers certain loans and other financial accommodations in accordance with the terms and conditions set forth therein;

WHEREAS, Borrowers have requested that Administrative Agent and each Lender agree to amend certain provisions of the Existing Credit Agreement to, in accordance with Section 2.21 of the Credit Agreement, reflect a reduction in the Revolving Credit Commitments in connection with a corresponding increase in the commitments under the HUD Sub-Facility Credit Agreement, which is being amended on or about the date hereof; and

WHEREAS, Administrative Agent and each Lender is willing to agree to Borrowers’ request for such amendments, subject to and in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, Borrowers, Administrative Agent, each Lender and each L/C Issuer each hereby agrees as follows:

1. **Recitals; Definitions.** The foregoing recitals, including all terms defined therein, are incorporated herein and made a part hereof. All capitalized terms used herein (including, without limitation, in the foregoing recitals) and not defined herein shall have the meanings given to such terms in the Credit Agreement and the rules of interpretation set forth in Section 1.4 thereof are incorporated herein *mutatis mutandis*.

2. **Amendment to the Existing Credit Agreement.** Subject to the terms and conditions of this Amendment, including, without limitation, the conditions to effectiveness set forth in Section 3 below, the Existing Credit Agreement is hereby amended by replacing Schedule I of the Existing Credit Agreement in its entirety with Schedule I attached hereto.

3. **Conditions.** The effectiveness of this Agreement is subject to the following conditions, each in form and substance satisfactory to Administrative Agent:

(a) Administrative Agent has received a fully executed copy of this Amendment;

(b) Loan Parties shall have paid all fees, costs and expenses associated with the Amendment; and

(c) Loan Parties shall have delivered such further documents, information, certificates, records and filings as Administrative Agent may reasonably request.

4. **Reaffirmation of Loan Documents.** By executing and delivering this Agreement, each Loan Party hereby (i) reaffirms, ratifies and confirms its Obligations under the Credit Agreement, the Notes and the other Loan Documents, as applicable, (ii) agrees that this Agreement shall be a “Loan Document” under the Credit Agreement and (iii) hereby expressly agrees that the Credit Agreement, the Notes and each other Loan Document shall remain in full force and effect.

5. **Reaffirmation of Grant of Security Interest in Collateral.** Each Loan Party hereby expressly reaffirms, ratifies and confirms its obligations under the Security Agreement, including its mortgage, grant, pledge and hypothecation to Administrative Agent for the benefit of the Secured Parties, of the Lien on and security interest in, all of its right, title and interest in, all of the Collateral.

6. **Confirmation of Representations and Warranties; Liens; No Default.** Each Loan Party that is party hereto hereby confirms that (i) all of the representations and warranties set forth in the Loan Documents to which it is a party continue to be true and correct in all material respects as of the date hereof as if made on the date hereof and as if fully set forth herein, except to the extent (A) such representations and warranties by their terms expressly relate only to a prior date (in which case such representations and warranties shall be true and correct in all material respects as of such prior date) or (B) any such representation or warranty is no longer true, correct or complete due to the occurrence of one or more events that are permitted to occur (or are not otherwise prohibited) under the Loan Documents, (ii) there are no continuing Defaults or Events of Default that have not been waived or cured, (iii) subject to the terms and conditions of the Loan Documents, Administrative Agent has and shall continue to have valid, enforceable and perfected Liens on the Collateral with the priority set forth in the Intercreditor Agreement, for the benefit of the Secured Parties, pursuant to the Loan Documents or otherwise granted to or held by Administrative Agent, for the benefit of the Secured Parties, subject only to Liens expressly permitted pursuant to Section 8.2 of the Credit Agreement, and (iv) the agreements and obligations of Borrowers and each other Loan Party contained in the Loan Documents and in this Agreement constitute the legal, valid and binding obligations of Borrowers and each other Loan Party, enforceable against Borrowers and each other Loan Party in accordance with their respective terms, except to the extent limited by general principles of equity and by bankruptcy, insolvency, fraudulent conveyance, or other similar laws affecting creditors’ rights generally.

7. **No Other Amendments.** Except as expressly set forth in this Agreement, the Credit Agreement and all other Loan Documents shall remain unchanged and in full force and effect. This Agreement shall be limited precisely and expressly as drafted and shall not be construed as consent to the amendment, restatement, modification, supplementation or waiver of any other terms or provisions of the Credit Agreement or any other Loan Document.

8. **Release.** As of the date of this Agreement, each Loan Party (i) agrees that, to its knowledge, Administrative Agent, each L/C Issuer and each Lender has fully complied with its obligations under each Loan Document required to be performed prior to the date hereof, (ii) agrees that no Loan Party has any defenses to the validity, enforceability or binding effect of any Loan Document and (iii) fully and irrevocably releases any claims of any nature whatsoever that it may now have against Administrative Agent, each L/C Issuer and each Lender and relating in any way to this Agreement, the Loan Documents or the transactions contemplated thereby.

9. **Costs and Expenses.** The payment of all fees, costs and expenses incurred by Administrative Agent in connection with the preparation and negotiation of this Agreement shall be governed by Section 11.3 of the Credit Agreement.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

11. **Successors/Assigns.** This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Loan Documents.

12. **Headings.** Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

13. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof. Any party delivering an executed counterpart of this Agreement by facsimile transmission or Electronic Transmission shall also deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or has caused the same to be executed by its duly authorized representatives as of the date first above written.

BORROWERS:

GENESIS HEALTHCARE, INC.

a Delaware corporation

By: /s/ Michael Berg

Name: Michael Berg

Title: Assistant Secretary

GENESIS HEALTHCARE LLC

a Delaware limited liability company

By: /s/ Michael Berg

Name: Michael Berg

Title: Assistant Secretary

**EACH OF THE ENTITIES LISTED ON
ANNEX I**

ATTACHED HERETO:

**By: Genesis HealthCare LLC, its
authorized agent**

By: /s/ Michael Berg

Name: Michael Berg

Title: Assistant Secretary

[Signatures Continue on Following Pages]

ADMINISTRATIVE AGENT:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC, a**
Delaware limited liability company

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

L/C ISSUER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC, a**
Delaware limited liability company

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC**, in its capacity as a Revolving Credit Lender

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

BARCLAYS BANK PLC, in its capacity as a
Revolving Credit Lender

By: /s/ Vanessa A. Kurbatskiy

Name: Vanessa A. Kurbatskiy

Title: Vice President

[Signatures Continue on Following Page]

LENDER:

WELLS FARGO CAPITAL FINANCE, LLC,
in its capacity as a Revolving Credit Lender

By: /s/ Henry Slauson

Name: Henry Slauson

Title: Vice President

[Signatures Continue on Following Page]

LENDER:

CAPITAL ONE, N.A., in its capacity as a
Revolving Credit Lender

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

MIDCAP FUNDING IV TRUST, in its capacity
as a Revolving Credit Lender

By: Apollo Capital Management, L.P., its
investment manager

By: Apollo Capital Management, GP, LLC, its
general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

[End of Signature Pages]

ANNEX I

BORROWERS

1 EMERSON DRIVE NORTH OPERATIONS LLC
1 EMERSON DRIVE SOUTH OPERATIONS LLC
1 MAGNOLIA DRIVE OPERATIONS LLC
1 SUTPHIN DRIVE OPERATIONS LLC
10 WOODLAND DRIVE OPERATIONS LLC
100 CHAMBERS STREET OPERATIONS LLC
100 EDELLA ROAD OPERATIONS LLC
100 ST. CLAIRE DRIVE OPERATIONS LLC
1000 ASSOCIATION DRIVE OPERATIONS LLC
1000 LINCOLN DRIVE OPERATIONS LLC
1000 ORWIGSBURG MANOR DRIVE OPERATIONS LLC
1000 SCHUYLKILL MANOR ROAD OPERATIONS LLC
101 13TH STREET OPERATIONS LLC
1020 SOUTH MAIN STREET OPERATIONS LLC
106 TYREE STREET OPERATIONS LLC
1080 SILVER LAKE BOULEVARD OPERATIONS LLC
11 DAIRY LANE OPERATIONS LLC
1100 NORMAN ESKRIDGE HIGHWAY OPERATIONS LLC
1104 WELSH ROAD OPERATIONS LLC
1113 NORTH EASTON ROAD OPERATIONS LLC
1145 POQUONNOCK ROAD OPERATIONS LLC
115 EAST MELROSE AVENUE OPERATIONS LLC
115 SUNSET ROAD OPERATIONS LLC
1201 RURAL AVENUE OPERATIONS LLC
1203 WALKER ROAD OPERATIONS LLC
12-15 SADDLE RIVER ROAD OPERATIONS LLC
12325 NEW HAMPSHIRE AVENUE DIALYSIS SERVICES LLC
12325 NEW HAMPSHIRE AVENUE OPERATIONS LLC
1240 PINEBROOK ROAD, LLC
1245 CHURCH ROAD OPERATIONS LLC
125 HOLLY ROAD OPERATIONS LLC
1251 RURAL AVENUE OPERATIONS LLC
128 EAST STATE STREET ASSOCIATES, LLC
1350 E. LOOKOUT DRIVE OPERATIONS LLC
1361 ROUTE 72 WEST OPERATIONS LLC
140 PRESCOTT STREET OPERATIONS LLC
1400 WOODLAND AVENUE OPERATIONS LLC
1400 WOODLAND AVENUE PROPERTY LLC
1419 ROUTE 9 NORTH OPERATIONS LLC
144 MAGNOLIA DRIVE OPERATIONS LLC
150 EDELLA ROAD OPERATIONS LLC
1501 SE 24TH ROAD, LLC
1515 LAMBERTS MILL ROAD OPERATIONS LLC
1526 LOMBARD STREET SNF OPERATIONS LLC
1539 COUNTRY CLUB ROAD OPERATIONS LLC
1543 COUNTRY CLUB ROAD MANOR OPERATIONS LLC

Schedule I

16 FUSTING AVENUE OPERATIONS LLC
161 BAKERS RIDGE ROAD OPERATIONS LLC
1631 RITTER DRIVE OPERATIONS LLC
1680 SPRING CREEK ROAD OPERATIONS LLC
1700 PINE STREET OPERATIONS LLC
1700 WYNWOOD DRIVE OPERATIONS LLC
1718 SPRING CREEK ROAD OPERATIONS LLC
175 BLUEBERRY LANE OPERATIONS LLC
1775 HUNTINGTON LANE, LLC
1785 SOUTH HAYES STREET OPERATIONS LLC
1801 TURNPIKE STREET OPERATIONS LLC
1801 WENTWORTH ROAD OPERATIONS LLC
184 BETHLEHEM PIKE OPERATIONS LLC
191 HACKETT HILL ROAD OPERATIONS LLC
1980 SUNSET POINT ROAD, LLC
2 DEER PARK DRIVE OPERATIONS LLC
20 MAITLAND STREET OPERATIONS LLC
20 SUMMIT STREET OPERATIONS LLC
200 MARTER AVENUE OPERATIONS LLC
200 REYNOLDS AVENUE OPERATIONS LLC
200 SOUTH RITCHIE AVENUE OPERATIONS LLC
201 WOOD STREET OPERATIONS LLC
205 ARMSTRONG AVENUE OPERATIONS LLC
2101 FAIRLAND ROAD OPERATIONS LLC
211-213 ANA DRIVE OPERATIONS LLC
22 SOUTH STREET OPERATIONS LLC
22 TUCK ROAD OPERATIONS LLC
2240 WHITE HORSE MERCERVILLE ROAD OPERATIONS LLC
225 EVERGREEN ROAD OPERATIONS LLC
227 EVERGREEN ROAD OPERATIONS LLC
227 PLEASANT STREET OPERATIONS LLC
2305 RANOCAS ROAD OPERATIONS LLC
239 PLEASANT STREET OPERATIONS LLC
24 OLD ETNA ROAD OPERATIONS LLC
24 TRUCKHOUSE ROAD OPERATIONS LLC
240 BARKER ROAD OPERATIONS LLC
25 EAST LINDSLEY ROAD OPERATIONS LLC
25 RIDGEWOOD ROAD OPERATIONS LLC
2507 CHESTNUT STREET OPERATIONS LLC
2600 HIGHLANDS BOULEVARD, NORTH, LLC
2601 EVESHAM ROAD OPERATIONS LLC
262 TOLL GATE ROAD OPERATIONS LLC
2720 CHARLES TOWN ROAD OPERATIONS LLC
290 HANOVER STREET OPERATIONS LLC
290 RED SCHOOL LANE OPERATIONS LLC
2900 TWELFTH STREET NORTH, LLC
292 APPLGARTH ROAD OPERATIONS LLC
3 INDUSTRIAL WAY EAST OPERATIONS LLC
3 PARK DRIVE OPERATIONS LLC
30 PRINCETON BOULEVARD OPERATIONS LLC

Schedule I

30 WEBSTER STREET OPERATIONS LLC
30 WEST AVENUE OPERATIONS LLC
300 COURTRIGHT STREET OPERATIONS LLC
3000 BALFOUR CIRCLE OPERATIONS LLC
3001 EVESHAM ROAD OPERATIONS LLC
302 CEDAR RIDGE ROAD OPERATIONS LLC
315 UPPER RIVERDALE ROAD LLC
32 HOSPITAL HILL ROAD OPERATIONS LLC
3227 BEL PRE ROAD OPERATIONS LLC
329 EXEMPLA CIRCLE OPERATIONS LLC
330 FRANKLIN TURNPIKE OPERATIONS LLC
331 HOLT LANE OPERATIONS LLC
333 GRAND AVENUE OPERATIONS LLC
333 GREEN END AVENUE OPERATIONS LLC
3330 WILKENS AVENUE OPERATIONS LLC
3330 WILKENS AVENUE PROPERTY LLC
336 SOUTH WEST END AVENUE OPERATIONS LLC
3485 DAVISVILLE ROAD OPERATIONS LLC
35 MARC DRIVE OPERATIONS LLC
35 MILKSHAKE LANE OPERATIONS LLC
350 HAWS LANE OPERATIONS LLC
3590 WASHINGTON PIKE OPERATIONS LLC
3590 WASHINGTON PIKE PROPERTY LLC
3809 BAYSHORE ROAD OPERATIONS LLC
3865 TAMPA ROAD, LLC
390 RED SCHOOL LANE OPERATIONS LLC
4 HAZEL AVENUE OPERATIONS LLC
40 PARKHURST ROAD OPERATIONS LLC
400 GROTON ROAD OPERATIONS LLC
4140 OLD WASHINGTON HIGHWAY OPERATIONS LLC
422 23RD STREET OPERATIONS LLC
438 23RD STREET OPERATIONS LLC
44 KEYSTONE DRIVE OPERATIONS LLC
440 NORTH RIVER STREET OPERATIONS LLC
450 EAST PHILADELPHIA AVENUE OPERATIONS LLC
455 BRAYTON AVENUE OPERATIONS LLC
4602 NORTHGATE COURT, LLC
462 MAIN STREET OPERATIONS LLC
464 MAIN STREET OPERATIONS LLC
4901 NORTH MAIN STREET OPERATIONS LLC
4927 VOORHEES ROAD, LLC
5 ROLLING MEADOWS DRIVE OPERATIONS LLC
50 MULBERRY TREE STREET OPERATIONS LLC
500 EAST PHILADELPHIA AVENUE OPERATIONS LLC
500 SOUTH DUPONT BOULEVARD OPERATIONS LLC
5101 NORTH PARK DRIVE OPERATIONS LLC
515 BRIGHTFIELD ROAD OPERATIONS LLC
525 GLENBURN AVENUE OPERATIONS LLC
530 MACOBY STREET OPERATIONS LLC
536 RIDGE ROAD OPERATIONS LLC

Schedule I

54 SHARP STREET OPERATIONS LLC
5485 PERKIOMEN AVENUE OPERATIONS LLC
549 BALTIMORE PIKE OPERATIONS LLC
55 COOPER STREET OPERATIONS LLC
550 GLENWOOD OPERATIONS LLC
550 GLENWOOD PROPERTY LLC
5501 PERKIOMEN AVENUE OPERATIONS LLC
56 WEST FREDERICK STREET OPERATIONS LLC
59 HARRINGTON COURT OPERATIONS LLC
590 NORTH POPLAR FORK ROAD OPERATIONS LLC
600 PAOLI POINTE DRIVE OPERATIONS LLC
6000 BELLONA AVENUE OPERATIONS LLC
6040 HARFORD ROAD OPERATIONS LLC
61 COOPER STREET OPERATIONS LLC
610 DUTCHMAN'S LANE OPERATIONS LLC
610 TOWNBANK ROAD OPERATIONS LLC
613 HAMMONDS LANE OPERATIONS LLC
625 STATE HIGHWAY 34 OPERATIONS LLC
63 COUNTRY VILLAGE ROAD OPERATIONS LLC
642 METACOM AVENUE OPERATIONS LLC
65 COOPER STREET OPERATIONS LLC
650 EDISON AVENUE OPERATIONS LLC
656 DILLON WAY OPERATIONS LLC
660 COMMONWEALTH AVENUE OPERATIONS LLC
677 COURT STREET OPERATIONS LLC
699 SOUTH PARK ROAD OPERATIONS LLC
7 BALDWIN STREET OPERATIONS LLC
70 GILL AVENUE OPERATIONS LLC
700 MARVEL ROAD OPERATIONS LLC
700 TOLL HOUSE AVENUE OPERATIONS LLC
700 TOWN BANK ROAD OPERATIONS LLC
710 JULIAN ROAD OPERATIONS LLC
710 JULIAN ROAD PROPERTY LLC
715 EAST KING STREET OPERATIONS LLC
72 SALMON BROOK DRIVE OPERATIONS LLC
723 SUMMERS STREET OPERATIONS LLC
7232 GERMAN HILL ROAD OPERATIONS LLC
735 PUTNAM PIKE OPERATIONS LLC
7395 W. EASTMAN PLACE OPERATIONS LLC
75 HICKLE STREET OPERATIONS LLC
7520 SURRATTS ROAD OPERATIONS LLC
7525 CARROLL AVENUE OPERATIONS LLC
77 MADISON AVENUE OPERATIONS LLC
7700 YORK ROAD OPERATIONS LLC
777 LAFAYETTE ROAD OPERATIONS LLC
78 OPAL STREET LLC
8 ROSE STREET OPERATIONS LLC
80 MADDEX DRIVE OPERATIONS LLC
800 WEST MINER STREET OPERATIONS LLC
8015 LAWDALE STREET OPERATIONS LLC

Schedule I

810 SOUTH BROOM STREET OPERATIONS LLC
8100 WASHINGTON LANE OPERATIONS LLC
825 SUMMIT STREET OPERATIONS LLC
84 COLD HILL ROAD OPERATIONS LLC
840 LEE ROAD OPERATIONS LLC
841 MERRIMACK STREET OPERATIONS LLC
843 WILBUR AVENUE OPERATIONS LLC
845 PADDOCK AVENUE OPERATIONS LLC
850 PAPER MILL ROAD OPERATIONS LLC
867 YORK ROAD OPERATIONS LLC
8710 EMGE ROAD OPERATIONS LLC
8720 EMGE ROAD OPERATIONS LLC
89 MORTON STREET OPERATIONS LLC
899 CECIL AVENUE OPERATIONS LLC
905 PENLLYN PIKE OPERATIONS LLC
91 COUNTRY VILLAGE ROAD OPERATIONS LLC
9101 SECOND AVENUE OPERATIONS LLC
9109 LIBERTY ROAD OPERATIONS LLC
9109 LIBERTY ROAD PROPERTY LLC
93 MAIN STREET SNF OPERATIONS LLC
932 BROADWAY OPERATIONS LLC
9701 MEDICAL CENTER DRIVE OPERATIONS LLC
9738 WESTOVER HILLS BOULEVARD OPERATIONS LLC
ALEXANDRIA CARE CENTER, LLC
ALTA CARE CENTER, LLC
ANAHEIM TERRACE CARE CENTER, LLC
BAY CREST CARE CENTER, LLC
BELEN MEADOWS HEALTHCARE AND REHABILITATION CENTER, LLC
BELMONT NURSING CENTER, LLC
BETA FACTOR HOME CARE, LLC
BEYONDFaITH HOMECARE & REHAB OF ALBUQUERQUE, LLC
BLUE RIVER KANSAS CITY PROPERTY, LLC
BLUE RIVER REHABILITATION CENTER, LLC
BRADFORD SQUARE NURSING, LLC
BRIER OAK ON SUNSET, LLC
CAREERSTAFF HOLDCO, INC.
CAREERSTAFF UNLIMITED, LLC
CARMEL HILLS HEALTHCARE AND REHABILITATION CENTER, LLC
CARMEL HILLS INDEPENDENCE PROPERTY, LLC
CITY VIEW VILLA, LLC
CLAIRMONT LONGVIEW PROPERTY, LLC
CLAIRMONT LONGVIEW, LLC
CLOVIS HEALTHCARE AND REHABILITATION CENTER, LLC
COLONIAL TYLER CARE CENTER, LLC
CORNERSTONE HOSPICE ARIZONA, LLC
CORNERSTONE HOSPICE CALIFORNIA, LLC
COURTYARD JV LLC
CREEKSIDE HOME CARE II, LLC
CREEKSIDE HOSPICE II, LLC
CRESTVIEW NURSING, LLC

Schedule I

DEVONSHIRE CARE CENTER, LLC
DIANE DRIVE OPERATIONS LLC
ELMCREST CARE CENTER, LLC
FALMOUTH HEALTHCARE, LLC
FC-GEN HOSPICE HOLDINGS, LLC
FC-GEN OPERATIONS INVESTMENT, LLC
FIVE NINETY SIX SHELDON ROAD OPERATIONS LLC
FLATONIA OAK MANOR, LLC
FLORIDA HOLDINGS I, LLC
FLORIDA HOLDINGS II, LLC
FLORIDA HOLDINGS III, LLC
FORT WORTH CENTER OF REHABILITATION, LLC
FORTY EIGHT NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET PROPERTY, LLC
FOUNTAIN CARE CENTER, LLC
FOUNTAIN ORANGE PROPERTY, LLC
FOUNTAIN SENIOR ASSISTED LIVING, LLC
FOUNTAIN VIEW SUBACUTE AND NURSING CENTER, LLC
FRANKLIN WOODS JV LLC
GEN OPERATIONS I, LLC
GEN OPERATIONS II, LLC
GENESIS ADMINISTRATIVE SERVICES LLC
GENESIS BAYVIEW JV HOLDINGS, LLC
GENESIS CARE INNOVATIONS, LLC
GENESIS CO HOLDINGS LLC
GENESIS CT HOLDINGS LLC
GENESIS DE HOLDINGS LLC
GENESIS DIAMOND OPERATIONS LLC
GENESIS ELDERCARE NETWORK SERVICES, LLC
GENESIS ELDERCARE PHYSICIAN SERVICES, LLC
GENESIS ELDERCARE REHABILITATION SERVICES, LLC
GENESIS HEALTH VENTURES OF NEW GARDEN, LLC
GENESIS HEALTHCARE, INC.
GENESIS HOLDINGS, LLC
GENESIS HOSPITALITY SERVICES LLC
GENESIS IP LLC
GENESIS MA HOLDINGS LLC
GENESIS MD HOLDINGS LLC
GENESIS NH HOLDINGS LLC
GENESIS NJ HOLDINGS LLC
GENESIS OMG OPERATIONS LLC
GENESIS OPERATIONS II LLC
GENESIS OPERATIONS III LLC
GENESIS OPERATIONS IV LLC
GENESIS OPERATIONS LLC
GENESIS OPERATIONS V LLC
GENESIS OPERATIONS VI LLC
GENESIS PA HOLDINGS LLC
GENESIS PARTNERSHIP LLC

Schedule I

GENESIS PROSTEP, LLC
GENESIS RI HOLDINGS LLC
GENESIS STAFFING SERVICES LLC
GENESIS TX HOLDINGS LLC
GENESIS VA HOLDINGS LLC
GENESIS VT HOLDINGS LLC
GENESIS WV HOLDINGS LLC
GHC BURLINGTON WOODS DIALYSIS JV LLC
GHC DIALYSIS JV LLC
GHC HOLDINGS II LLC
GHC HOLDINGS LLC
GHC JV HOLDINGS LLC
GHC MATAWAN DIALYSIS JV LLC
GHC PAYROLL LLC
GHC PROPERTY MANAGEMENT LLC
GHC RANDALLSTOWN DIALYSIS JV LLC
GHC SELECTCARE LLC
GHC TX OPERATIONS LLC
GHC WINDSOR DIALYSIS JV LLC
GRANITE LEDGES JV LLC
GRANT MANOR LLC
GREAT FALLS HEALTH CARE COMPANY, L.L.C.
GRS JV LLC
GUADALUPE SEGUIN PROPERTY, LLC
GUADALUPE VALLEY NURSING CENTER, LLC
HALLETTSVILLE REHABILITATION AND NURSING CENTER, LLC
HALLMARK INVESTMENT GROUP, LLC
HALLMARK REHABILITATION GP, LLC
HANCOCK PARK REHABILITATION CENTER, LLC
HARBORSIDE CONNECTICUT LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE DANBURY LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE HEALTH I LLC
HARBORSIDE HEALTHCARE ADVISORS LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE, LLC
HARBORSIDE MASSACHUSETTS LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE NEW HAMPSHIRE LIMITED PARTNERSHIP
 By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HARBORSIDE NORTH TOLEDO LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF CLEVELAND LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF DAYTON LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF OHIO LIMITED PARTNERSHIP

Schedule I

By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE POINT PLACE, LLC
HARBORSIDE REHABILITATION LIMITED PARTNERSHIP
By: CAREERSTAFF UNLIMITED, INC., its general partner
HARBORSIDE RHODE ISLAND LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE SWANTON, LLC
HARBORSIDE SYLVANIA, LLC
HARBORSIDE TOLEDO BUSINESS LLC
HARBORSIDE TOLEDO LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HARBORSIDE TROY, LLC
HBR BARDWELL LLC
HBR BARKELY DRIVE, LLC
HBR BOWLING GREEN LLC
HBR BROWNSVILLE, LLC
HBR CAMPBELL LANE, LLC
HBR DANBURY, LLC
HBR ELIZABETHTOWN, LLC
HBR KENTUCKY, LLC
HBR LEWISPORT, LLC
HBR MADISONVILLE, LLC
HBR OWENSBORO, LLC
HBR PADUCAH, LLC
HBR STAMFORD, LLC
HBR TRUMBULL, LLC
HBR WOODBURN, LLC
HC 63 OPERATIONS LLC
HHCI LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HIGHLAND HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE PROPERTY, LLC
HOME HEALTH CARE OF THE WEST, LLC
HOSPICE CARE OF THE WEST, LLC
HOSPITALITY LUBBOCK PROPERTY, LLC
HOSPITALITY NURSING AND REHABILITATION CENTER, LLC
HUNTINGTON PLACE LIMITED PARTNERSHIP
By: 1775 HUNTINGTON LANE, LLC, its general partner
INDEPENDENCE MISSOURI PROPERTY, LLC
KANSAS CITY TRANSITIONAL CARE CENTER, LLC
KENNETT CENTER, L.P.
By: GENESIS HEALTH VENTURES OF NEW GARDEN, INC., its general partner KHI
LLC
KLONDIKE MANOR LLC
LEGACY HOME CARE II, LLC
LEGACY HOSPICE II, LLC
LEISURE YEARS NURSING, LLC
LIBERTY TERRACE HEALTHCARE AND REHABILITATION CENTER, LLC
LIBERTY TERRACE MISSOURI PROPERTY, LLC
LIVE OAK NURSING CENTER, LLC

Schedule I

LOUISBURG HEALTHCARE AND REHABILITATION CENTER, LLC
MAGNOLIA JV LLC
MARIETTA HEALTHCARE, LLC
MARYLAND HARBORSIDE LLC
MASHPEE HEALTHCARE, LLC
MASSACHUSETTS HOLDINGS I, LLC
MASTHEAD, LLC
MONTANA PREMIER CARE, LLC
MONTEBELLO CARE CENTER, LLC
MONUMENT LA GRANGE PROPERTY, LLC
MONUMENT REHABILITATION AND NURSING CENTER, LLC
NEVADA PREMIER CARE, LLC
NINE HAYWOOD AVENUE OPERATIONS LLC
OAKLAND MANOR NURSING CENTER, LLC
ODD LOT LLC
OHIO HOLDINGS I, LLC
OWENTON MANOR NURSING, LLC
PDDTSE LLC
PEAK MEDICAL ASSISTED LIVING, LLC
PEAK MEDICAL COLORADO NO. 2, LLC
PEAK MEDICAL COLORADO NO. 3, LLC
PEAK MEDICAL IDAHO OPERATIONS HOLDCO, INC.
PEAK MEDICAL IDAHO OPERATIONS, LLC
PEAK MEDICAL LAS CRUCES NO. 2, LLC
PEAK MEDICAL LAS CRUCES, LLC
PEAK MEDICAL MONTANA OPERATIONS, LLC
PEAK MEDICAL NEW MEXICO NO. 3, LLC
PEAK MEDICAL OF BOISE, LLC
PEAK MEDICAL OF COLORADO, LLC
PEAK MEDICAL OF IDAHO, LLC
PEAK MEDICAL OF ROSWELL HOLDCO, INC.
PEAK MEDICAL OF UTAH HOLDCO, INC.
PEAK MEDICAL OF UTAH, LLC
PEAK MEDICAL ROSWELL, LLC
PEAK MEDICAL, LLC
PINE TREE VILLA LLC
PM OXYGEN SERVICES, LLC
PREFERRED DESIGN, LLC
PROCARE ONE NURSES, LLC
PROPERTY RESOURCE HOLDINGS, LLC
REGENCY HEALTH SERVICES HOLDCO, INC.
REGENCY HEALTH SERVICES, LLC
REGENCY NURSING, LLC
RESPIRATORY HEALTH SERVICES LLC
RIO HONDO SUBACUTE AND NURSING CENTER, LLC
RIVERSIDE RETIREMENT LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
ROCKY MOUNTAIN HOME CARE II, LLC
ROCKY MOUNTAIN HOSPICE OF BILLINGS, LLC
ROCKY MOUNTAIN HOSPICE OF BUTTE, LLC

Schedule I

ROCKY MOUNTAIN HOSPICE OF MISSOULA, LLC
ROMNEY HEALTH CARE CENTER LIMITED PARTNERSHIP
By: GENESIS OPERATIONS VI LLC, its general partner
ROUTE 92 OPERATIONS LLC
ROYALWOOD CARE CENTER, LLC
SADDLE SHOP ROAD OPERATIONS LLC
SALISBURY JV LLC
SHARON CARE CENTER, LLC
SHAWNEE GARDENS HEALTHCARE AND REHABILITATION CENTER, LLC
SHAWNEE PROPERTY, LLC
SHG PARTNERSHIP, LLC
SHG RESOURCES, LLC
SIGNATURE HOSPICE & HOME HEALTH, LLC
SKIES HEALTHCARE AND REHABILITATION CENTER, LLC
SKILES AVENUE AND STERLING DRIVE OPERATIONS LLC
SKILLED HEALTHCARE, LLC
SOUTHWEST PAYROLL SERVICES, LLC
SOUTHWOOD AUSTIN PROPERTY, LLC
SOUTHWOOD CARE CENTER, LLC
SPRING SENIOR ASSISTED LIVING, LLC
SR-73 AND LAKESIDE AVENUE OPERATIONS LLC
ST. ANTHONY HEALTHCARE AND REHABILITATION CENTER, LLC
ST. CATHERINE HEALTHCARE AND REHABILITATION CENTER, LLC
ST. ELIZABETH HEALTHCARE AND REHABILITATION CENTER, LLC
ST. JOHN HEALTHCARE AND REHABILITATION CENTER, LLC
ST. THERESA HEALTHCARE AND REHABILITATION CENTER, LLC
STATE STREET ASSOCIATES, L.P.

By: STATE STREET ASSOCIATES, INC., its general partner

STATE STREET KENNETT SQUARE, LLC
STILLWELL ROAD OPERATIONS LLC
SUMMIT CARE PARENT, LLC
SUMMIT CARE PHARMACY, LLC
SUMMIT CARE, LLC
SUN HEALTHCARE GROUP, INC.
SUN VALLEY HOME CARE II, LLC
SUN VALLEY HOSPICE II, LLC
SUNBRIDGE BECKLEY HEALTH CARE LLC
SUNBRIDGE BRASWELL ENTERPRISES, LLC
SUNBRIDGE BRITTANY REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE BRITTANY REHABILITATION CENTER, LLC
SUNBRIDGE CARE ENTERPRISES WEST, LLC
SUNBRIDGE CARE ENTERPRISES, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE CHARLTON HEALTHCARE, LLC
SUNBRIDGE CIRCLEVILLE HEALTH CARE LLC
SUNBRIDGE CLIPPER HOME OF PORTSMOUTH, LLC
SUNBRIDGE CLIPPER HOME OF ROCHESTER, LLC
SUNBRIDGE DUNBAR HEALTH CARE LLC
SUNBRIDGE GARDENDALE HEALTH CARE CENTER, LLC

Schedule I

SUNBRIDGE GLENVILLE HEALTH CARE, LLC
SUNBRIDGE GOODWIN NURSING HOME HOLDCO, INC.
SUNBRIDGE GOODWIN NURSING HOME, LLC
SUNBRIDGE HALLMARK HEALTH SERVICES HOLDCO, INC.
SUNBRIDGE HALLMARK HEALTH SERVICES, LLC
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER LLC
SUNBRIDGE HEALTHCARE, LLC
SUNBRIDGE JEFF DAVIS HEALTHCARE, LLC
SUNBRIDGE MARION HEALTH CARE LLC
SUNBRIDGE MEADOWBROOK REHABILITATION CENTER LLC
SUNBRIDGE MOUNTAIN CARE MANAGEMENT HOLDCO, INC.
SUNBRIDGE MOUNTAIN CARE MANAGEMENT, LLC
SUNBRIDGE NURSING HOME, LLC
SUNBRIDGE OF HARRIMAN, LLC
SUNBRIDGE PARADISE REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE PARADISE REHABILITATION CENTER, LLC
SUNBRIDGE PUTNAM HEALTH CARE LLC
SUNBRIDGE REGENCY-NORTH CAROLINA, LLC
SUNBRIDGE REGENCY-TENNESSEE, LLC
SUNBRIDGE RETIREMENT CARE ASSOCIATES, LLC
SUNBRIDGE SALEM HEALTH CARE LLC
SUNBRIDGE SHANDIN HILLS REHABILITATION CENTER LLC
SUNBRIDGE STOCKTON REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE STOCKTON REHABILITATION CENTER, LLC
SUNBRIDGE SUMMERS LANDING HOLDCO, INC.
SUNBRIDGE SUMMERS LANDING, LLC
SUNBRIDGE WEST TENNESSEE HOLDCO, INC.
SUNBRIDGE WEST TENNESSEE, LLC
SUNDANCE REHABILITATION AGENCY, LLC
SUNDANCE REHABILITATION HOLDCO, INC.
SUNDANCE REHABILITATION LLC
SUNMARK OF NEW MEXICO, LLC
THE CLAIRMONT TYLER, LLC
THE EARLWOOD, LLC
THE HEIGHTS OF SUMMERLIN, LLC
THE REHABILITATION CENTER OF ALBUQUERQUE, LLC
THE REHABILITATION CENTER OF INDEPENDENCE, LLC
THE REHABILITATION CENTER OF OMAHA, LLC
THIRTY FIVE BEL-AIRE DRIVE SNF OPERATIONS LLC
THREE MILE CURVE OPERATIONS LLC
TOWN AND COUNTRY BOERNE PROPERTY, LLC
TOWN AND COUNTRY MANOR, LLC
VINTAGE PARK AT ATCHISON, LLC
VINTAGE PARK AT BALDWIN CITY, LLC
VINTAGE PARK AT EUREKA, LLC
VINTAGE PARK AT FREDONIA, LLC
VINTAGE PARK AT GARDNER, LLC
VINTAGE PARK AT HIAWATHA, LLC
VINTAGE PARK AT HOLTON, LLC

Schedule I

VINTAGE PARK AT LENEXA, LLC
VINTAGE PARK AT LOUISBURG, LLC
VINTAGE PARK AT NEODESHA, LLC
VINTAGE PARK AT OSAGE CITY, LLC
VINTAGE PARK AT OSAWATOMIE, LLC
VINTAGE PARK AT OTTAWA, LLC
VINTAGE PARK AT PAOLA, LLC
VINTAGE PARK AT SAN MARTIN, LLC
VINTAGE PARK AT STANLEY, LLC
VINTAGE PARK AT TONGANOXIE, LLC
VINTAGE PARK AT WAMEGO, LLC
VINTAGE PARK AT WATERFRONT, LLC
WAKEFIELD HEALTHCARE, LLC
WESTFIELD HEALTHCARE, LLC
WESTWOOD MEDICAL PARK OPERATIONS LLC
WILLOW CREEK HEALTHCARE CENTER, LLC
WOODLAND CARE CENTER, LLC
WOODSPOINT LLC
ONE PRICE DRIVE OPERATIONS LLC
1165 EASTON AVENUE OPERATIONS LLC
1165 EASTON AVENUE PROPERTY, LLC
120 MURRAY STREET OPERATIONS LLC
120 MURRAY STREET PROPERTY LLC
1351 OLD FREEHOLD ROAD OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE PROPERTY, LLC
201 NEW ROAD OPERATIONS LLC
2015 EAST WEST HIGHWAY OPERATIONS LLC
2015 EAST WEST HIGHWAY PROPERTY, LLC
23 FAIR STREET OPERATIONS LLC
23 FAIR STREET PROPERTY, LLC
261 TERHUNE DRIVE OPERATIONS LLC
261 TERHUNE DRIVE PROPERTY, LLC
279 CABOT STREET OPERATIONS LLC
279 CABOT STREET PROPERTY LLC
3000 HILLTOP ROAD OPERATIONS LLC
3000 HILLTOP ROAD PROPERTY, LLC
40 WHITEHALL ROAD OPERATIONS LLC
40 WHITEHALL ROAD PROPERTY LLC
400 29TH STREET NORTHEAST OPERATIONS LLC
400 29TH STREET NORTHEAST PROPERTY LLC
475 JACK MARTIN BOULEVARD OPERATIONS LLC
4755 SOUTH 48TH STREET OPERATIONS LLC
4755 SOUTH 48TH STREET PROPERTY LLC
55 KONDRACKI LANE OPERATIONS LLC
55 KONDRACKI LANE PROPERTY, LLC
56 HAMILTON AVENUE OPERATIONS LLC
740 OAK HILL ROAD OPERATIONS LLC
740 OAK HILL ROAD PROPERTY LLC
800 MEDCALF LANE NORTH OPERATIONS LLC

Schedule I

800 MEDCALF LANE NORTH PROPERTY LLC
8000 ILIFF DRIVE OPERATIONS LLC
8000 ILIFF DRIVE PROPERTY LLC

Schedule I

AMENDMENT NO. 2 TO CREDIT AGREEMENT

This Amendment No. 2 to Credit Agreement (this “**Agreement**”), dated as of May 19, 2016 (the “**Effective Date**”), is entered into by and among GENESIS HEALTHCARE, INC., a Delaware corporation (“**Genesis Healthcare**”), and Genesis Healthcare’s direct and indirect subsidiaries listed on Annex I hereto (together with Genesis Healthcare, collectively, “**Borrowers**”), the financial institutions who are or hereafter become parties to the Credit Agreement (as defined below) as lenders (the “**Lenders**”) and L/C issuers (“**L/C Issuers**”) and HEALTHCARE FINANCIAL SOLUTIONS, LLC, a Delaware limited liability company, as Administrative Agent for the Lenders and L/C Issuers (in such capacity, and together with its successors and permitted assigns, “**Administrative Agent**”).

WHEREAS, Borrowers, the Lenders, L/C Issuers and Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement, dated as of February 2, 2015, as amended by that certain Amendment No. 1 to Credit Agreement, dated as of April 28, 2016 (as it may have been further amended, restated, supplemented or otherwise modified through the date hereof, the “**Existing Credit Agreement**” and as amended hereby and as it may be further amended, restated, supplemented or otherwise modified from time to time, the “**Credit Agreement**”), pursuant to which Administrative Agent, L/C Issuers and Lenders have agreed, among other things, to provide to Borrowers certain loans and other financial accommodations in accordance with the terms and conditions set forth therein;

WHEREAS, Borrowers have requested that Administrative Agent and each Lender agree to amend certain provisions of the Existing Credit Agreement to, in accordance with Section 2.21 of the Credit Agreement, reflect a reduction in the Revolving Credit Commitments in connection with a corresponding increase in the commitments under the HUD Sub-Facility Credit Agreement, which is being amended on or about the date hereof; and

WHEREAS, Administrative Agent and each Lender is willing to agree to Borrowers’ request for such amendments, subject to and in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, Borrowers, Administrative Agent, each Lender and each L/C Issuer each hereby agrees as follows:

1. **Recitals; Definitions.** The foregoing recitals, including all terms defined therein, are incorporated herein and made a part hereof. All capitalized terms used herein (including, without limitation, in the foregoing recitals) and not defined herein shall have the meanings given to such terms in the Credit Agreement and the rules of interpretation set forth in Section 1.4 thereof are incorporated herein *mutatis mutandis*.

2. **Amendment to the Existing Credit Agreement.** Subject to the terms and conditions of this Amendment, including, without limitation, the conditions to effectiveness set forth in Section 3 below, the Existing Credit Agreement is hereby amended by replacing Schedule I of the Existing Credit Agreement in its entirety with Schedule I attached hereto.

3. **Conditions.** The effectiveness of this Agreement is subject to the following conditions, each in form and substance satisfactory to Administrative Agent:

- (a) Administrative Agent has received a fully executed copy of this Amendment;
- (b) Loan Parties shall have paid all fees, costs and expenses associated with the Amendment; and

(c) Loan Parties shall have delivered such further documents, information, certificates, records and filings as Administrative Agent may reasonably request.

4. **Reaffirmation of Loan Documents.** By executing and delivering this Agreement, each Loan Party hereby (i) reaffirms, ratifies and confirms its Obligations under the Credit Agreement, the Notes and the other Loan Documents, as applicable, (ii) agrees that this Agreement shall be a “Loan Document” under the Credit Agreement and (iii) hereby expressly agrees that the Credit Agreement, the Notes and each other Loan Document shall remain in full force and effect.

5. **Reaffirmation of Grant of Security Interest in Collateral.** Each Loan Party hereby expressly reaffirms, ratifies and confirms its obligations under the Security Agreement, including its mortgage, grant, pledge and hypothecation to Administrative Agent for the benefit of the Secured Parties, of the Lien on and security interest in, all of its right, title and interest in, all of the Collateral.

6. **Confirmation of Representations and Warranties; Liens; No Default.** Each Loan Party that is party hereto hereby confirms that (i) all of the representations and warranties set forth in the Loan Documents to which it is a party continue to be true and correct in all material respects as of the date hereof as if made on the date hereof and as if fully set forth herein, except to the extent (A) such representations and warranties by their terms expressly relate only to a prior date (in which case such representations and warranties shall be true and correct in all material respects as of such prior date) or (B) any such representation or warranty is no longer true, correct or complete due to the occurrence of one or more events that are permitted to occur (or are not otherwise prohibited) under the Loan Documents, (ii) there are no continuing Defaults or Events of Default that have not been waived or cured, (iii) subject to the terms and conditions of the Loan Documents, Administrative Agent has and shall continue to have valid, enforceable and perfected Liens on the Collateral with the priority set forth in the Intercreditor Agreement, for the benefit of the Secured Parties, pursuant to the Loan Documents or otherwise granted to or held by Administrative Agent, for the benefit of the Secured Parties, subject only to Liens expressly permitted pursuant to Section 8.2 of the Credit Agreement, and (iv) the agreements and obligations of Borrowers and each other Loan Party contained in the Loan Documents and in this Agreement constitute the legal, valid and binding obligations of Borrowers and each other Loan Party, enforceable against Borrowers and each other Loan Party in accordance with their respective terms, except to the extent limited by general principles of equity and by bankruptcy, insolvency, fraudulent conveyance, or other similar laws affecting creditors’ rights generally.

7. **No Other Amendments.** Except as expressly set forth in this Agreement, the Credit Agreement and all other Loan Documents shall remain unchanged and in full force and effect. This Agreement shall be limited precisely and expressly as drafted and shall not be construed as consent to the amendment, restatement, modification, supplementation or waiver of any other terms or provisions of the Credit Agreement or any other Loan Document.

8. **Release.** As of the date of this Agreement, each Loan Party (i) agrees that, to its knowledge, Administrative Agent, each L/C Issuer and each Lender has fully complied with its obligations under each Loan Document required to be performed prior to the date hereof, (ii) agrees that no Loan Party has any defenses to the validity, enforceability or binding effect of any Loan Document and (iii) fully and irrevocably releases any claims of any nature whatsoever that it may now have against Administrative Agent, each L/C Issuer and each Lender and relating in any way to this Agreement, the Loan Documents or the transactions contemplated thereby.

9. **Costs and Expenses.** The payment of all fees, costs and expenses incurred by Administrative Agent in connection with the preparation and negotiation of this Agreement shall be governed by Section 11.3 of the Credit Agreement.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

11. **Successors/Assigns.** This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Loan Documents.

12. **Headings.** Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

13. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof. Any party delivering an executed counterpart of this Agreement by facsimile transmission or Electronic Transmission shall also deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or has caused the same to be executed by its duly authorized representatives as of the date first above written.

BORROWERS:

GENESIS HEALTHCARE, INC.
a Delaware corporation

By: /s/ Michael Berg
Name: Michael Berg
Title: Assistant Secretary

GENESIS HEALTHCARE LLC
a Delaware limited liability company

By: /s/ Michael Berg
Name: Michael Berg
Title: Assistant Secretary

**EACH OF THE ENTITIES LISTED ON
ANNEX I ATTACHED HERETO:**

**By: Genesis HealthCare LLC, its
authorized
agent**

By: /s/ Michael Berg
Name: Michael Berg
Title: Assistant Secretary

[Signatures Continue on Following Pages]

ADMINISTRATIVE AGENT:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC, a**
Delaware limited liability company

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

L/C ISSUER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC, a**
Delaware limited liability company

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC, in**
its capacity as a Revolving Credit Lender

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

BARCLAYS BANK PLC, in its capacity as a
Revolving Credit Lender

By: /s/ Marguerite Sutton

Name: Marguerite Sutton

Title: Vice President

[Signatures Continue on Following Page]

LENDER:

WELLS FARGO CAPITAL FINANCE, LLC,
in its
capacity as a Revolving Credit Lender

By: /s/ Henry Slauson
Name: Henry Slauson
Title: Vice President

[Signatures Continue on Following Page]

LENDER:

CAPITAL ONE, N.A., in its capacity as a
Revolving
Credit Lender

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

ADMINISTRATIVE AGENT:

MIDCAP FUNDING IV TRUST, in its
capacity as
a Revolving Credit Lender

By: Apollo Capital Management, L.P., its
investment manager

By: Apollo Capital Management, GP, LLC, its
general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

[End of Signature Pages]

ANNEX I
BORROWERS

1 EMERSON DRIVE NORTH OPERATIONS LLC
1 EMERSON DRIVE SOUTH OPERATIONS LLC
1 MAGNOLIA DRIVE OPERATIONS LLC
1 SUTPHIN DRIVE OPERATIONS LLC
10 WOODLAND DRIVE OPERATIONS LLC
100 CHAMBERS STREET OPERATIONS LLC
100 EDELLA ROAD OPERATIONS LLC
100 ST. CLAIRE DRIVE OPERATIONS LLC
1000 ASSOCIATION DRIVE OPERATIONS LLC
1000 LINCOLN DRIVE OPERATIONS LLC
1000 ORWIGSBURG MANOR DRIVE OPERATIONS LLC
1000 SCHUYLKILL MANOR ROAD OPERATIONS LLC
101 13TH STREET OPERATIONS LLC
1020 SOUTH MAIN STREET OPERATIONS LLC
106 TYREE STREET OPERATIONS LLC
1080 SILVER LAKE BOULEVARD OPERATIONS LLC
11 DAIRY LANE OPERATIONS LLC
1100 NORMAN ESKRIDGE HIGHWAY OPERATIONS LLC
1104 WELSH ROAD OPERATIONS LLC
1113 NORTH EASTON ROAD OPERATIONS LLC
1145 POQUONNOCK ROAD OPERATIONS LLC
115 EAST MELROSE AVENUE OPERATIONS LLC
115 SUNSET ROAD OPERATIONS LLC
1201 RURAL AVENUE OPERATIONS LLC
1203 WALKER ROAD OPERATIONS LLC
12-15 SADDLE RIVER ROAD OPERATIONS LLC
12325 NEW HAMPSHIRE AVENUE DIALYSIS SERVICES LLC
12325 NEW HAMPSHIRE AVENUE OPERATIONS LLC
1240 PINEBROOK ROAD, LLC
1245 CHURCH ROAD OPERATIONS LLC
125 HOLLY ROAD OPERATIONS LLC
1251 RURAL AVENUE OPERATIONS LLC
128 EAST STATE STREET ASSOCIATES, LLC
1350 E. LOOKOUT DRIVE OPERATIONS LLC
1361 ROUTE 72 WEST OPERATIONS LLC
140 PRESCOTT STREET OPERATIONS LLC
1400 WOODLAND AVENUE OPERATIONS LLC
1400 WOODLAND AVENUE PROPERTY LLC
1419 ROUTE 9 NORTH OPERATIONS LLC
144 MAGNOLIA DRIVE OPERATIONS LLC
150 EDELLA ROAD OPERATIONS LLC
1501 SE 24TH ROAD, LLC
1515 LAMBERTS MILL ROAD OPERATIONS LLC
1526 LOMBARD STREET SNF OPERATIONS LLC
1539 COUNTRY CLUB ROAD OPERATIONS LLC

Schedule I

1543 COUNTRY CLUB ROAD MANOR OPERATIONS LLC
16 FUSTING AVENUE OPERATIONS LLC
161 BAKERS RIDGE ROAD OPERATIONS LLC
1631 RITTER DRIVE OPERATIONS LLC
1680 SPRING CREEK ROAD OPERATIONS LLC
1700 PINE STREET OPERATIONS LLC
1700 WYNWOOD DRIVE OPERATIONS LLC
1718 SPRING CREEK ROAD OPERATIONS LLC
175 BLUEBERRY LANE OPERATIONS LLC
1775 HUNTINGTON LANE, LLC
1785 SOUTH HAYES STREET OPERATIONS LLC
1801 TURNPIKE STREET OPERATIONS LLC
1801 WENTWORTH ROAD OPERATIONS LLC
184 BETHLEHEM PIKE OPERATIONS LLC
191 HACKETT HILL ROAD OPERATIONS LLC
1980 SUNSET POINT ROAD, LLC
2 DEER PARK DRIVE OPERATIONS LLC
20 MAITLAND STREET OPERATIONS LLC
20 SUMMIT STREET OPERATIONS LLC
200 MARTER AVENUE OPERATIONS LLC
200 REYNOLDS AVENUE OPERATIONS LLC
200 SOUTH RITCHIE AVENUE OPERATIONS LLC
201 WOOD STREET OPERATIONS LLC
205 ARMSTRONG AVENUE OPERATIONS LLC
2101 FAIRLAND ROAD OPERATIONS LLC
211-213 ANA DRIVE OPERATIONS LLC
22 SOUTH STREET OPERATIONS LLC
22 TUCK ROAD OPERATIONS LLC
2240 WHITE HORSE MERCERVILLE ROAD OPERATIONS LLC
225 EVERGREEN ROAD OPERATIONS LLC
227 EVERGREEN ROAD OPERATIONS LLC
227 PLEASANT STREET OPERATIONS LLC
2305 RANCOCAS ROAD OPERATIONS LLC
239 PLEASANT STREET OPERATIONS LLC
24 OLD ETNA ROAD OPERATIONS LLC
24 TRUCKHOUSE ROAD OPERATIONS LLC
240 BARKER ROAD OPERATIONS LLC
25 EAST LINDSLEY ROAD OPERATIONS LLC
25 RIDGEWOOD ROAD OPERATIONS LLC
2507 CHESTNUT STREET OPERATIONS LLC
2600 HIGHLANDS BOULEVARD, NORTH, LLC
2601 EVESHAM ROAD OPERATIONS LLC
262 TOLL GATE ROAD OPERATIONS LLC
2720 CHARLES TOWN ROAD OPERATIONS LLC
290 HANOVER STREET OPERATIONS LLC
290 RED SCHOOL LANE OPERATIONS LLC
2900 TWELFTH STREET NORTH, LLC
292 APPLGARTH ROAD OPERATIONS LLC
3 INDUSTRIAL WAY EAST OPERATIONS LLC

Schedule I

3 PARK DRIVE OPERATIONS LLC
30 PRINCETON BOULEVARD OPERATIONS LLC
30 WEBSTER STREET OPERATIONS LLC
30 WEST AVENUE OPERATIONS LLC
300 COURTRIGHT STREET OPERATIONS LLC
3000 BALFOUR CIRCLE OPERATIONS LLC
3001 EVESHAM ROAD OPERATIONS LLC
302 CEDAR RIDGE ROAD OPERATIONS LLC
315 UPPER RIVERDALE ROAD LLC
32 HOSPITAL HILL ROAD OPERATIONS LLC
3227 BEL PRE ROAD OPERATIONS LLC
329 EXEMPLA CIRCLE OPERATIONS LLC
330 FRANKLIN TURNPIKE OPERATIONS LLC
331 HOLT LANE OPERATIONS LLC
333 GRAND AVENUE OPERATIONS LLC
333 GREEN END AVENUE OPERATIONS LLC
3330 WILKENS AVENUE OPERATIONS LLC
3330 WILKENS AVENUE PROPERTY LLC
336 SOUTH WEST END AVENUE OPERATIONS LLC
3485 DAVISVILLE ROAD OPERATIONS LLC
35 MARC DRIVE OPERATIONS LLC
35 MILKSHAKE LANE OPERATIONS LLC
350 HAWS LANE OPERATIONS LLC
3590 WASHINGTON PIKE OPERATIONS LLC
3590 WASHINGTON PIKE PROPERTY LLC
3809 BAYSHORE ROAD OPERATIONS LLC
3865 TAMPA ROAD, LLC
390 RED SCHOOL LANE OPERATIONS LLC
4 HAZEL AVENUE OPERATIONS LLC
40 PARKHURST ROAD OPERATIONS LLC
400 GROTON ROAD OPERATIONS LLC
4140 OLD WASHINGTON HIGHWAY OPERATIONS LLC
422 23RD STREET OPERATIONS LLC
438 23RD STREET OPERATIONS LLC
44 KEYSTONE DRIVE OPERATIONS LLC
440 NORTH RIVER STREET OPERATIONS LLC
450 EAST PHILADELPHIA AVENUE OPERATIONS LLC
455 BRAYTON AVENUE OPERATIONS LLC
4602 NORTHGATE COURT, LLC
462 MAIN STREET OPERATIONS LLC
464 MAIN STREET OPERATIONS LLC
4901 NORTH MAIN STREET OPERATIONS LLC
4927 VOORHEES ROAD, LLC
5 ROLLING MEADOWS DRIVE OPERATIONS LLC
50 MULBERRY TREE STREET OPERATIONS LLC
500 EAST PHILADELPHIA AVENUE OPERATIONS LLC
500 SOUTH DUPONT BOULEVARD OPERATIONS LLC
5101 NORTH PARK DRIVE OPERATIONS LLC
515 BRIGHTFIELD ROAD OPERATIONS LLC

Schedule I

525 GLENBURN AVENUE OPERATIONS LLC
530 MACOBY STREET OPERATIONS LLC
536 RIDGE ROAD OPERATIONS LLC
54 SHARP STREET OPERATIONS LLC
5485 PERKIOMEN AVENUE OPERATIONS LLC
549 BALTIMORE PIKE OPERATIONS LLC
55 COOPER STREET OPERATIONS LLC
550 GLENWOOD OPERATIONS LLC
550 GLENWOOD PROPERTY LLC
5501 PERKIOMEN AVENUE OPERATIONS LLC
56 WEST FREDERICK STREET OPERATIONS LLC
59 HARRINGTON COURT OPERATIONS LLC
590 NORTH POPLAR FORK ROAD OPERATIONS LLC
600 PAOLI POINTE DRIVE OPERATIONS LLC
6000 BELLONA AVENUE OPERATIONS LLC
6040 HARFORD ROAD OPERATIONS LLC
61 COOPER STREET OPERATIONS LLC
610 DUTCHMAN'S LANE OPERATIONS LLC
610 TOWNBANK ROAD OPERATIONS LLC
613 HAMMONDS LANE OPERATIONS LLC
625 STATE HIGHWAY 34 OPERATIONS LLC
63 COUNTRY VILLAGE ROAD OPERATIONS LLC
642 METACOM AVENUE OPERATIONS LLC
65 COOPER STREET OPERATIONS LLC
650 EDISON AVENUE OPERATIONS LLC
656 DILLON WAY OPERATIONS LLC
660 COMMONWEALTH AVENUE OPERATIONS LLC
677 COURT STREET OPERATIONS LLC
699 SOUTH PARK ROAD OPERATIONS LLC
7 BALDWIN STREET OPERATIONS LLC
70 GILL AVENUE OPERATIONS LLC
700 MARVEL ROAD OPERATIONS LLC
700 TOLL HOUSE AVENUE OPERATIONS LLC
700 TOWN BANK ROAD OPERATIONS LLC
710 JULIAN ROAD OPERATIONS LLC
710 JULIAN ROAD PROPERTY LLC
715 EAST KING STREET OPERATIONS LLC
72 SALMON BROOK DRIVE OPERATIONS LLC
723 SUMMERS STREET OPERATIONS LLC
7232 GERMAN HILL ROAD OPERATIONS LLC
735 PUTNAM PIKE OPERATIONS LLC
7395 W. EASTMAN PLACE OPERATIONS LLC
75 HICKLE STREET OPERATIONS LLC
7520 SURRATTS ROAD OPERATIONS LLC
7525 CARROLL AVENUE OPERATIONS LLC
77 MADISON AVENUE OPERATIONS LLC
7700 YORK ROAD OPERATIONS LLC
777 LAFAYETTE ROAD OPERATIONS LLC
78 OPAL STREET LLC

Schedule I

8 ROSE STREET OPERATIONS LLC
80 MADDEX DRIVE OPERATIONS LLC
800 WEST MINER STREET OPERATIONS LLC
8015 LAWDALE STREET OPERATIONS LLC
810 SOUTH BROOM STREET OPERATIONS LLC
8100 WASHINGTON LANE OPERATIONS LLC
825 SUMMIT STREET OPERATIONS LLC
84 COLD HILL ROAD OPERATIONS LLC
840 LEE ROAD OPERATIONS LLC
841 MERRIMACK STREET OPERATIONS LLC
843 WILBUR AVENUE OPERATIONS LLC
845 PADDOCK AVENUE OPERATIONS LLC
850 PAPER MILL ROAD OPERATIONS LLC
867 YORK ROAD OPERATIONS LLC
8710 EMGE ROAD OPERATIONS LLC
8720 EMGE ROAD OPERATIONS LLC
89 MORTON STREET OPERATIONS LLC
899 CECIL AVENUE OPERATIONS LLC
905 PENLLYN PIKE OPERATIONS LLC
91 COUNTRY VILLAGE ROAD OPERATIONS LLC
9101 SECOND AVENUE OPERATIONS LLC
9109 LIBERTY ROAD OPERATIONS LLC
9109 LIBERTY ROAD PROPERTY LLC
93 MAIN STREET SNF OPERATIONS LLC
932 BROADWAY OPERATIONS LLC
9701 MEDICAL CENTER DRIVE OPERATIONS LLC
9738 WESTOVER HILLS BOULEVARD OPERATIONS LLC
ALEXANDRIA CARE CENTER, LLC
ALTA CARE CENTER, LLC
ANAHEIM TERRACE CARE CENTER, LLC
BAY CREST CARE CENTER, LLC
BELEN MEADOWS HEALTHCARE AND REHABILITATION CENTER, LLC
BELMONT NURSING CENTER, LLC
BETA FACTOR HOME CARE, LLC
BEYONDFaITH HOMECARE & REHAB OF ALBUQUERQUE, LLC
BLUE RIVER KANSAS CITY PROPERTY, LLC
BLUE RIVER REHABILITATION CENTER, LLC
BRADFORD SQUARE NURSING, LLC
BRIER OAK ON SUNSET, LLC
CAREERSTAFF HOLDCO, INC.
CAREERSTAFF UNLIMITED, LLC
CARMEL HILLS HEALTHCARE AND REHABILITATION CENTER, LLC
CARMEL HILLS INDEPENDENCE PROPERTY, LLC
CITY VIEW VILLA, LLC
CLAIRMONT LONGVIEW PROPERTY, LLC
CLAIRMONT LONGVIEW, LLC
CLOVIS HEALTHCARE AND REHABILITATION CENTER, LLC
COLONIAL TYLER CARE CENTER, LLC
CORNERSTONE HOSPICE ARIZONA, LLC

Schedule I

CORNERSTONE HOSPICE CALIFORNIA, LLC
COURTYARD JV LLC
CREEKSIDE HOME CARE II, LLC
CREEKSIDE HOSPICE II, LLC
CRESTVIEW NURSING, LLC
DEVONSHIRE CARE CENTER, LLC
DIANE DRIVE OPERATIONS LLC
ELMCREST CARE CENTER, LLC
FALMOUTH HEALTHCARE, LLC
FC-GEN HOSPICE HOLDINGS, LLC
FC-GEN OPERATIONS INVESTMENT, LLC
FIVE NINETY SIX SHELDON ROAD OPERATIONS LLC
FLATONIA OAK MANOR, LLC
FLORIDA HOLDINGS I, LLC
FLORIDA HOLDINGS II, LLC
FLORIDA HOLDINGS III, LLC
FORT WORTH CENTER OF REHABILITATION, LLC
FORTY EIGHT NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET PROPERTY, LLC
FOUNTAIN CARE CENTER, LLC
FOUNTAIN ORANGE PROPERTY, LLC
FOUNTAIN SENIOR ASSISTED LIVING, LLC
FOUNTAIN VIEW SUBACUTE AND NURSING CENTER, LLC
FRANKLIN WOODS JV LLC
GEN OPERATIONS I, LLC
GEN OPERATIONS II, LLC
GENESIS ADMINISTRATIVE SERVICES LLC
GENESIS BAYVIEW JV HOLDINGS, LLC
GENESIS CARE INNOVATIONS, LLC
GENESIS CO HOLDINGS LLC
GENESIS CT HOLDINGS LLC
GENESIS DE HOLDINGS LLC
GENESIS DIAMOND OPERATIONS LLC
GENESIS ELDERCARE NETWORK SERVICES, LLC
GENESIS ELDERCARE PHYSICIAN SERVICES, LLC
GENESIS ELDERCARE REHABILITATION SERVICES, LLC
GENESIS HEALTH VENTURES OF NEW GARDEN, LLC
GENESIS HEALTHCARE, INC.
GENESIS HOLDINGS, LLC
GENESIS HOSPITALITY SERVICES LLC
GENESIS IP LLC
GENESIS MA HOLDINGS LLC
GENESIS MD HOLDINGS LLC
GENESIS NH HOLDINGS LLC
GENESIS NJ HOLDINGS LLC
GENESIS OMG OPERATIONS LLC
GENESIS OPERATIONS II LLC
GENESIS OPERATIONS III LLC

Schedule I

GENESIS OPERATIONS IV LLC
GENESIS OPERATIONS LLC
GENESIS OPERATIONS V LLC
GENESIS OPERATIONS VI LLC
GENESIS PA HOLDINGS LLC
GENESIS PARTNERSHIP LLC
GENESIS PROSTEP, LLC
GENESIS RI HOLDINGS LLC
GENESIS STAFFING SERVICES LLC
GENESIS TX HOLDINGS LLC
GENESIS VA HOLDINGS LLC
GENESIS VT HOLDINGS LLC
GENESIS WV HOLDINGS LLC
GHC BURLINGTON WOODS DIALYSIS JV LLC
GHC DIALYSIS JV LLC
GHC HOLDINGS II LLC
GHC HOLDINGS LLC
GHC JV HOLDINGS LLC
GHC MATAWAN DIALYSIS JV LLC
GHC PAYROLL LLC
GHC PROPERTY MANAGEMENT LLC
GHC RANDALLSTOWN DIALYSIS JV LLC
GHC SELECTCARE LLC
GHC TX OPERATIONS LLC
GHC WINDSOR DIALYSIS JV LLC
GRANITE LEDGES JV LLC
GRANT MANOR LLC
GREAT FALLS HEALTH CARE COMPANY, L.L.C.
GRS JV LLC
GUADALUPE SEGUIN PROPERTY, LLC
GUADALUPE VALLEY NURSING CENTER, LLC
HALLETTSVILLE REHABILITATION AND NURSING CENTER, LLC
HALLMARK INVESTMENT GROUP, LLC
HALLMARK REHABILITATION GP, LLC
HANCOCK PARK REHABILITATION CENTER, LLC
HARBORSIDE CONNECTICUT LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE DANBURY LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE HEALTH I LLC
HARBORSIDE HEALTHCARE ADVISORS LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE, LLC
HARBORSIDE MASSACHUSETTS LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE NEW HAMPSHIRE LIMITED PARTNERSHIP
 By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner

Schedule I

HARBORSIDE NORTH TOLEDO LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF CLEVELAND LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF DAYTON LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF OHIO LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE POINT PLACE, LLC
HARBORSIDE REHABILITATION LIMITED PARTNERSHIP
By: CAREERSTAFF UNLIMITED, INC., its general partner
HARBORSIDE RHODE ISLAND LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE SWANTON, LLC
HARBORSIDE SYLVANIA, LLC
HARBORSIDE TOLEDO BUSINESS LLC
HARBORSIDE TOLEDO LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HARBORSIDE TROY, LLC
HBR BARDWELL LLC
HBR BARKELY DRIVE, LLC
HBR BOWLING GREEN LLC
HBR BROWNSVILLE, LLC
HBR CAMPBELL LANE, LLC
HBR DANBURY, LLC
HBR ELIZABETHTOWN, LLC
HBR KENTUCKY, LLC
HBR LEWISPORT, LLC
HBR MADISONVILLE, LLC
HBR OWENSBORO, LLC
HBR PADUCAH, LLC
HBR STAMFORD, LLC
HBR TRUMBULL, LLC
HBR WOODBURN, LLC
HC 63 OPERATIONS LLC
HHCI LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HIGHLAND HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE PROPERTY, LLC
HOME HEALTH CARE OF THE WEST, LLC
HOSPICE CARE OF THE WEST, LLC
HOSPITALITY LUBBOCK PROPERTY, LLC
HOSPITALITY NURSING AND REHABILITATION CENTER, LLC
HUNTINGTON PLACE LIMITED PARTNERSHIP
By: 1775 HUNTINGTON LANE, LLC, its general partner
INDEPENDENCE MISSOURI PROPERTY, LLC
KANSAS CITY TRANSITIONAL CARE CENTER, LLC
KENNETT CENTER, L.P.

Schedule I

By: GENESIS HEALTH VENTURES OF NEW GARDEN, INC., its general partner KHI
LLC

KLONDIKE MANOR LLC
LEGACY HOME CARE II, LLC
LEGACY HOSPICE II, LLC
LEISURE YEARS NURSING, LLC
LIBERTY TERRACE HEALTHCARE AND REHABILITATION CENTER, LLC
LIBERTY TERRACE MISSOURI PROPERTY, LLC
LIVE OAK NURSING CENTER, LLC
LOUISBURG HEALTHCARE AND REHABILITATION CENTER, LLC
MAGNOLIA JV LLC
MARIETTA HEALTHCARE, LLC
MARYLAND HARBORSIDE LLC
MASHPEE HEALTHCARE, LLC
MASSACHUSETTS HOLDINGS I, LLC
MASTHEAD, LLC
MONTANA PREMIER CARE, LLC
MONTEBELLO CARE CENTER, LLC
MONUMENT LA GRANGE PROPERTY, LLC
MONUMENT REHABILITATION AND NURSING CENTER, LLC
NEVADA PREMIER CARE, LLC
NINE HAYWOOD AVENUE OPERATIONS LLC
OAKLAND MANOR NURSING CENTER, LLC
ODD LOT LLC
OHIO HOLDINGS I, LLC
OWENTON MANOR NURSING, LLC
PDDTSE LLC
PEAK MEDICAL ASSISTED LIVING, LLC
PEAK MEDICAL COLORADO NO. 2, LLC
PEAK MEDICAL COLORADO NO. 3, LLC
PEAK MEDICAL IDAHO OPERATIONS HOLDCO, INC.
PEAK MEDICAL IDAHO OPERATIONS, LLC
PEAK MEDICAL LAS CRUCES NO. 2, LLC
PEAK MEDICAL LAS CRUCES, LLC
PEAK MEDICAL MONTANA OPERATIONS, LLC
PEAK MEDICAL NEW MEXICO NO. 3, LLC
PEAK MEDICAL OF BOISE, LLC
PEAK MEDICAL OF COLORADO, LLC
PEAK MEDICAL OF IDAHO, LLC
PEAK MEDICAL OF ROSWELL HOLDCO, INC.
PEAK MEDICAL OF UTAH HOLDCO, INC.
PEAK MEDICAL OF UTAH, LLC
PEAK MEDICAL ROSWELL, LLC
PEAK MEDICAL, LLC
PINE TREE VILLA LLC
PM OXYGEN SERVICES, LLC
PREFERRED DESIGN, LLC
PROCARE ONE NURSES, LLC
PROPERTY RESOURCE HOLDINGS, LLC
REGENCY HEALTH SERVICES HOLDCO, INC.

Schedule I

REGENCY HEALTH SERVICES, LLC
REGENCY NURSING, LLC
RESPIRATORY HEALTH SERVICES LLC
RIO HONDO SUBACUTE AND NURSING CENTER, LLC
RIVERSIDE RETIREMENT LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
ROCKY MOUNTAIN HOME CARE II, LLC
ROCKY MOUNTAIN HOSPICE OF BILLINGS, LLC
ROCKY MOUNTAIN HOSPICE OF BUTTE, LLC
ROCKY MOUNTAIN HOSPICE OF MISSOULA, LLC
ROMNEY HEALTH CARE CENTER LIMITED PARTNERSHIP
By: GENESIS OPERATIONS VI LLC, its general partner
ROUTE 92 OPERATIONS LLC
ROYALWOOD CARE CENTER, LLC
SADDLE SHOP ROAD OPERATIONS LLC
SALISBURY JV LLC
SHARON CARE CENTER, LLC
SHAWNEE GARDENS HEALTHCARE AND REHABILITATION CENTER, LLC
SHAWNEE PROPERTY, LLC
SHG PARTNERSHIP, LLC
SHG RESOURCES, LLC
SIGNATURE HOSPICE & HOME HEALTH, LLC
SKIES HEALTHCARE AND REHABILITATION CENTER, LLC
SKILES AVENUE AND STERLING DRIVE OPERATIONS LLC
SKILLED HEALTHCARE, LLC
SOUTHWEST PAYROLL SERVICES, LLC
SOUTHWOOD AUSTIN PROPERTY, LLC
SOUTHWOOD CARE CENTER, LLC
SPRING SENIOR ASSISTED LIVING, LLC
SR-73 AND LAKESIDE AVENUE OPERATIONS LLC
ST. ANTHONY HEALTHCARE AND REHABILITATION CENTER, LLC
ST. CATHERINE HEALTHCARE AND REHABILITATION CENTER, LLC
ST. ELIZABETH HEALTHCARE AND REHABILITATION CENTER, LLC
ST. JOHN HEALTHCARE AND REHABILITATION CENTER, LLC
ST. THERESA HEALTHCARE AND REHABILITATION CENTER, LLC
STATE STREET ASSOCIATES, L.P.
By: STATE STREET ASSOCIATES, INC., its general partner
STATE STREET KENNETT SQUARE, LLC
STILLWELL ROAD OPERATIONS LLC
SUMMIT CARE PARENT, LLC
SUMMIT CARE PHARMACY, LLC
SUMMIT CARE, LLC
SUN HEALTHCARE GROUP, INC.
SUN VALLEY HOME CARE II, LLC
SUN VALLEY HOSPICE II, LLC
SUNBRIDGE BECKLEY HEALTH CARE LLC
SUNBRIDGE BRASWELL ENTERPRISES, LLC
SUNBRIDGE BRITTANY REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE BRITTANY REHABILITATION CENTER, LLC

Schedule I

SUNBRIDGE CARE ENTERPRISES WEST, LLC
SUNBRIDGE CARE ENTERPRISES, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE CHARLTON HEALTHCARE, LLC
SUNBRIDGE CIRCLEVILLE HEALTH CARE LLC
SUNBRIDGE CLIPPER HOME OF PORTSMOUTH, LLC
SUNBRIDGE CLIPPER HOME OF ROCHESTER, LLC
SUNBRIDGE DUNBAR HEALTH CARE LLC
SUNBRIDGE GARDENDALE HEALTH CARE CENTER, LLC
SUNBRIDGE GLENVILLE HEALTH CARE, LLC
SUNBRIDGE GOODWIN NURSING HOME HOLDCO, INC.
SUNBRIDGE GOODWIN NURSING HOME, LLC
SUNBRIDGE HALLMARK HEALTH SERVICES HOLDCO, INC.
SUNBRIDGE HALLMARK HEALTH SERVICES, LLC
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER LLC
SUNBRIDGE HEALTHCARE, LLC
SUNBRIDGE JEFF DAVIS HEALTHCARE, LLC
SUNBRIDGE MARION HEALTH CARE LLC
SUNBRIDGE MEADOWBROOK REHABILITATION CENTER LLC
SUNBRIDGE MOUNTAIN CARE MANAGEMENT HOLDCO, INC.
SUNBRIDGE MOUNTAIN CARE MANAGEMENT, LLC
SUNBRIDGE NURSING HOME, LLC
SUNBRIDGE OF HARRIMAN, LLC
SUNBRIDGE PARADISE REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE PARADISE REHABILITATION CENTER, LLC
SUNBRIDGE PUTNAM HEALTH CARE LLC
SUNBRIDGE REGENCY-NORTH CAROLINA, LLC
SUNBRIDGE REGENCY-TENNESSEE, LLC
SUNBRIDGE RETIREMENT CARE ASSOCIATES, LLC
SUNBRIDGE SALEM HEALTH CARE LLC
SUNBRIDGE SHANDIN HILLS REHABILITATION CENTER LLC
SUNBRIDGE STOCKTON REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE STOCKTON REHABILITATION CENTER, LLC
SUNBRIDGE SUMMERS LANDING HOLDCO, INC.
SUNBRIDGE SUMMERS LANDING, LLC
SUNBRIDGE WEST TENNESSEE HOLDCO, INC.
SUNBRIDGE WEST TENNESSEE, LLC
SUNDANCE REHABILITATION AGENCY, LLC
SUNDANCE REHABILITATION HOLDCO, INC.
SUNDANCE REHABILITATION LLC
SUNMARK OF NEW MEXICO, LLC
THE CLAIRMONT TYLER, LLC
THE EARLWOOD, LLC
THE HEIGHTS OF SUMMERLIN, LLC
THE REHABILITATION CENTER OF ALBUQUERQUE, LLC
THE REHABILITATION CENTER OF INDEPENDENCE, LLC
THE REHABILITATION CENTER OF OMAHA, LLC

Schedule I

THIRTY FIVE BEL-AIRE DRIVE SNF OPERATIONS LLC
THREE MILE CURVE OPERATIONS LLC
TOWN AND COUNTRY BOERNE PROPERTY, LLC
TOWN AND COUNTRY MANOR, LLC
VINTAGE PARK AT ATCHISON, LLC
VINTAGE PARK AT BALDWIN CITY, LLC
VINTAGE PARK AT EUREKA, LLC
VINTAGE PARK AT FREDONIA, LLC
VINTAGE PARK AT GARDNER, LLC
VINTAGE PARK AT HIAWATHA, LLC
VINTAGE PARK AT HOLTON, LLC
VINTAGE PARK AT LENEXA, LLC
VINTAGE PARK AT LOUISBURG, LLC
VINTAGE PARK AT NEODESHA, LLC
VINTAGE PARK AT OSAGE CITY, LLC
VINTAGE PARK AT OSAWATOMIE, LLC
VINTAGE PARK AT OTTAWA, LLC
VINTAGE PARK AT PAOLA, LLC
VINTAGE PARK AT SAN MARTIN, LLC
VINTAGE PARK AT STANLEY, LLC
VINTAGE PARK AT TONGANOXIE, LLC
VINTAGE PARK AT WAMEGO, LLC
VINTAGE PARK AT WATERFRONT, LLC
WAKEFIELD HEALTHCARE, LLC
WESTFIELD HEALTHCARE, LLC
WESTWOOD MEDICAL PARK OPERATIONS LLC
WILLOW CREEK HEALTHCARE CENTER, LLC
WOODLAND CARE CENTER, LLC
WOODSPOINT LLC
ONE PRICE DRIVE OPERATIONS LLC
1165 EASTON AVENUE OPERATIONS LLC
1165 EASTON AVENUE PROPERTY, LLC
120 MURRAY STREET OPERATIONS LLC
120 MURRAY STREET PROPERTY LLC
1351 OLD FREEHOLD ROAD OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE PROPERTY, LLC
201 NEW ROAD OPERATIONS LLC
2015 EAST WEST HIGHWAY OPERATIONS LLC
2015 EAST WEST HIGHWAY PROPERTY, LLC
23 FAIR STREET OPERATIONS LLC
23 FAIR STREET PROPERTY, LLC
261 TERHUNE DRIVE OPERATIONS LLC
261 TERHUNE DRIVE PROPERTY, LLC
279 CABOT STREET OPERATIONS LLC
279 CABOT STREET PROPERTY LLC
3000 HILLTOP ROAD OPERATIONS LLC
3000 HILLTOP ROAD PROPERTY, LLC
40 WHITEHALL ROAD OPERATIONS LLC

Schedule I

40 WHITEHALL ROAD PROPERTY LLC
400 29TH STREET NORTHEAST OPERATIONS LLC
400 29TH STREET NORTHEAST PROPERTY LLC
475 JACK MARTIN BOULEVARD OPERATIONS LLC
4755 SOUTH 48TH STREET OPERATIONS LLC
4755 SOUTH 48TH STREET PROPERTY LLC
55 KONDRACKI LANE OPERATIONS LLC
55 KONDRACKI LANE PROPERTY, LLC
56 HAMILTON AVENUE OPERATIONS LLC
740 OAK HILL ROAD OPERATIONS LLC
740 OAK HILL ROAD PROPERTY LLC
800 MEDCALF LANE NORTH OPERATIONS LLC
800 MEDCALF LANE NORTH PROPERTY LLC
8000 ILIFF DRIVE OPERATIONS LLC
8000 ILIFF DRIVE PROPERTY LLC

Schedule I

AMENDMENT NO. 3 TO CREDIT AGREEMENT

This Amendment No. 3 to Credit Agreement (this "**Agreement**"), dated as of July 29, 2016 (the "**Effective Date**"), is entered into by and among GENESIS HEALTHCARE, INC., a Delaware corporation ("**Genesis Healthcare**"), and Genesis Healthcare's direct and indirect subsidiaries listed on Annex I hereto (together with Genesis Healthcare, collectively, "**Borrowers**"), the financial institutions who are or hereafter become parties to the Credit Agreement (as defined below) as lenders (the "**Lenders**") and L/C issuers ("**L/C Issuers**") and HEALTHCARE FINANCIAL SOLUTIONS, LLC, a Delaware limited liability company, as Administrative Agent for the Lenders and L/C Issuers (in such capacity, and together with its successors and permitted assigns, "**Administrative Agent**").

WHEREAS, Borrowers, the Lenders, L/C Issuers and Administrative Agent are parties to that certain Third Amended and Restated Credit Agreement, dated as of February 2, 2015, as amended by that certain Amendment No. 1 to Credit Agreement, dated as of April 28, 2016, and that certain Amendment No. 2 to Credit Agreement, dated as of May 19, 2016 (as it may have been further amended, restated, supplemented or otherwise modified through the date hereof, the "**Existing Credit Agreement**" and as amended hereby and as it may be further amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), pursuant to which Administrative Agent, L/C Issuers and Lenders have agreed, among other things, to provide to Borrowers certain loans and other financial accommodations in accordance with the terms and conditions set forth therein;

WHEREAS, Borrowers have requested that Administrative Agent and each Lender agree to amend certain provisions of the Existing Credit Agreement; and

WHEREAS, Administrative Agent and each Lender is willing to agree to Borrowers' request for such amendments, subject to and in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, Borrowers, Administrative Agent, each Lender and each L/C Issuer each hereby agrees as follows:

1. **Recitals; Definitions.** The foregoing recitals, including all terms defined therein, are incorporated herein and made a part hereof. All capitalized terms used herein (including, without limitation, in the foregoing recitals) and not defined herein shall have the meanings given to such terms in the Credit Agreement and the rules of interpretation set forth in Section 1.4 thereof are incorporated herein *mutatis mutandis*.

2. **Amendments to the Existing Credit Agreement.** Subject to the terms and conditions of this Agreement, including, without limitation, the conditions to effectiveness set forth in Section 3 below:

(a) The Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: stricken text) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of the Credit Agreement attached as Exhibit A hereto; and

(b) Exhibits A, B, C, D, E, F, G, J, L and M to the Existing Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: stricken text) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages of such Exhibits to the Credit Agreement attached as Exhibit B hereto.

(c) Exhibit I to the Existing Credit Agreement shall be replaced in its entirety with the form of Borrowing Base Certificate attached hereto as Exhibit C.

(d) Exhibit K to the Existing Credit Agreement shall be replaced in its entirety with the form of Intercreditor Agreement attached hereto as Exhibit D.

3. **Conditions.** The effectiveness of this Agreement is subject to the following conditions, each in form and substance satisfactory to Administrative Agent:

(a) Administrative Agent shall have received a fully executed copy of this Agreement;

(b) Loan Parties shall have delivered to Administrative Agent that certain fee letter, dated as of or before the date hereof, between Administrative Agent and Genesis Healthcare;

(c) Administrative Agent shall have received copies of UCC and other appropriate search reports and of all effective prior filings listed therein, together with evidence of the termination of such prior filings and other documents with respect to the priority of the security interest of Administrative Agent in the Collateral, in each case as may be reasonably requested by Administrative Agent;

(d) Administrative Agent shall have received a certificate of the secretary or other officer of each Loan Party attaching such Loan Party's Constituent Documents (except that in lieu of delivering true, complete and correct copies of such Constituent Documents, the secretary may certify that the Constituent Documents have not been amended, modified, or rescinded since the delivery of the Secretary's Certificate last delivered to Administrative Agent, and that such Constituent Documents remain in full force and effect as of the date hereof) and resolutions approving the transactions contemplated hereby;

(e) Administrative Agent shall have received a certificate executed by a Responsible Officer of Genesis Healthcare to the effect that (i) no Default or Event of Default shall have occurred or be continuing or result from this Amendment, and (ii) all of the representations and warranties set forth in the Loan Documents to which it is a party continue to be true and correct in all material respects as of the date hereof as if made on the date hereof and as if fully set forth herein, except to the extent (A) such representations and warranties by their terms expressly relate only to a prior date (in which case such representations and warranties shall be true and correct in all material respects as of such prior date) or (B) any such representation or warranty is no longer true, correct or complete due to the occurrence of one or more events that are permitted to occur (or are not otherwise prohibited) under the Loan Documents;

(f) Administrative Agent shall have received a Compliance Certificate duly executed by a Responsible Officer of Ultimate Parent and substantially in the form of Exhibit H to the Credit Agreement;

(g) Administrative Agent shall have received a Borrowing Base Certificate duly executed by a Responsible Officer of Ultimate Parent and substantially in the form of Exhibit I to the Credit Agreement;

(h) Administrative Agent shall have received a duly executed favorable opinion of Skadden, Arps, Slate, Meagher & Flom LLP, as Delaware, California, Illinois, Massachusetts, Texas and New York counsel to the Loan Parties, addressed to Administrative Agent, the L/C Issuers and the Lenders;

(i) Administrative Agent shall have received fully executed copies of the following documents: (i) the Term Loan Agreement and other Term Loan Documents, (ii) the Intercreditor

Agreement, (iii) the Lease Consent and Amendment Agreements, (iv) the Master Lease Intercreditor Agreements and (v) a payoff letter in respect of the indebtedness under the Original Term Loan Agreement.

(j) After giving effect to this Agreement, no Default or Event of Default shall have occurred and be continuing as of the date hereof under this Agreement, the Credit Agreement or any other Loan Document;

(k) Loan Parties shall have paid all fees, costs and expenses associated with the Agreement; and

(l) Loan Parties shall have delivered such further documents, information, certificates, records and filings as Administrative Agent may reasonably request.

4. **Reaffirmation of Loan Documents.** By executing and delivering this Agreement, each Loan Party hereby (i) reaffirms, ratifies and confirms its Obligations under the Credit Agreement, the Notes and the other Loan Documents, as applicable, (ii) agrees that this Agreement shall be a "Loan Document" under the Credit Agreement and (iii) hereby expressly agrees that the Credit Agreement, the Notes and each other Loan Document shall remain in full force and effect.

5. **Reaffirmation of Grant of Security Interest in Collateral.** Each Loan Party hereby expressly reaffirms, ratifies and confirms its obligations under the Security Agreement, including its mortgage, grant, pledge and hypothecation to Administrative Agent for the benefit of the Secured Parties, of the Lien on and security interest in, all of its right, title and interest in, all of the Collateral.

6. **Confirmation of Representations and Warranties; Liens; No Default.** Each Loan Party that is party hereto hereby confirms that (i) all of the representations and warranties set forth in the Loan Documents to which it is a party continue to be true and correct in all material respects as of the date hereof as if made on the date hereof and as if fully set forth herein, except to the extent (A) such representations and warranties by their terms expressly relate only to a prior date (in which case such representations and warranties shall be true and correct in all material respects as of such prior date) or (B) any such representation or warranty is no longer true, correct or complete due to the occurrence of one or more events that are permitted to occur (or are not otherwise prohibited) under the Loan Documents, (ii) there are no continuing Defaults or Events of Default that have not been waived or cured, (iii) subject to the terms and conditions of the Loan Documents, Administrative Agent has and shall continue to have valid, enforceable and perfected Liens on the Collateral with the priority set forth in the Intercreditor Agreement, for the benefit of the Secured Parties, pursuant to the Loan Documents or otherwise granted to or held by Administrative Agent, for the benefit of the Secured Parties, subject only to Liens expressly permitted pursuant to Section 8.2 of the Credit Agreement, and (iv) the agreements and obligations of Borrowers and each other Loan Party contained in the Loan Documents and in this Agreement constitute the legal, valid and binding obligations of Borrowers and each other Loan Party, enforceable against Borrowers and each other Loan Party in accordance with their respective terms, except to the extent limited by general principles of equity and by bankruptcy, insolvency, fraudulent conveyance, or other similar laws affecting creditors' rights generally.

7. **No Other Amendments.** Except as expressly set forth in this Agreement, the Credit Agreement and all other Loan Documents shall remain unchanged and in full force and effect. This Agreement shall be limited precisely and expressly as drafted and shall not be construed as consent to the amendment, restatement, modification, supplementation or waiver of any other terms or provisions of the Credit Agreement or any other Loan Document.

8. **Release.** As of the date of this Agreement, each Loan Party (i) agrees that, to its knowledge, Administrative Agent, each L/C Issuer and each Lender has fully complied with its obligations under each Loan Document required to be performed prior to the date hereof, (ii) agrees that no Loan Party has any defenses to the validity, enforceability or binding effect of any Loan Document and (iii) fully and irrevocably releases any claims of any nature whatsoever that it may now have against Administrative Agent, each L/C Issuer and each Lender and relating in any way to this Agreement, the Loan Documents or the transactions contemplated thereby.

9. **Costs and Expenses.** The payment of all fees, costs and expenses incurred by Administrative Agent in connection with the preparation and negotiation of this Agreement shall be governed by Section 11.3 of the Credit Agreement.

10. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

11. **Successors/Assigns.** This Agreement shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the parties hereto, subject to the provisions of the Loan Documents.

12. **Headings.** Section headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

13. **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof. Any party delivering an executed counterpart of this Agreement by facsimile transmission or Electronic Transmission shall also deliver an original executed counterpart of this Agreement but the failure to deliver an original executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or has caused the same to be executed by its duly authorized representatives as of the date first above written.

BORROWERS:

GENESIS HEALTHCARE, INC.
a Delaware corporation

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: SVP

FC-GEN OPERATIONS INVESTMENT, LLC
a Delaware limited liability company

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: SVP

**EACH OF THE ENTITIES LISTED ON
ANNEX I ATTACHED HERETO:**

**By: FC-GEN OPERATIONS
INVESTMENT, LLC**, its authorized
agent

By: /s/ Michael S. Sherman
Name: Michael S. Sherman
Title: SVP

[Signatures Continue on Following Pages]

ADMINISTRATIVE AGENT:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC**, a Delaware limited liability company

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

L/C ISSUER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC**, a Delaware limited liability company

By: /s/ Thomas A. Buckelew
Name: Thomas A. Buckelew
Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

**HEALTHCARE FINANCIAL SOLUTIONS,
LLC**, in its capacity as a Revolving Credit Lender

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

BARCLAYS BANK PLC, in its capacity as a
Revolving Credit Lender

By: /s/ Sean Duggan

Name: Sean Duggan

Title: Assistant Vice President

[Signatures Continue on Following Page]

LENDER:

WELLS FARGO CAPITAL FINANCE, LLC,
in its capacity as a Revolving Credit Lender

By: /s/ Henry Slauson

Name: Henry Slauson

Title: Vice President

[Signatures Continue on Following Page]

LENDER:

CAPITAL ONE, N.A., in its capacity as a
Revolving Credit Lender

By: /s/ Thomas A. Buckelew

Name: Thomas A. Buckelew

Title: Duly Authorized Signatory

[Signatures Continue on Following Page]

LENDER:

MIDCAP FUNDING IV TRUST, in its capacity
as a Revolving Credit Lender

By: Apollo Capital Management, L.P., its
investment manager

By: Apollo Capital Management, GP, LLC, its
general partner

By: /s/ Maurice Amsellem

Name: Maurice Amsellem

Title: Authorized Signatory

[End of Signature Pages]

ANNEX I

BORROWERS

1 EMERSON DRIVE NORTH OPERATIONS LLC
1 EMERSON DRIVE SOUTH OPERATIONS LLC
1 MAGNOLIA DRIVE OPERATIONS LLC
1 SUTPHIN DRIVE OPERATIONS LLC
10 WOODLAND DRIVE OPERATIONS LLC
100 CHAMBERS STREET OPERATIONS LLC
100 EDELLA ROAD OPERATIONS LLC
100 ST. CLAIRE DRIVE OPERATIONS LLC
1000 ASSOCIATION DRIVE OPERATIONS LLC
1000 LINCOLN DRIVE OPERATIONS LLC
1000 ORWIGSBURG MANOR DRIVE OPERATIONS LLC
1000 SCHUYLKILL MANOR ROAD OPERATIONS LLC
101 13TH STREET OPERATIONS LLC
1020 SOUTH MAIN STREET OPERATIONS LLC
106 TYREE STREET OPERATIONS LLC
1080 SILVER LAKE BOULEVARD OPERATIONS LLC
11 DAIRY LANE OPERATIONS LLC
1100 NORMAN ESKRIDGE HIGHWAY OPERATIONS LLC
1104 WELSH ROAD OPERATIONS LLC
1113 NORTH EASTON ROAD OPERATIONS LLC
1145 POQUONNOCK ROAD OPERATIONS LLC
115 EAST MELROSE AVENUE OPERATIONS LLC
115 SUNSET ROAD OPERATIONS LLC
1201 RURAL AVENUE OPERATIONS LLC
1203 WALKER ROAD OPERATIONS LLC
12-15 SADDLE RIVER ROAD OPERATIONS LLC
12325 NEW HAMPSHIRE AVENUE DIALYSIS SERVICES LLC
12325 NEW HAMPSHIRE AVENUE OPERATIONS LLC
1240 PINEBROOK ROAD, LLC
1245 CHURCH ROAD OPERATIONS LLC
125 HOLLY ROAD OPERATIONS LLC
1251 RURAL AVENUE OPERATIONS LLC
128 EAST STATE STREET ASSOCIATES, LLC
1350 E. LOOKOUT DRIVE OPERATIONS LLC
1361 ROUTE 72 WEST OPERATIONS LLC
140 PRESCOTT STREET OPERATIONS LLC
1400 WOODLAND AVENUE OPERATIONS LLC
1400 WOODLAND AVENUE PROPERTY LLC
1419 ROUTE 9 NORTH OPERATIONS LLC
144 MAGNOLIA DRIVE OPERATIONS LLC
150 EDELLA ROAD OPERATIONS LLC
1501 SE 24TH ROAD, LLC
1515 LAMBERTS MILL ROAD OPERATIONS LLC
1526 LOMBARD STREET SNF OPERATIONS LLC
1539 COUNTRY CLUB ROAD OPERATIONS LLC
1543 COUNTRY CLUB ROAD MANOR OPERATIONS LLC

Exhibit C

16 FUSTING AVENUE OPERATIONS LLC
161 BAKERS RIDGE ROAD OPERATIONS LLC
1631 RITTER DRIVE OPERATIONS LLC
1680 SPRING CREEK ROAD OPERATIONS LLC
1700 PINE STREET OPERATIONS LLC
1700 WYNWOOD DRIVE OPERATIONS LLC
1718 SPRING CREEK ROAD OPERATIONS LLC
175 BLUEBERRY LANE OPERATIONS LLC
1775 HUNTINGTON LANE, LLC
1785 SOUTH HAYES STREET OPERATIONS LLC
1801 TURNPIKE STREET OPERATIONS LLC
1801 WENTWORTH ROAD OPERATIONS LLC
184 BETHLEHEM PIKE OPERATIONS LLC
191 HACKETT HILL ROAD OPERATIONS LLC
1980 SUNSET POINT ROAD, LLC
2 DEER PARK DRIVE OPERATIONS LLC
20 MAITLAND STREET OPERATIONS LLC
20 SUMMIT STREET OPERATIONS LLC
200 MARTER AVENUE OPERATIONS LLC
200 REYNOLDS AVENUE OPERATIONS LLC
200 SOUTH RITCHIE AVENUE OPERATIONS LLC
201 WOOD STREET OPERATIONS LLC
205 ARMSTRONG AVENUE OPERATIONS LLC
2101 FAIRLAND ROAD OPERATIONS LLC
211-213 ANA DRIVE OPERATIONS LLC
22 SOUTH STREET OPERATIONS LLC
22 TUCK ROAD OPERATIONS LLC
2240 WHITE HORSE MERCERVILLE ROAD OPERATIONS LLC
225 EVERGREEN ROAD OPERATIONS LLC
227 EVERGREEN ROAD OPERATIONS LLC
227 PLEASANT STREET OPERATIONS LLC
2305 RANCOCAS ROAD OPERATIONS LLC
239 PLEASANT STREET OPERATIONS LLC
24 OLD ETNA ROAD OPERATIONS LLC
24 TRUCKHOUSE ROAD OPERATIONS LLC
240 BARKER ROAD OPERATIONS LLC
25 EAST LINDSLEY ROAD OPERATIONS LLC
25 RIDGEWOOD ROAD OPERATIONS LLC
2507 CHESTNUT STREET OPERATIONS LLC
2600 HIGHLANDS BOULEVARD, NORTH, LLC
2601 EVESHAM ROAD OPERATIONS LLC
262 TOLL GATE ROAD OPERATIONS LLC
2720 CHARLES TOWN ROAD OPERATIONS LLC
290 HANOVER STREET OPERATIONS LLC
290 RED SCHOOL LANE OPERATIONS LLC
2900 TWELFTH STREET NORTH, LLC
292 APPLGARH ROAD OPERATIONS LLC
3 INDUSTRIAL WAY EAST OPERATIONS LLC
3 PARK DRIVE OPERATIONS LLC
30 PRINCETON BOULEVARD OPERATIONS LLC

Exhibit C

30 WEBSTER STREET OPERATIONS LLC
30 WEST AVENUE OPERATIONS LLC
300 COURTRIGHT STREET OPERATIONS LLC
3000 BALFOUR CIRCLE OPERATIONS LLC
3001 EVESHAM ROAD OPERATIONS LLC
302 CEDAR RIDGE ROAD OPERATIONS LLC
315 UPPER RIVERDALE ROAD LLC
32 HOSPITAL HILL ROAD OPERATIONS LLC
3227 BEL PRE ROAD OPERATIONS LLC
329 EXEMPLA CIRCLE OPERATIONS LLC
330 FRANKLIN TURNPIKE OPERATIONS LLC
331 HOLT LANE OPERATIONS LLC
333 GRAND AVENUE OPERATIONS LLC
333 GREEN END AVENUE OPERATIONS LLC
3330 WILKENS AVENUE OPERATIONS LLC
3330 WILKENS AVENUE PROPERTY LLC
336 SOUTH WEST END AVENUE OPERATIONS LLC
3485 DAVISVILLE ROAD OPERATIONS LLC
35 MARC DRIVE OPERATIONS LLC
35 MILKSHAKE LANE OPERATIONS LLC
350 HAWS LANE OPERATIONS LLC
3590 WASHINGTON PIKE OPERATIONS LLC
3590 WASHINGTON PIKE PROPERTY LLC
3809 BAYSHORE ROAD OPERATIONS LLC
3865 TAMPA ROAD, LLC
390 RED SCHOOL LANE OPERATIONS LLC
4 HAZEL AVENUE OPERATIONS LLC
40 PARKHURST ROAD OPERATIONS LLC
400 GROTON ROAD OPERATIONS LLC
4140 OLD WASHINGTON HIGHWAY OPERATIONS LLC
422 23RD STREET OPERATIONS LLC
438 23RD STREET OPERATIONS LLC
44 KEYSTONE DRIVE OPERATIONS LLC
440 NORTH RIVER STREET OPERATIONS LLC
450 EAST PHILADELPHIA AVENUE OPERATIONS LLC
455 BRAYTON AVENUE OPERATIONS LLC
4602 NORTHGATE COURT, LLC
462 MAIN STREET OPERATIONS LLC
464 MAIN STREET OPERATIONS LLC
4901 NORTH MAIN STREET OPERATIONS LLC
4927 VOORHEES ROAD, LLC
5 ROLLING MEADOWS DRIVE OPERATIONS LLC
50 MULBERRY TREE STREET OPERATIONS LLC
500 EAST PHILADELPHIA AVENUE OPERATIONS LLC
500 SOUTH DUPONT BOULEVARD OPERATIONS LLC
5101 NORTH PARK DRIVE OPERATIONS LLC
515 BRIGHTFIELD ROAD OPERATIONS LLC
525 GLENBURN AVENUE OPERATIONS LLC
530 MACOBY STREET OPERATIONS LLC
536 RIDGE ROAD OPERATIONS LLC

Exhibit C

54 SHARP STREET OPERATIONS LLC
5485 PERKIOMEN AVENUE OPERATIONS LLC
549 BALTIMORE PIKE OPERATIONS LLC
55 COOPER STREET OPERATIONS LLC
550 GLENWOOD OPERATIONS LLC
550 GLENWOOD PROPERTY LLC
5501 PERKIOMEN AVENUE OPERATIONS LLC
56 WEST FREDERICK STREET OPERATIONS LLC
59 HARRINGTON COURT OPERATIONS LLC
590 NORTH POPLAR FORK ROAD OPERATIONS LLC
600 PAOLI POINTE DRIVE OPERATIONS LLC
6000 BELLONA AVENUE OPERATIONS LLC
6040 HARFORD ROAD OPERATIONS LLC
61 COOPER STREET OPERATIONS LLC
610 DUTCHMAN'S LANE OPERATIONS LLC
610 TOWNBANK ROAD OPERATIONS LLC
613 HAMMONDS LANE OPERATIONS LLC
625 STATE HIGHWAY 34 OPERATIONS LLC
63 COUNTRY VILLAGE ROAD OPERATIONS LLC
642 METACOM AVENUE OPERATIONS LLC
65 COOPER STREET OPERATIONS LLC
650 EDISON AVENUE OPERATIONS LLC
656 DILLON WAY OPERATIONS LLC
660 COMMONWEALTH AVENUE OPERATIONS LLC
677 COURT STREET OPERATIONS LLC
699 SOUTH PARK ROAD OPERATIONS LLC
7 BALDWIN STREET OPERATIONS LLC
70 GILL AVENUE OPERATIONS LLC
700 MARVEL ROAD OPERATIONS LLC
700 TOLL HOUSE AVENUE OPERATIONS LLC
700 TOWN BANK ROAD OPERATIONS LLC
710 JULIAN ROAD OPERATIONS LLC
710 JULIAN ROAD PROPERTY LLC
715 EAST KING STREET OPERATIONS LLC
72 SALMON BROOK DRIVE OPERATIONS LLC
723 SUMMERS STREET OPERATIONS LLC
7232 GERMAN HILL ROAD OPERATIONS LLC
735 PUTNAM PIKE OPERATIONS LLC
7395 W. EASTMAN PLACE OPERATIONS LLC
75 HICKLE STREET OPERATIONS LLC
7520 SURRATTS ROAD OPERATIONS LLC
7525 CARROLL AVENUE OPERATIONS LLC
77 MADISON AVENUE OPERATIONS LLC
7700 YORK ROAD OPERATIONS LLC
777 LAFAYETTE ROAD OPERATIONS LLC
78 OPAL STREET LLC
8 ROSE STREET OPERATIONS LLC
80 MADDEX DRIVE OPERATIONS LLC
800 WEST MINER STREET OPERATIONS LLC
8015 LAWNSDALE STREET OPERATIONS LLC

Exhibit C

810 SOUTH BROOM STREET OPERATIONS LLC
8100 WASHINGTON LANE OPERATIONS LLC
825 SUMMIT STREET OPERATIONS LLC
84 COLD HILL ROAD OPERATIONS LLC
840 LEE ROAD OPERATIONS LLC
841 MERRIMACK STREET OPERATIONS LLC
843 WILBUR AVENUE OPERATIONS LLC
845 PADDOCK AVENUE OPERATIONS LLC
850 PAPER MILL ROAD OPERATIONS LLC
867 YORK ROAD OPERATIONS LLC
8710 EMGE ROAD OPERATIONS LLC
8720 EMGE ROAD OPERATIONS LLC
89 MORTON STREET OPERATIONS LLC
899 CECIL AVENUE OPERATIONS LLC
905 PENLLYN PIKE OPERATIONS LLC
91 COUNTRY VILLAGE ROAD OPERATIONS LLC
9101 SECOND AVENUE OPERATIONS LLC
9109 LIBERTY ROAD OPERATIONS LLC
9109 LIBERTY ROAD PROPERTY LLC
93 MAIN STREET SNF OPERATIONS LLC
932 BROADWAY OPERATIONS LLC
9701 MEDICAL CENTER DRIVE OPERATIONS LLC
9738 WESTOVER HILLS BOULEVARD OPERATIONS LLC
ALEXANDRIA CARE CENTER, LLC
ALTA CARE CENTER, LLC
ANAHEIM TERRACE CARE CENTER, LLC
BAY CREST CARE CENTER, LLC
BELEN MEADOWS HEALTHCARE AND REHABILITATION CENTER, LLC
BELMONT NURSING CENTER, LLC
BETA FACTOR HOME CARE, LLC
BEYONDFaITH HOMECARE & REHAB OF ALBUQUERQUE, LLC
BLUE RIVER KANSAS CITY PROPERTY, LLC
BLUE RIVER REHABILITATION CENTER, LLC
BRADFORD SQUARE NURSING, LLC
BRIER OAK ON SUNSET, LLC
CAREERSTAFF HOLDCO, INC.
CAREERSTAFF UNLIMITED, LLC
CARMEL HILLS HEALTHCARE AND REHABILITATION CENTER, LLC
CARMEL HILLS INDEPENDENCE PROPERTY, LLC
CITY VIEW VILLA, LLC
CLAIRMONT LONGVIEW PROPERTY, LLC
CLAIRMONT LONGVIEW, LLC
CLOVIS HEALTHCARE AND REHABILITATION CENTER, LLC
COLONIAL TYLER CARE CENTER, LLC
CORNERSTONE HOSPICE ARIZONA, LLC
CORNERSTONE HOSPICE CALIFORNIA, LLC
COURTYARD JV LLC
CREEKSIDE HOME CARE II, LLC
CREEKSIDE HOSPICE II, LLC
CRESTVIEW NURSING, LLC

Exhibit C

DEVONSHIRE CARE CENTER, LLC
DIANE DRIVE OPERATIONS LLC
ELMCREST CARE CENTER, LLC
FALMOUTH HEALTHCARE, LLC
FC-GEN HOSPICE HOLDINGS, LLC
FC-GEN OPERATIONS INVESTMENT, LLC
FIVE NINETY SIX SHELDON ROAD OPERATIONS LLC
FLATONIA OAK MANOR, LLC
FLORIDA HOLDINGS I, LLC
FLORIDA HOLDINGS II, LLC
FLORIDA HOLDINGS III, LLC
FORT WORTH CENTER OF REHABILITATION, LLC
FORTY EIGHT NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET OPERATIONS LLC
FORTY SIX NICHOLS STREET PROPERTY, LLC
FOUNTAIN CARE CENTER, LLC
FOUNTAIN ORANGE PROPERTY, LLC
FOUNTAIN SENIOR ASSISTED LIVING, LLC
FOUNTAIN VIEW SUBACUTE AND NURSING CENTER, LLC
FRANKLIN WOODS JV LLC
GEN OPERATIONS I, LLC
GEN OPERATIONS II, LLC
GENESIS ADMINISTRATIVE SERVICES LLC
GENESIS BAYVIEW JV HOLDINGS, LLC
GENESIS CARE INNOVATIONS, LLC
GENESIS CO HOLDINGS LLC
GENESIS CT HOLDINGS LLC
GENESIS DE HOLDINGS LLC
GENESIS DIAMOND OPERATIONS LLC
GENESIS ELDERCARE NETWORK SERVICES, LLC
GENESIS ELDERCARE PHYSICIAN SERVICES, LLC
GENESIS ELDERCARE REHABILITATION SERVICES, LLC
GENESIS HEALTH VENTURES OF NEW GARDEN, LLC
GENESIS HEALTHCARE, INC.
GENESIS HEALTHCARE LLC
GENESIS HOLDINGS, LLC
GENESIS HOSPITALITY SERVICES LLC
GENESIS IP LLC
GENESIS MA HOLDINGS LLC
GENESIS MD HOLDINGS LLC
GENESIS NH HOLDINGS LLC
GENESIS NJ HOLDINGS LLC
GENESIS OMG OPERATIONS LLC
GENESIS OPERATIONS II LLC
GENESIS OPERATIONS III LLC
GENESIS OPERATIONS IV LLC
GENESIS OPERATIONS LLC
GENESIS OPERATIONS V LLC
GENESIS OPERATIONS VI LLC
GENESIS PA HOLDINGS LLC

Exhibit C

GENESIS PARTNERSHIP LLC
GENESIS PROSTEP, LLC
GENESIS RI HOLDINGS LLC
GENESIS STAFFING SERVICES LLC
GENESIS TX HOLDINGS LLC
GENESIS VA HOLDINGS LLC
GENESIS VT HOLDINGS LLC
GENESIS WV HOLDINGS LLC
GHC BURLINGTON WOODS DIALYSIS JV LLC
GHC DIALYSIS JV LLC
GHC HOLDINGS II LLC
GHC HOLDINGS LLC
GHC JV HOLDINGS LLC
GHC MATAWAN DIALYSIS JV LLC
GHC PAYROLL LLC
GHC PROPERTY MANAGEMENT LLC
GHC RANDALLSTOWN DIALYSIS JV LLC
GHC SELECTCARE LLC
GHC TX OPERATIONS LLC
GHC WINDSOR DIALYSIS JV LLC
GRANITE LEDGES JV LLC
GRANT MANOR LLC
GREAT FALLS HEALTH CARE COMPANY, L.L.C.
GRS JV LLC
GUADALUPE SEGUIN PROPERTY, LLC
GUADALUPE VALLEY NURSING CENTER, LLC
HALLETTSVILLE REHABILITATION AND NURSING CENTER, LLC
HALLMARK INVESTMENT GROUP, LLC
HALLMARK REHABILITATION GP, LLC
HANCOCK PARK REHABILITATION CENTER, LLC
HARBORSIDE CONNECTICUT LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE DANBURY LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE HEALTH I LLC
HARBORSIDE HEALTHCARE ADVISORS LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE LIMITED PARTNERSHIP
 By: KHI LLC, its general partner
HARBORSIDE HEALTHCARE, LLC
HARBORSIDE MASSACHUSETTS LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE NEW HAMPSHIRE LIMITED PARTNERSHIP
 By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HARBORSIDE NORTH TOLEDO LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF CLEVELAND LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE OF DAYTON LIMITED PARTNERSHIP
 By: HARBORSIDE HEALTH I LLC, its general partner

Exhibit C

HARBORSIDE OF OHIO LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE POINT PLACE, LLC
HARBORSIDE REHABILITATION LIMITED PARTNERSHIP
By: CAREERSTAFF UNLIMITED, INC., its general partner
HARBORSIDE RHODE ISLAND LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
HARBORSIDE SWANTON, LLC
HARBORSIDE SYLVANIA, LLC
HARBORSIDE TOLEDO BUSINESS LLC
HARBORSIDE TOLEDO LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HARBORSIDE TROY, LLC
HBR BARDWELL LLC
HBR BARKELY DRIVE, LLC
HBR BOWLING GREEN LLC
HBR BROWNSVILLE, LLC
HBR CAMPBELL LANE, LLC
HBR DANBURY, LLC
HBR ELIZABETHTOWN, LLC
HBR KENTUCKY, LLC
HBR LEWISPORT, LLC
HBR MADISONVILLE, LLC
HBR OWENSBORO, LLC
HBR PADUCAH, LLC
HBR STAMFORD, LLC
HBR TRUMBULL, LLC
HBR WOODBURN, LLC
HC 63 OPERATIONS LLC
HHCI LIMITED PARTNERSHIP
By: HARBORSIDE TOLEDO BUSINESS LLC, its general partner
HIGHLAND HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE HEALTHCARE AND REHABILITATION CENTER, LLC
HOLMESDALE PROPERTY, LLC
HOME HEALTH CARE OF THE WEST, LLC
HOSPICE CARE OF THE WEST, LLC
HOSPITALITY LUBBOCK PROPERTY, LLC
HOSPITALITY NURSING AND REHABILITATION CENTER, LLC
HUNTINGTON PLACE LIMITED PARTNERSHIP
By: 1775 HUNTINGTON LANE, LLC, its general partner
INDEPENDENCE MISSOURI PROPERTY, LLC
KANSAS CITY TRANSITIONAL CARE CENTER, LLC
KENNETT CENTER, L.P.
By: GENESIS HEALTH VENTURES OF NEW GARDEN, INC., its general partner KHI
LLC
KLONDIKE MANOR LLC
LEGACY HOME CARE II, LLC
LEGACY HOSPICE II, LLC
LEISURE YEARS NURSING, LLC
LIBERTY TERRACE HEALTHCARE AND REHABILITATION CENTER, LLC
LIBERTY TERRACE MISSOURI PROPERTY, LLC

Exhibit C

LIVE OAK NURSING CENTER, LLC
LOUISBURG HEALTHCARE AND REHABILITATION CENTER, LLC
MAGNOLIA JV LLC
MARIETTA HEALTHCARE, LLC
MARYLAND HARBORSIDE LLC
MASHPEE HEALTHCARE, LLC
MASSACHUSETTS HOLDINGS I, LLC
MASTHEAD, LLC
MONTANA PREMIER CARE, LLC
MONTEBELLO CARE CENTER, LLC
MONUMENT LA GRANGE PROPERTY, LLC
MONUMENT REHABILITATION AND NURSING CENTER, LLC
NEVADA PREMIER CARE, LLC
NINE HAYWOOD AVENUE OPERATIONS LLC
OAKLAND MANOR NURSING CENTER, LLC
ODD LOT LLC
OHIO HOLDINGS I, LLC
OWENTON MANOR NURSING, LLC
PDDTSE LLC
PEAK MEDICAL ASSISTED LIVING, LLC
PEAK MEDICAL COLORADO NO. 2, LLC
PEAK MEDICAL COLORADO NO. 3, LLC
PEAK MEDICAL IDAHO OPERATIONS HOLDCO, INC.
PEAK MEDICAL IDAHO OPERATIONS, LLC
PEAK MEDICAL LAS CRUCES NO. 2, LLC
PEAK MEDICAL LAS CRUCES, LLC
PEAK MEDICAL MONTANA OPERATIONS, LLC
PEAK MEDICAL NEW MEXICO NO. 3, LLC
PEAK MEDICAL OF BOISE, LLC
PEAK MEDICAL OF COLORADO, LLC
PEAK MEDICAL OF IDAHO, LLC
PEAK MEDICAL OF ROSWELL HOLDCO, INC.
PEAK MEDICAL OF UTAH HOLDCO, INC.
PEAK MEDICAL OF UTAH, LLC
PEAK MEDICAL ROSWELL, LLC
PEAK MEDICAL, LLC
PINE TREE VILLA LLC
PM OXYGEN SERVICES, LLC
PREFERRED DESIGN, LLC
PROCARE ONE NURSES, LLC
PROPERTY RESOURCE HOLDINGS, LLC
REGENCY HEALTH SERVICES HOLDCO, INC.
REGENCY HEALTH SERVICES, LLC
REGENCY NURSING, LLC
RESPIRATORY HEALTH SERVICES LLC
RIO HONDO SUBACUTE AND NURSING CENTER, LLC
RIVERSIDE RETIREMENT LIMITED PARTNERSHIP
By: HARBORSIDE HEALTH I LLC, its general partner
ROCKY MOUNTAIN HOME CARE II, LLC
ROCKY MOUNTAIN HOSPICE OF BILLINGS, LLC

Exhibit C

ROCKY MOUNTAIN HOSPICE OF BUTTE, LLC
ROCKY MOUNTAIN HOSPICE OF MISSOULA, LLC
ROMNEY HEALTH CARE CENTER LIMITED PARTNERSHIP
By: GENESIS OPERATIONS VI LLC, its general partner
ROUTE 92 OPERATIONS LLC
ROYALWOOD CARE CENTER, LLC
SADDLE SHOP ROAD OPERATIONS LLC
SALISBURY JV LLC
SHARON CARE CENTER, LLC
SHAWNEE GARDENS HEALTHCARE AND REHABILITATION CENTER, LLC
SHAWNEE PROPERTY, LLC
SHG PARTNERSHIP, LLC
SHG RESOURCES, LLC
SIGNATURE HOSPICE & HOME HEALTH, LLC
SKIES HEALTHCARE AND REHABILITATION CENTER, LLC
SKILES AVENUE AND STERLING DRIVE OPERATIONS LLC
SKILLED HEALTHCARE, LLC
SOUTHWEST PAYROLL SERVICES, LLC
SOUTHWOOD AUSTIN PROPERTY, LLC
SOUTHWOOD CARE CENTER, LLC
SPRING SENIOR ASSISTED LIVING, LLC
SR-73 AND LAKESIDE AVENUE OPERATIONS LLC
ST. ANTHONY HEALTHCARE AND REHABILITATION CENTER, LLC
ST. CATHERINE HEALTHCARE AND REHABILITATION CENTER, LLC
ST. ELIZABETH HEALTHCARE AND REHABILITATION CENTER, LLC
ST. JOHN HEALTHCARE AND REHABILITATION CENTER, LLC
ST. THERESA HEALTHCARE AND REHABILITATION CENTER, LLC
STATE STREET ASSOCIATES, L.P.
By: STATE STREET ASSOCIATES, INC., its general partner
STATE STREET KENNETT SQUARE, LLC
STILLWELL ROAD OPERATIONS LLC
SUMMIT CARE PARENT, LLC
SUMMIT CARE PHARMACY, LLC
SUMMIT CARE, LLC
SUN HEALTHCARE GROUP, INC.
SUN VALLEY HOME CARE II, LLC
SUN VALLEY HOSPICE II, LLC
SUNBRIDGE BECKLEY HEALTH CARE LLC
SUNBRIDGE BRASWELL ENTERPRISES, LLC
SUNBRIDGE BRITTANY REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE BRITTANY REHABILITATION CENTER, LLC
SUNBRIDGE CARE ENTERPRISES WEST, LLC
SUNBRIDGE CARE ENTERPRISES, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER, LLC
SUNBRIDGE CARMICHAEL REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE CHARLTON HEALTHCARE, LLC
SUNBRIDGE CIRCLEVILLE HEALTH CARE LLC
SUNBRIDGE CLIPPER HOME OF PORTSMOUTH, LLC
SUNBRIDGE CLIPPER HOME OF ROCHESTER, LLC
SUNBRIDGE DUNBAR HEALTH CARE LLC

Exhibit C

SUNBRIDGE GARDENDALE HEALTH CARE CENTER, LLC
SUNBRIDGE GLENVILLE HEALTH CARE, LLC
SUNBRIDGE GOODWIN NURSING HOME HOLDCO, INC.
SUNBRIDGE GOODWIN NURSING HOME, LLC
SUNBRIDGE HALLMARK HEALTH SERVICES HOLDCO, INC.
SUNBRIDGE HALLMARK HEALTH SERVICES, LLC
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE HARBOR VIEW REHABILITATION CENTER LLC
SUNBRIDGE HEALTHCARE, LLC
SUNBRIDGE JEFF DAVIS HEALTHCARE, LLC
SUNBRIDGE MARION HEALTH CARE LLC
SUNBRIDGE MEADOWBROOK REHABILITATION CENTER LLC
SUNBRIDGE MOUNTAIN CARE MANAGEMENT HOLDCO, INC.
SUNBRIDGE MOUNTAIN CARE MANAGEMENT, LLC
SUNBRIDGE NURSING HOME, LLC
SUNBRIDGE OF HARRIMAN, LLC
SUNBRIDGE PARADISE REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE PARADISE REHABILITATION CENTER, LLC
SUNBRIDGE PUTNAM HEALTH CARE LLC
SUNBRIDGE REGENCY-NORTH CAROLINA, LLC
SUNBRIDGE REGENCY-TENNESSEE, LLC
SUNBRIDGE RETIREMENT CARE ASSOCIATES, LLC
SUNBRIDGE SALEM HEALTH CARE LLC
SUNBRIDGE SHANDIN HILLS REHABILITATION CENTER LLC
SUNBRIDGE STOCKTON REHABILITATION CENTER HOLDCO, INC.
SUNBRIDGE STOCKTON REHABILITATION CENTER, LLC
SUNBRIDGE SUMMERS LANDING HOLDCO, INC.
SUNBRIDGE SUMMERS LANDING, LLC
SUNBRIDGE WEST TENNESSEE HOLDCO, INC.
SUNBRIDGE WEST TENNESSEE, LLC
SUNDANCE REHABILITATION AGENCY, LLC
SUNDANCE REHABILITATION HOLDCO, INC.
SUNDANCE REHABILITATION LLC
SUNMARK OF NEW MEXICO, LLC
THE CLAIRMONT TYLER, LLC
THE EARLWOOD, LLC
THE HEIGHTS OF SUMMERLIN, LLC
THE REHABILITATION CENTER OF ALBUQUERQUE, LLC
THE REHABILITATION CENTER OF INDEPENDENCE, LLC
THE REHABILITATION CENTER OF OMAHA, LLC
THIRTY FIVE BEL-AIRE DRIVE SNF OPERATIONS LLC
THREE MILE CURVE OPERATIONS LLC
TOWN AND COUNTRY BOERNE PROPERTY, LLC
TOWN AND COUNTRY MANOR, LLC
VINTAGE PARK AT ATCHISON, LLC
VINTAGE PARK AT BALDWIN CITY, LLC
VINTAGE PARK AT EUREKA, LLC
VINTAGE PARK AT FREDONIA, LLC
VINTAGE PARK AT GARDNER, LLC
VINTAGE PARK AT HIAWATHA, LLC

Exhibit C

VINTAGE PARK AT HOLTON, LLC
VINTAGE PARK AT LENEXA, LLC
VINTAGE PARK AT LOUISBURG, LLC
VINTAGE PARK AT NEODESHA, LLC
VINTAGE PARK AT OSAGE CITY, LLC
VINTAGE PARK AT OSAWATOMIE, LLC
VINTAGE PARK AT OTTAWA, LLC
VINTAGE PARK AT PAOLA, LLC
VINTAGE PARK AT SAN MARTIN, LLC
VINTAGE PARK AT STANLEY, LLC
VINTAGE PARK AT TONGANOXIE, LLC
VINTAGE PARK AT WAMEGO, LLC
VINTAGE PARK AT WATERFRONT, LLC
WAKEFIELD HEALTHCARE, LLC
WESTFIELD HEALTHCARE, LLC
WESTWOOD MEDICAL PARK OPERATIONS LLC
WILLOW CREEK HEALTHCARE CENTER, LLC
WOODLAND CARE CENTER, LLC
WOODSPOINT LLC
ONE PRICE DRIVE OPERATIONS LLC
1165 EASTON AVENUE OPERATIONS LLC
1165 EASTON AVENUE PROPERTY, LLC
120 MURRAY STREET OPERATIONS LLC
120 MURRAY STREET PROPERTY LLC
1351 OLD FREEHOLD ROAD OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE OPERATIONS LLC
1420 SOUTH BLACK HORSE PIKE PROPERTY, LLC
201 NEW ROAD OPERATIONS LLC
2015 EAST WEST HIGHWAY OPERATIONS LLC
2015 EAST WEST HIGHWAY PROPERTY, LLC
23 FAIR STREET OPERATIONS LLC
23 FAIR STREET PROPERTY, LLC
261 TERHUNE DRIVE OPERATIONS LLC
261 TERHUNE DRIVE PROPERTY, LLC
279 CABOT STREET OPERATIONS LLC
279 CABOT STREET PROPERTY LLC
3000 HILLTOP ROAD OPERATIONS LLC
3000 HILLTOP ROAD PROPERTY, LLC
40 WHITEHALL ROAD OPERATIONS LLC
40 WHITEHALL ROAD PROPERTY LLC
400 29TH STREET NORTHEAST OPERATIONS LLC
400 29TH STREET NORTHEAST PROPERTY LLC
475 JACK MARTIN BOULEVARD OPERATIONS LLC
4755 SOUTH 48TH STREET OPERATIONS LLC
4755 SOUTH 48TH STREET PROPERTY LLC
55 KONDRACKI LANE OPERATIONS LLC
55 KONDRACKI LANE PROPERTY, LLC
56 HAMILTON AVENUE OPERATIONS LLC
740 OAK HILL ROAD OPERATIONS LLC
740 OAK HILL ROAD PROPERTY LLC

Exhibit C

800 MEDCALF LANE NORTH OPERATIONS LLC
800 MEDCALF LANE NORTH PROPERTY LLC
8000 ILIFF DRIVE OPERATIONS LLC
8000 ILIFF DRIVE PROPERTY LLC

Exhibit C

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, George V. Hager, Jr., certify that:

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

Date: August 5, 2016

/S/ GEORGE V. HAGER, JR.

George V. Hager, Jr.

Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Thomas DiVittorio, certify that:

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

Date: August 5, 2016

/S/ THOMAS DIVITTORIO

Thomas DiVittorio
Chief Financial Officer



The following certifications are being furnished solely to accompany the Quarterly Report on Form 10-Q for the period ended June 30, 2016 (the "Report"), of Genesis Healthcare, Inc., a Delaware corporation (the "Company"), pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. These certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Principal Executive Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of the Company, hereby certifies, to his knowledge, that:

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

Dated: August 5, 2016

/S/ GEORGE V. HAGER, JR.
George V. Hager, Jr.
Chief Executive Officer

Certification of Principal Financial Officer

Pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of the Company, hereby certifies, to his knowledge, that:

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

Dated: August 5, 2016

/S/ THOMAS DIVITTORIO
Thomas DiVittorio
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Document and Entity
Information - shares**

6 Months Ended

Jun. 30, 2016

Aug. 04, 2016

Document and Entity Information [Line Items]

<u>Entity Registrant Name</u>	Genesis Healthcare, Inc.
<u>Entity Central Index Key</u>	0001351051
<u>Current Fiscal Year End Date</u>	--12-31
<u>Entity Filer Category</u>	Accelerated Filer
<u>Document Type</u>	10-Q
<u>Document Period End Date</u>	Jun. 30, 2016
<u>Document Fiscal Year Focus</u>	2016
<u>Document Fiscal Period Focus</u>	Q2
<u>Amendment Flag</u>	false
<u>Entity Current Reporting Status</u>	Yes

Class A Common Stock

Document and Entity Information [Line Items]

<u>Entity Common Stock, Shares Outstanding</u>	74,479,788
--	------------

Class B Common Stock

Document and Entity Information [Line Items]

<u>Entity Common Stock, Shares Outstanding</u>	15,511,603
--	------------

Class C Common Stock

Document and Entity Information [Line Items]

<u>Entity Common Stock, Shares Outstanding</u>	64,449,380
--	------------

Consolidated Balance Sheets
- USD (\$)
\$ in Thousands

	Jun. 30,	Dec. 31,
	2016	2015
Current assets:		
<u>Cash and cash equivalents</u>	\$ 46,678	\$ 61,543
<u>Restricted cash and investments in marketable securities</u>	52,577	52,917
<u>Accounts receivable, net of allowances for doubtful accounts of \$215,058 and \$189,739 at June 30, 2016 and December 31, 2015, respectively</u>	819,919	789,387
<u>Prepaid expenses</u>	80,743	58,622
<u>Other current assets</u>	56,979	49,024
<u>Total current assets</u>	1,056,896	1,011,493
<u>Property and equipment, net of accumulated depreciation of \$728,967 and \$638,768 at June 30, 2016 and December 31, 2015, respectively</u>	3,957,245	4,085,247
<u>Restricted cash and investments in marketable securities</u>	135,370	145,210
<u>Other long-term assets</u>	129,874	130,869
<u>Deferred income taxes</u>	16,559	7,144
<u>Identifiable intangible assets, net of accumulated amortization of \$80,250 and \$66,570 at June 30, 2016 and December 31, 2015, respectively</u>	192,566	209,967
<u>Goodwill</u>	444,508	470,019
<u>Total assets</u>	5,933,018	6,059,949
Current liabilities:		
<u>Current installments of long-term debt</u>	8,328	12,477
<u>Capital lease obligation</u>	1,849	1,842
<u>Financing obligations</u>	1,431	989
<u>Accounts payable</u>	211,127	233,801
<u>Accrued expenses</u>	207,155	197,741
<u>Accrued compensation</u>	225,382	185,054
<u>Self-insurance reserves</u>	161,382	166,761
<u>Total current liabilities</u>	816,654	798,665
Long-term liabilities:		
<u>Long-term debt</u>	1,126,258	1,186,159
<u>Capital lease obligations</u>	1,010,314	1,053,816
<u>Financing obligations</u>	3,107,733	3,064,077
<u>Deferred income taxes</u>	19,426	14,939
<u>Self-insurance reserves</u>	444,443	428,569
<u>Other long-term liabilities</u>	130,898	133,111
<u>Commitments and contingencies</u>		
Stockholders' equity:		
<u>Additional paid-in-capital</u>	298,536	295,359
<u>Accumulated deficit</u>	(797,614)	(731,602)
<u>Accumulated other comprehensive income (loss)</u>	379	(218)
<u>Total stockholders' deficit before noncontrolling interests</u>	(498,545)	(436,307)
<u>Noncontrolling interests</u>	(224,163)	(183,080)
<u>Total stockholders' deficit</u>	(722,708)	(619,387)

<u>Total liabilities and stockholders' deficit</u>	5,933,018 6,059,949	
<u>Class A Common Stock</u>		
<u>Stockholders' equity:</u>		
<u>Common stock</u>	74	74
<u>Class B Common Stock</u>		
<u>Stockholders' equity:</u>		
<u>Common stock</u>	16	16
<u>Class C Common Stock</u>		
<u>Stockholders' equity:</u>		
<u>Common stock</u>	\$ 64	\$ 64

Consolidated Balance Sheets
(Parentheticals) - USD (\$)
\$ in Thousands

Jun. 30, 2016 Dec. 31, 2015

Current assets:

Allowance for doubtful accounts \$ 215,058 \$ 189,739

Other assets:

Accumulated depreciation on property and equipment 728,967 638,768

Accumulated amortization on intangible assets \$ 80,250 \$ 66,570

Class A Common Stock

Stockholders' equity:

Common stock, par value (in dollars per share) \$ 0.001 \$ 0.001

Common stock, authorized (in shares) 1,000,000,000 1,000,000,000

Common stock, issued (in shares) 74,479,788 73,593,732

Common stock, shares, outstanding (in shares) 74,479,788 73,593,732

Class B Common Stock

Stockholders' equity:

Common stock, par value (in dollars per share) \$ 0.001 \$ 0.001

Common stock, authorized (in shares) 20,000,000 20,000,000

Common stock, issued (in shares) 15,511,603 15,511,603

Common stock, shares, outstanding (in shares) 15,511,603 15,511,603

Class C Common Stock

Stockholders' equity:

Common stock, par value (in dollars per share) \$ 0.001 \$ 0.001

Common stock, authorized (in shares) 150,000,000 150,000,000

Common stock, issued (in shares) 64,449,380 64,449,380

Common stock, shares, outstanding (in shares) 64,449,380 64,449,380

**Consolidated Statements of
Operations - USD (\$)
shares in Thousands, \$ in
Thousands**

3 Months Ended 6 Months Ended
Jun. 30, Jun. 30, Jun. 30, Jun. 30,
2016 2015 2016 2015

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<u>Net revenues</u>	\$	\$	\$	\$
	1,438,358	1,419,475	2,910,576	2,762,476
<u>Salaries, wages and benefits</u>	832,693	820,926	1,700,410	1,611,659
<u>Other operating expenses</u>	350,161	348,236	711,258	660,797
<u>General and administrative costs</u>	45,026	43,483	93,453	85,016
<u>Provision for losses on accounts receivable</u>	29,681	22,113	56,174	45,509
<u>Lease expense</u>	36,968	38,959	74,284	75,378
<u>Depreciation and amortization expense</u>	67,953	53,605	129,718	113,538
<u>Interest expense</u>	133,860	126,385	269,041	247,698
<u>Loss on early extinguishment of debt</u>	468		468	3,234
<u>Investment income</u>	(658)	(431)	(1,139)	(847)
<u>Other (income) loss</u>	(42,923)	50	(42,911)	(7,560)
<u>Transaction costs</u>	4,993	2,642	6,747	88,710
<u>Skilled Healthcare and other loss contingency expense</u>	13,566	1,500	15,192	1,500
<u>Equity in net income of unconsolidated affiliates</u>	(497)	(360)	(1,260)	(513)
<u>Loss before income tax expense (benefit)</u>	(32,933)	(37,633)	(100,859)	(161,643)
<u>Income tax expense (benefit)</u>	3,086	(4,419)	6,150	(10,067)
<u>Loss from continuing operations</u>	(36,019)	(33,214)	(107,009)	(151,576)
<u>Income (loss) from discontinued operations, net of taxes</u>	61	(1,722)	23	(1,610)
<u>Net loss</u>	(35,958)	(34,936)	(106,986)	(153,186)
<u>Less net loss attributable to noncontrolling interests</u>	12,985	15,750	40,974	21,434
<u>Net loss attributable to Genesis Healthcare, Inc</u>	\$ (22,973)	\$ (19,186)	\$ (66,012)	\$ (131,752)
<u>Basic and diluted</u>				
<u>Weighted-average shares outstanding for basic and diluted loss from continuing operations per share</u>	89,421	89,211	89,310	82,279
<u>Loss from continuing operations attributable to Genesis Healthcare, Inc.</u>	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
<u>Income (loss) from discontinued operations, net of taxes</u>	0.00	(0.02)	0.00	(0.02)
<u>Net loss attributable to Genesis Healthcare, Inc.</u>	\$ (0.26)	\$ (0.22)	\$ (0.74)	\$ (1.60)

**Consolidated Statements of
Comprehensive Loss - USD
(
\$)
\$ in Thousands**

3 Months Ended		6 Months Ended	
Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME (LOSS)**

<u>Net loss</u>	\$ (35,958)	\$ (34,936)	\$ (106,986)	\$ (153,186)
<u>Net unrealized gain (loss) on marketable securities, net of tax</u>	184	(539)	1,028	33
<u>Comprehensive loss</u>	(35,774)	(35,475)	(105,958)	(153,153)
<u>Less: comprehensive loss attributable to noncontrolling interests</u>	12,908	15,976	40,543	21,358
<u>Comprehensive loss attributable to Genesis Healthcare, Inc.</u>	\$ (22,866)	\$ (19,499)	\$ (65,415)	\$ (131,795)

**Consolidated Statements of
Cash Flows - USD (\$)
\$ in Thousands**

**6 Months Ended
Jun. 30, Jun. 30,
2016 2015**

Cash Flows from Operating Activities

Net loss \$ (106,986) \$ (153,186)

Adjustments to reconcile net loss to net cash provided by (used in) operating activities:

Non-cash interest and leasing arrangements, net 47,639 47,605

Other non-cash charges and gains, net (42,910) (7,345)

Share based compensation 3,180 25,903

Depreciation and amortization 129,718 113,693

Provision for losses on accounts receivable 56,174 45,509

Equity in net income of unconsolidated affiliates (1,260) (513)

Provision (benefit) for deferred taxes 3,998 (23,306)

Loss on early extinguishment of debt 468

Changes in assets and liabilities:

Accounts receivable (103,078) (78,695)

Accounts payable and other accrued expenses and other 36,572 22,606

Net cash provided by (used in) operating activities 23,515 (7,729)

Cash Flows from Investing Activities

Capital expenditures (47,897) (36,858)

Purchases of marketable securities (34,992) (21,836)

Proceeds on maturity or sale of marketable securities 46,274 17,423

Net change in restricted cash and equivalents 388 (5,475)

Sale of investment in joint venture 1,010 26,358

Purchases of inpatient assets, net of cash acquired (69,482) (9,703)

Sales of inpatient assets 148,347 1,263

Restricted deposits (5,843)

Investments in joint venture (612)

Other, net 1,631 (39)

Net cash provided by (used in) investing activities 38,824 (28,867)

Cash Flows from Financing Activities

Borrowings under revolving credit facility 467,000 366,500

Repayments under revolving credit facility (459,000) (328,000)

Proceeds from issuance of long-term debt 182,986 360,000

Proceeds from tenant improvement draws under lease arrangements 1,109 95

Repayment of long-term debt (263,933) (341,893)

Debt issuance costs (4,826) (17,775)

Distributions to noncontrolling interests and stockholders (540) (6,916)

Net cash (used in) provided by financing activities (77,204) 32,011

Net decrease in cash and cash equivalents (14,865) (4,585)

Beginning of period 61,543 87,548

End of period 46,678 82,963

Supplemental disclosure of cash flow information

<u>Interest paid</u>	224,072	200,087
<u>Net taxes (refunded) paid</u>	(13,984)	13,669
<u>Non-cash financing activities:</u>		
<u>Capital leases</u>	(49,622)	43,322
<u>Financing obligations</u>	\$ 7,928	26,479
<u>Assumptions of long-term debt</u>		\$ 436,776

General Information

**6 Months Ended
Jun. 30, 2016**

General Information

Description of Business

(1) General Information

Description of Business

Genesis Healthcare, Inc. is a healthcare services company that through its subsidiaries (collectively, the Company) owns and operates skilled nursing facilities, assisted/senior living facilities and a rehabilitation therapy business. The Company has an administrative services company that provides a full complement of administrative and consultative services that allows its affiliated operators and third-party operators with whom the Company contracts to better focus on delivery of healthcare services. The Company provides inpatient services through 509 skilled nursing, assisted/senior living and behavioral health centers located in 34 states. Revenues of the Company's owned, leased and otherwise consolidated centers constitute approximately 85% of its revenues.

The Company provides a range of rehabilitation therapy services, including speech pathology, physical therapy, occupational therapy and respiratory therapy. These services are provided by rehabilitation therapists and assistants employed or contracted at substantially all of the centers operated by the Company, as well as by contract to healthcare facilities operated by others. After the elimination of intercompany revenues, the rehabilitation therapy services business constitutes approximately 12% of the Company's revenues.

The Company provides an array of other specialty medical services, including management services, physician services, staffing services, and other healthcare related services, which comprise the balance of the Company's revenues.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In the opinion of management, the consolidated financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Company presents noncontrolling interests within the stockholders' deficit section of its consolidated balance sheets. The Company presents the amount of net loss attributable to Genesis Healthcare, Inc. and net loss (income) attributable to noncontrolling interests in its consolidated statements of operations.

The consolidated financial statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest and the accounts of any variable interest entities (VIEs) where the Company is subject to a majority of the risk of loss from the VIE's activities, or entitled to receive a majority of the entity's residual returns, or both. The Company assesses the requirements related to the consolidation of VIEs, including a qualitative assessment of power and economics that considers which entity has the power to direct the activities that "most significantly impact" the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits that could be potentially significant to, the VIE. The Company's composition of variable interest entities was not material at June 30, 2016.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q of Regulation S-X and do not include all of the disclosures normally required by U.S. GAAP or those normally required in annual reports on Form 10-K. Accordingly, these financial statements should be read in conjunction with the

audited consolidated financial statements of the Company for the year ended December 31, 2015 filed with the U.S. Securities and Exchange Commission (the SEC) on Form 10-K on March 14, 2016.

Certain prior year amounts have been reclassified to conform to current period presentation, the effect of which was not material. Upon adoption of new accounting guidance, debt issuance costs have been presented as a direct deduction from long-term debt rather than as an other long-term asset in all periods presented.

The Company's financial position at June 30, 2016 includes the impact of certain significant transactions and events, as disclosed within Note 3 – "*Significant Transactions and Events.*"

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. The Company is still evaluating the effect, if any, ASU 2014-09 will have on the Company's consolidated financial condition and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15), requiring management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern and to provide disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim periods ending after December 31, 2016. The Company is still evaluating the effect, if any, ASU 2014-15 will have on its consolidated financial condition and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which is intended to improve the recognition and measurement of financial instruments. The new guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company is still evaluating the effect, if any, ASU 2016-01 will have on its consolidated financial condition and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which amended authoritative guidance on accounting for leases. The new provisions require that a lessee of operating leases recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The lease liability will be equal to the present value of lease payments, with the right-of-use asset based upon the lease liability. The classification criteria for distinguishing between finance (or capital) leases and operating leases are substantially similar to the previous lease guidance, but with no explicit bright lines. As such, operating leases will result in straight-line rent expense similar to current practice. For short term leases (term of 12 months or less), a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities, which would generally result in lease expense being recognized on a straight-line basis over the lease term. The guidance is effective for annual and interim periods beginning after December 15, 2018, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition. The adoption of ASU 2016-02 is expected to have a material impact on the Company's financial position. The Company is still evaluating the impact on its results of operations and does not expect the adoption of this standard to have an impact on liquidity.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09), which is intended to improve the accounting for employee share-based payments and affect all

organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted. The Company is still evaluating the effect, if any, ASU 2016-09 will have on its consolidated financial condition and results of operations.

Certain Significant Risks and Uncertainties

6 Months Ended
Jun. 30, 2016

Certain Significant Risks and Uncertainties

Certain Significant Risks and Uncertainties

(2) Certain Significant Risks and Uncertainties

Revenue Sources

The Company receives revenues from Medicare, Medicaid, private insurance, self-pay residents, other third-party payors and long-term care facilities that utilize its rehabilitation therapy and other services. The Company's inpatient services segment derives approximately 78% of its revenue from Medicare and various state Medicaid programs. The following table depicts the Company's inpatient services segment revenue by source for the three and six months ended June 30, 2016 and 2015.

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Medicare	24 %	26 %	25 %	27 %
Medicaid	54 %	52 %	53 %	51 %
Insurance	12 %	12 %	12 %	12 %
Private and other	10 %	10 %	10 %	10 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The sources and amounts of the Company's revenues are determined by a number of factors, including licensed bed capacity and occupancy rates of inpatient facilities, the mix of patients and the rates of reimbursement among payors. Likewise, payment for ancillary medical services, including services provided by the Company's rehabilitation therapy services business, varies based upon the type of payor and payment methodologies. Changes in the case mix of the patients as well as payor mix among Medicare, Medicaid and private pay can significantly affect the Company's profitability.

It is not possible to quantify fully the effect of legislative changes, the interpretation or administration of such legislation or other governmental initiatives on the Company's business and the business of the customers served by the Company's rehabilitation therapy business. The potential impact of reforms to the United States healthcare system, including potential material changes to the delivery of healthcare services and the reimbursement paid for such services by the government or other third party payors, is uncertain at this time. Also, initiatives among managed care payors, conveners and referring acute care hospital systems to reduce lengths of stay and avoidable hospital admissions and to divert referrals to home health or other community-based care settings could have an adverse impact on the Company's business. Accordingly, there can be no assurance that the impact of any future healthcare legislation, regulation or actions by participants in the health care continuum will not adversely affect the Company's business. There can be no assurance that payments under governmental and private third-party payor programs will be timely, will remain at levels similar to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Company's financial condition and results of operations are and will continue to be affected by the reimbursement process, which in the healthcare industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled.

Laws and regulations governing the Medicare and Medicaid programs, and the Company's business generally, are complex and are often subject to a number of ambiguities in their application and interpretation. The Company believes that it is in substantial compliance with all applicable laws and regulations. However, from time to time the Company and its affiliates are subject to pending or threatened lawsuits and investigations involving allegations of potential wrongdoing, some of which may be material or involve significant costs to resolve and/or defend

against, or may lead to other adverse effects on the Company and its affiliates including, but not limited to, fines, penalties and exclusion from participation in the Medicare and/or Medicaid programs. The Company's business is subject to a number of other known and unknown risks and uncertainties, which are discussed in Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, which was filed with the SEC on March 14, 2016.

Significant Transactions and Events

6 Months Ended
Jun. 30, 2016

Significant Transactions and Events

Significant Transactions and Events

(3) Significant Transactions and Events

The Combination with Skilled

On August 18, 2014, Skilled Healthcare Group, Inc., a Delaware corporation (Skilled) entered into a Purchase and Contribution Agreement with FC-GEN Operations Investment, LLC (FC-GEN) pursuant to which the businesses and operations of FC-GEN and Skilled were combined (the Combination). On February 2, 2015, the Combination was completed.

Pro forma information

The acquired business contributed net revenues of \$382.6 million and net loss of \$9.5 million to the Company for the period from February 1, 2015 to June 30, 2015. The unaudited pro forma net effect of the Combination assuming the acquisition occurred as of January 1, 2015 is as follows (in thousands, except per share amounts):

	Pro forma six months ended June 30, 2015
Revenues	\$ 2,833,764
Loss attributable to Genesis Healthcare, Inc.	(30,846)
Loss per common share:	
Basic	\$ (0.35)
Diluted	\$ (0.35)

The unaudited pro forma financial data have been derived by combining the historical financial results of the Company and the operations acquired in the Combination for the periods presented. The unaudited results of operations include transaction and financing costs totaling \$86.9 million incurred by both the Company and Skilled in connection with the Combination. These costs have been eliminated from the results of operations for the three and six months ended June 30, 2015 for purposes of the pro forma financial presentation.

Sale of Kansas ALFs

On January 1, 2016, the Company sold 18 Kansas assisted/senior living facilities acquired in the Combination for \$67.0 million. Of the proceeds received, \$54.2 million were used to pay down partially the Real Estate Bridge Loans. See Note 7 – “*Long-Term Debt – Real Estate Bridge Loans.*”

Sale of Hospice and Home Health

On March 9, 2016, the Company announced that it had signed an agreement with FC Compassus LLC, a nationwide network of community-based hospice and palliative care programs, to sell its hospice and home health operations for \$84 million. Through the asset purchase agreement, the Company retained certain liabilities. See Note 11 – “*Commitments and Contingencies – Legal Proceedings - Creekside Hospice Litigation.*” Certain members of the Company’s board of directors indirectly beneficially hold ownership interests in FC Compassus LLC totaling less than 10% in the aggregate.

Effective May 1, 2016, the Company completed the sale and received \$72 million in cash and a \$12 million short-term note. The sale resulted in a gain of \$43.8 million. The cash

proceeds were used to pay down partially the Company's Term Loan Facility. See Note 7 – *“Long-Term Debt – Term Loan Facility.”*

HUD Insured Loans

In the three and six months ended June 30, 2016, the Company closed on the HUD insured financings of eight and 18 skilled nursing facilities for \$61.2 million and \$129.1 million, respectively. The total proceeds from the financings were used to pay down partially the Real Estate Bridge Loans. See Note 7 – *“Long-Term Debt – Real Estate Bridge Loans.”*

Earnings (Loss) Per Share

6 Months Ended

Jun. 30, 2016

Earnings (Loss) Per Share

Earnings (Loss) Per Share

(4) Earnings (Loss) Per Share

The Company has three classes of common stock. Classes A and B are identical in economic and voting interests. Class C has a 1:1 voting ratio with the other two classes, representing the voting interests of the approximate 42% noncontrolling interest of the legacy FC-GEN owners. Class C common stock is a participating security; however, it shares in a de minimis economic interest and is therefore excluded from the denominator of the basic earnings (loss) per share (EPS) calculation.

Basic EPS was computed by dividing net loss by the weighted-average number of outstanding common shares for the period. Diluted EPS is computed by dividing loss plus the effect of assumed conversions (if applicable) by the weighted-average number of outstanding shares after giving effect to all potential dilutive common stock, including options, warrants, common stock subject to repurchase and convertible preferred stock, if any.

The computations of basic and diluted EPS are consistent with any potentially dilutive adjustments to the numerator or denominator being anti-dilutive and therefore excluded from the dilutive calculation. A reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per common share follows (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Numerator:				
Loss from continuing operations	\$ (36,019)	\$ (33,214)	\$ (107,009)	\$ (151,576)
Less: Net loss attributable to noncontrolling interests	(12,985)	(15,750)	(40,974)	(21,434)
Loss from continuing operations attributable to Genesis Healthcare, Inc.	<u>\$ (23,034)</u>	<u>\$ (17,464)</u>	<u>\$ (66,035)</u>	<u>\$ (130,142)</u>
Income (loss) from discontinued operations, net of taxes	61	(1,722)	23	(1,610)
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (22,973)</u>	<u>\$ (19,186)</u>	<u>\$ (66,012)</u>	<u>\$ (131,752)</u>
Denominator:				
Weighted average shares outstanding for basic and diluted net loss per share	89,421	89,211	89,310	82,279
Basic and diluted net loss per common share:				
Loss from continuing operations attributable to Genesis Healthcare, Inc.	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
Income (loss) from discontinued operations, net of taxes	0.00	(0.02)	0.00	(0.02)
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (0.74)</u>	<u>\$ (1.60)</u>

The following were excluded from net loss attributable to Genesis Healthcare, Inc. and the weighted-average diluted shares computation for the three and six months ended June 30, 2016 and 2015, as their inclusion would have been anti-dilutive (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares
Exchange of restricted stock units of noncontrolling interests	\$ (7,504)	64,461	\$ (7,088)	64,461	\$ (29,833)	64,461	\$ (11,306)	53,066
Employee and director unvested restricted stock units	—	(2,442)	—	38	—	(2,656)	—	19

Because the Company is in a net loss position for the three and six months ended June 30, 2016, the combined impact of the assumed conversion of the approximate 42% noncontrolling interest to common stock and the related tax implications are anti-dilutive to EPS. As of June 30, 2016, there were 64,449,380 units attributed to the noncontrolling interests outstanding. In addition to the outstanding units attributed to the

noncontrolling interests, the conversion of all of those units will result in the issuance of an incremental 11,222 shares of Class A common stock. On June 3, 2015, the shareholders approved the 2015 Omnibus Equity Incentive Plan, which authorized the grant of 4,116,870 restricted stock units to employees and 178,218 restricted stock units to non-employee directors. In the three months ended June 30, 2016, 984,849 shares vested and 849,233 were issued with respect to the June 3, 2015 grant. On October 26, 2015, an additional 653,130 restricted stock units were granted to employees. On June 8, 2016, an additional 4,339,932 restricted stock units were granted to employees and 360,000 restricted stock units to non-employee directors. Because the Company is in a net loss position for the three and six months ended June 30, 2016, the combined impact of the grants under the 2015 Omnibus Equity Incentive Plan to common stock and the related tax implications are anti-dilutive to EPS.

Segment Information

6 Months Ended
Jun. 30, 2016

[Segment Information](#)

[Segment Information](#)

(5) Segment Information

The Company has three reportable operating segments: (i) inpatient services; (ii) rehabilitation therapy services; and (iii) other services. For additional information on these reportable segments see Note 1 – “General Information – Description of Business.”

A summary of the Company’s segmented revenues follows:

	Three months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage	Dollars	Percentage
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$1,194,326	83.0 %	\$1,164,674	82.0 %	\$ 29,652	2.5 %
Assisted/Senior living facilities	30,431	2.1 %	36,206	2.6 %	(5,775)	(16.0)%
Administration of third party facilities	2,870	0.2 %	2,828	0.2 %	42	1.5 %
Elimination of administrative services	(362)	— %	(523)	— %	161	(30.8)%
Inpatient services, net	1,227,265	85.3 %	1,203,185	84.8 %	24,080	2.0 %
Rehabilitation therapy services:						
Total therapy services	275,049	19.1 %	274,133	19.3 %	916	0.3 %
Elimination intersegment rehabilitation therapy services	(103,472)	(7.2)%	(110,002)	(7.7)%	6,530	(5.9)%
Third party rehabilitation therapy services	171,577	11.9 %	164,131	11.6 %	7,446	4.5 %
Other services:						
Total other services	45,334	3.2 %	61,409	4.3 %	(16,075)	(26.2)%
Elimination intersegment other services	(5,818)	(0.4)%	(9,250)	(0.7)%	3,432	(37.1)%
Third party other services	39,516	2.8 %	52,159	3.6 %	(12,643)	(24.2)%
Net revenues	\$1,438,358	100.0 %	\$1,419,475	100.0 %	\$ 18,883	1.3 %

	Six months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage	Dollars	Percentage
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$2,402,759	82.5 %	\$2,269,665	82.2 %	\$133,094	5.9 %
Assisted/Senior living facilities	61,350	2.1 %	69,862	2.5 %	(8,512)	(12.2)%
Administration of third party facilities	5,949	0.2 %	5,499	0.2 %	450	8.2 %
Elimination of administrative services	(737)	— %	(1,024)	— %	287	(28.0)%
Inpatient services, net	2,469,321	84.8 %	2,344,002	84.9 %	125,319	5.3 %

Rehabilitation therapy services:						
Total therapy services	560,161	19.3 %	537,184	19.4 %	22,977	4.3 %
Elimination intersegment rehabilitation therapy services	<u>(209,904)</u>	<u>(7.2)%</u>	<u>(215,908)</u>	<u>(7.8)%</u>	<u>6,004</u>	<u>(2.8)%</u>
Third party rehabilitation therapy services	350,257	12.1 %	321,276	11.6 %	28,981	9.0 %
Other services:						
Total other services	101,960	3.5 %	113,955	4.1 %	(11,995)	(10.5)%
Elimination intersegment other services	<u>(10,962)</u>	<u>(0.4)%</u>	<u>(16,757)</u>	<u>(0.6)%</u>	<u>5,795</u>	<u>(34.6)%</u>
Third party other services	<u>90,998</u>	<u>3.1 %</u>	<u>97,198</u>	<u>3.5 %</u>	<u>(6,200)</u>	<u>(6.4)%</u>
Net revenues	<u>\$2,910,576</u>	<u>100.0 %</u>	<u>\$2,762,476</u>	<u>100.0 %</u>	<u>\$148,100</u>	<u>5.4 %</u>

A summary of the Company's unaudited condensed consolidated statement of operations follows:

Three months ended June 30, 2016						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$ 1,227,627	\$ 275,049	\$ 45,220	\$ 114	\$ (109,652)	\$ 1,438,358
Salaries, wages and benefits	572,676	229,533	30,484	—	—	832,693
Other operating expenses	428,550	19,683	11,580	—	(109,652)	350,161
General and administrative costs	—	—	—	45,026	—	45,026
Provision for losses on accounts receivable	24,324	4,795	608	(46)	—	29,681
Lease expense	36,006	23	410	529	—	36,968
Depreciation and amortization expense	60,056	3,074	328	4,495	—	67,953
Interest expense	110,057	15	4	23,784	—	133,860
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(658)	—	(658)
Other income	—	—	—	(42,923)	—	(42,923)
Transaction costs	—	—	—	4,993	—	4,993
Skilled Healthcare and other loss contingency expense	—	—	—	13,566	—	13,566
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,174)	677	(497)
(Loss) income before income tax expense	<u>(4,042)</u>	<u>17,926</u>	<u>1,806</u>	<u>(47,946)</u>	<u>(677)</u>	<u>(32,933)</u>
Income tax expense	—	—	—	3,086	—	3,086
(Loss) income from continuing operations	<u>\$ (4,042)</u>	<u>\$ 17,926</u>	<u>\$ 1,806</u>	<u>\$ (51,032)</u>	<u>\$ (677)</u>	<u>\$ (36,019)</u>

Three months ended June 30, 2015						
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
(In thousands)						
Net revenues	\$ 1,203,708	\$ 274,133	\$ 60,338	\$ 1,071	\$ (119,775)	\$ 1,419,475
Salaries, wages and benefits	562,682	220,782	37,462	—	—	820,926
Other operating expenses	430,954	19,595	17,463	—	(119,776)	348,236
General and administrative costs	—	—	1	43,482	—	43,483

Provision for losses on accounts receivable	17,271	4,106	779	(43)	—	22,113
Lease expense	37,738	14	747	460	—	38,959
Depreciation and amortization expense	51,032	3,032	198	(657)	—	53,605
Interest expense	105,815	1	10	20,683	(124)	126,385
Investment (income) loss	—	—	—	(555)	124	(431)
Other loss	—	—	—	50	—	50
Transaction costs	—	—	—	2,642	—	2,642
Skilled Healthcare and other loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(928)	568	(360)
(Loss) income before income tax benefit	(1,784)	26,603	3,678	(65,563)	(567)	(37,633)
Income tax benefit	—	—	—	(4,419)	—	(4,419)
(Loss) income from continuing operations	<u>\$ (1,784)</u>	<u>\$ 26,603</u>	<u>\$ 3,678</u>	<u>\$ (61,144)</u>	<u>\$ (567)</u>	<u>\$ (33,214)</u>

Six months ended June 30, 2016

	Rehabilitation					Consolidated
	Inpatient Services	Therapy Services	Other Services	Corporate	Eliminations	
	(In thousands)					
Net revenues	\$ 2,470,058	\$ 560,161	\$ 101,744	\$ 216	\$ (221,603)	\$ 2,910,576
Salaries, wages and benefits	1,161,578	469,969	68,863	—	—	1,700,410
Other operating expenses	867,249	40,024	25,588	—	(221,603)	711,258
General and administrative costs	—	—	—	93,453	—	93,453
Provision for losses on accounts receivable	47,669	7,443	1,154	(92)	—	56,174
Lease expense	72,302	47	940	995	—	74,284
Depreciation and amortization expense	113,895	6,194	642	8,987	—	129,718
Interest expense	219,046	29	20	49,946	—	269,041
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(1,139)	—	(1,139)
Other income	—	—	—	(42,911)	—	(42,911)
Transaction costs	—	—	—	6,747	—	6,747
Skilled Healthcare and other loss contingency expense	—	—	—	15,192	—	15,192
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(2,286)	1,026	(1,260)
(Loss) income before income tax expense	(11,681)	36,455	4,537	(129,144)	(1,026)	(100,859)
Income tax expense	—	—	—	6,150	—	6,150
(Loss) income from continuing operations	<u>\$ (11,681)</u>	<u>\$ 36,455</u>	<u>\$ 4,537</u>	<u>\$ (135,294)</u>	<u>\$ (1,026)</u>	<u>\$ (107,009)</u>

Six months ended June 30, 2015

	Rehabilitation					Consolidated
	Inpatient Services	Therapy Services	Other Services	Corporate	Eliminations	
	(In thousands)					
Net revenues	\$ 2,345,026	\$ 537,184	\$ 112,674	\$ 1,281	\$ (233,689)	\$ 2,762,476
Salaries, wages and benefits	1,105,374	435,579	70,706	—	—	1,611,659
Other operating expenses	827,496	34,994	31,996	—	(233,689)	660,797
General and administrative costs	—	—	3	85,013	—	85,016
Provision for losses on accounts receivable	36,344	7,933	1,318	(86)	—	45,509

Lease expense	73,266	55	1,206	851	—	75,378
Depreciation and amortization expense	99,257	5,899	560	7,822	—	113,538
Interest expense	209,469	2	20	38,454	(247)	247,698
Loss on extinguishment of debt	—	—	—	3,234	—	3,234
Investment (income) loss	—	—	—	(1,094)	247	(847)
Other income	—	—	—	(7,560)	—	(7,560)
Transaction costs	—	—	—	88,710	—	88,710
Skilled Healthcare loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,457)	944	(513)
(Loss) income before income tax benefit	(6,180)	52,722	6,865	(214,106)	(944)	(161,643)
Income tax benefit	—	—	—	(10,067)	—	(10,067)
(Loss) income from continuing operations	<u>\$ (6,180)</u>	<u>\$ 52,722</u>	<u>\$ 6,865</u>	<u>\$ (204,039)</u>	<u>\$ (944)</u>	<u>\$ (151,576)</u>

The following table presents the segment assets as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$ 5,324,300	\$ 5,437,518
Rehabilitation services	453,213	442,969
Other services	62,539	91,775
Corporate and eliminations	92,966	87,687
Total assets	<u>\$ 5,933,018</u>	<u>\$ 6,059,949</u>

The following table presents segment goodwill as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$ 358,866	\$ 357,649
Rehabilitation services	73,814	73,098
Other services	11,828	39,272
Total goodwill	<u>\$ 444,508</u>	<u>\$ 470,019</u>

Property and Equipment

6 Months Ended
Jun. 30, 2016

Property, Plant and Equipment

[Abstract]

Property and Equipment

(6) Property and Equipment

Property and equipment consisted of the following as of June 30, 2016 and December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Land, buildings and improvements	\$ 714,872	\$ 714,766
Capital lease land, buildings and improvements	840,139	903,977
Financing obligation land, buildings and improvements	2,655,875	2,644,307
Equipment, furniture and fixtures	440,077	436,300
Construction in progress	35,249	24,665
Gross property and equipment	4,686,212	4,724,015
Less: accumulated depreciation	(728,967)	(638,768)
Net property and equipment	<u>\$ 3,957,245</u>	<u>\$ 4,085,247</u>

Long-Term Debt

**6 Months Ended
Jun. 30, 2016**

[Long-Term Debt Abstract](#) [Long-Term Debt](#)

(7) Long-Term Debt

Long-term debt at June 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Revolving credit facilities, net of debt issuance costs of \$8,766 at June 30, 2016 and \$10,254 at December 31, 2015	\$ 362,234	\$ 352,746
Term loan facility, net of original issue discount of \$5,525 at June 30, 2016 and \$7,475 at December 31, 2015, and net of debt issuance costs of \$7,487 at June 30, 2016 and \$10,129 at December 31, 2015	140,430	210,842
Real estate bridge loans, net of debt issuance costs of \$6,396 at June 30, 2016 and \$9,567 at December 31, 2015	358,351	484,533
HUD insured loans, net of debt issuance costs of \$5,368 at June 30, 2016 and \$1,395 at December 31, 2015	230,186	106,250
Mortgages and other secured debt (recourse)	13,586	13,934
Mortgages and other secured debt (non-recourse), net of debt issuance costs of \$154 at June 30, 2016 and \$176 at December 31, 2015	29,799	30,331
	<u>1,134,586</u>	<u>1,198,636</u>
Less: Current installments of long-term debt	<u>(8,328)</u>	<u>(12,477)</u>
Long-term debt	<u>\$1,126,258</u>	<u>\$ 1,186,159</u>

Revolving Credit Facilities

The Company's revolving credit facilities (the Revolving Credit Facilities) consist of a senior secured, asset-based revolving credit facility of up to \$550 million under three separate tranches: Tranche A-1, Tranche A-2 and FILO Tranche. Interest accrues at a per annum rate equal to either (x) a base rate (calculated as the highest of the (i) prime rate, (ii) the federal funds rate plus 3.00%, or (iii) LIBOR plus the excess of the applicable margin between LIBOR loans and base rate loans) plus an applicable margin or (y) LIBOR plus an applicable margin. The applicable margin is based on the level of commitments for all three tranches, and in regards to LIBOR loans (i) for Tranche A-1 ranges from 3.25% to 2.75%; (ii) for Tranche A-2 ranges from 3.00% to 2.50%; and (iii) for FILO Tranche is 5.00%. The Revolving Credit Facilities mature on February 2, 2020, provided that if the Skilled Real Estate Bridge Loan (defined below) or the Revera Real Estate Bridge Loan (defined below) is not refinanced with longer term debt or their terms not extended prior to their extension option maturities of February 23, 2018 and May 29, 2018, respectively, the Revolving Credit Facilities will mature 90 days prior to such maturity date, as applicable (November 23, 2017 and February 28, 2018, respectively). Borrowing levels under the Revolving Credit Facilities are limited to a borrowing base that is computed based upon the level of the Company's eligible accounts receivable, as defined therein. In addition to paying interest on the outstanding principal borrowed under the Revolving Credit Facilities, the Company is required to pay a commitment fee to the lenders for any unutilized commitments. The commitment fee rate ranges from 0.375% per annum to 0.50% depending upon the level of unused commitment.

Borrowings and interest rates under the three tranches were as follows at June 30, 2016:

<u>Revolving credit facility</u>	<u>Borrowings</u>	<u>Weighted Average Interest</u>
----------------------------------	-------------------	--

FILO tranche	\$ 25,000	5.87 %
Tranche A-1	296,000	4.69 %
Tranche A-2	50,000	3.63 %
	<u>\$371,000</u>	<u>4.62 %</u>

As of June 30, 2016, the Company had a total borrowing base capacity of \$550.0 million with outstanding borrowings under the Revolving Credit Facilities of \$371.0 million and \$68.4 million of drawn letters of credit securing insurance and lease obligations, leaving the Company with approximately \$110.6 million of available borrowing capacity under the Revolving Credit Facilities.

On July 29, 2016, the Company entered into an amendment (the ABL Amendment) to its Revolving Credit Facilities. Among other things, the ABL Amendment (i) modifies financial covenants effective June 30, 2016 to provide additional flexibility to the Company; (ii) permits the Company to enter into certain other transactions; and (iii) increases the interest rate margin applicable to the revolving loans under the ABL Credit Agreement (the New Applicable Margin). The New Applicable Margin for LIBOR loans increased (i) for Tranche A-1 loans, from a range of 2.75% to 3.25% to a range of 3.00% to 3.50%, (ii) for Tranche A-2 loans, from a range of 2.50% to 3.00% to a range of 3.00% to 3.50% and (iii) for FILO Tranche, from 5.00% to 6.00%. The New Applicable Margin for Base Rate (calculated as the highest of the (i) prime rate, (ii) the federal funds rate plus 3.00%, or (iii) LIBOR plus the excess of the applicable margin between LIBOR loans and base rate loans) loans increased (i) for Tranche A-1 loans, from a range of 1.75% to 2.25% to a range of 2.00% to 2.50%, (ii) for Tranche A-2 loans, from a range of 1.50% to 2.00% to a range of 2.00% to 2.50% and (iii) for FILO Tranche, from 4.00% to 5.00%.

The amended Revolving Credit Facilities contain financial, affirmative and negative covenants, and events of default effective as of June 30, 2016 that are substantially identical to those of the New Term Loan Agreement (as defined below), but also contain a minimum liquidity covenant and a springing minimum fixed charge coverage covenant tied to the minimum liquidity requirement. The most restrictive financial covenant is the maximum leverage ratio which requires the Company to maintain a leverage ratio, as defined, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Term Loan Facility and New Term Loan Agreement

The five-year term loan facility (Term Loan Facility) was secured by a first priority lien on the membership interests in the Company and on substantially all of the Company's and its subsidiaries' assets other than collateral held on a first priority basis by the Revolving Credit Facilities lender. Borrowings under the Term Loan Facility bore interest at a rate per annum equal to the applicable margin plus, at the Company's option, either (x) LIBOR or (y) a base rate determined by reference to the highest of (i) the lender defined prime rate, (ii) the federal funds rate effective plus one half of one percent and (iii) LIBOR described in subclause (x) plus 1.0%. LIBOR based loans were subject to an interest rate floor of 1.5% and base rate loans were subject to a floor of 2.5%. The Term Loan Facility was set to mature on the earliest of (i) December 4, 2017 and (ii) 90 days prior to the maturity of the Skilled Real Estate Bridge Loan, including extensions. As of June 30, 2016, the Term Loan Facility had an outstanding principal balance of \$153.4 million. Base rate borrowings under the Term Loan Facility bore interest of approximately 11.0% at June 30, 2016. One-month LIBOR borrowings under the Term Loan Facility bore interest of approximately 10.0% at June 30, 2016.

Principal payments for the six months ended June 30, 2016 were \$75.0 million, which includes \$72 million in cash proceeds received in connection with the sale of the Company's hospice and home health business effective May 1, 2016. See Note 3 – “*Significant Transactions and Events – Sale of Hospice and Home Health.*” The Term Loan Facility amortizes at a rate of 5% per annum. The lenders have the right to elect ratable principal payments or defer principal recoupment until the end of the term.

On July 29, 2016, the Company paid the outstanding balance of \$153.4 million under the Term Loan Facility. In addition, the Company paid an early termination fee of approximately \$3.1 million. The Term Loan Facility and all guarantees and liens related thereto were terminated upon such payments.

On July 29, 2016, the Company and certain of its affiliates, including FC-GEN Operations Investment, LLC (the Borrower) entered into a four year term loan agreement (the New Term Loan Agreement) with an affiliate of Welltower Inc. (Welltower) and an affiliate of Omega Healthcare Investors, Inc. (Omega). The New Term Loan Agreement provides for term loans (the New Term Loans) in the aggregate principal amount of \$120.0 million, with scheduled annual amortization of 2.5% of the initial principal balance in years one and two, and 6.0% in years three and four. Borrowings under the New Term Loan Agreement bear interest at a rate equal to a base rate (subject to a floor of 1.00%) or an ABR rate (subject to a floor of 2.0%), plus in each case a specified applicable margin. The initial applicable margin for base rate loans is 13.0% per annum and the initial applicable margin for ABR rate loans is 12.0% per annum. At the Company's election, with respect to either base rate or ABR rate loans, up to 2.0% of the interest may be paid either in cash or paid-in-kind. The proceeds of the New Term Loan, along with cash on hand, were used to repay all outstanding term loans and other obligations under the Term Loan Facility.

The New Term Loan Agreement is secured by a first priority lien on the equity interests of the subsidiaries of the Company and the Borrower as well as certain other assets of the Company, the Borrower and their subsidiaries, subject to certain exceptions. The New Term Loan Agreement is also secured by a junior lien on the assets that secure the Revolving Credit Facilities, as amended, on a first priority basis.

Welltower and Omega, or their respective affiliates, are each currently landlords under certain master lease agreements to which the Company and/or its affiliates are tenants. In addition, Welltower currently provides funding, pursuant to two bridge loans, to certain affiliates of the Company.

The New Term Loan Agreement contains financial, affirmative and negative covenants, and events of default that are customary for debt securities of this type. Financial covenants include four maintenance covenants which require the Company to maintain a maximum leverage ratio, a minimum interest coverage ratio, a minimum fixed charge coverage ratio and maximum capital expenditures. The most restrictive financial covenant is the maximum leverage ratio which requires the Company to maintain a leverage ratio, as defined therein, of no more than 6.0 to 1.0 through March of 2017 and stepping down over the course of the loan to 4.0 to 1.0 beginning in 2020.

Real Estate Bridge Loans

In connection with the Combination on February 2, 2015, the Company entered into a \$360.0 million real estate bridge loan (the Skilled Real Estate Bridge Loan), which is secured by a mortgage lien on the real property of 67 facilities and a second lien on certain receivables of the operators of such facilities. The Skilled Real Estate Bridge Loan is subject to a 24-month term with two extension options of 90 days each followed by one extension option of 180 days. The loan accrues interest at a rate equal to LIBOR, plus 6.75%, plus an additional margin that ranges up to 7.00% based on the aggregate number of days the Skilled Real Estate Bridge Loan is outstanding. The interest rate is also subject to a LIBOR interest rate floor of 0.5%. The Skilled Real Estate Bridge Loan bore interest of 11.75% at June 30, 2016. The Skilled Real Estate Bridge Loan is subject to payments of interest only during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to repay the outstanding principal balance of the Skilled Real Estate Bridge Loan. The proceeds of the Skilled Real Estate Bridge Loan were used to repay Skilled's first lien senior secured term loan, repay Skilled's mortgage loans and asset based revolving credit facility with MidCap Financial with excess proceeds used to fund direct costs of the Combination with the Company. The

Skilled Real Estate Bridge Loan has an outstanding principal balance of \$176.7 million at June 30, 2016.

In connection with the acquisition of 19 skilled nursing facilities on December 1, 2015 from Revera Assisted Living, Inc. (Revera), the Company entered into a \$134.1 million real estate bridge loan (the Revera Real Estate Bridge Loan and, together with the Skilled Real Estate Bridge Loan, the Welltower Real Estate Bridge Loans), which is secured by a mortgage lien on the real property of 15 facilities. The Revera Real Estate Bridge Loan is subject to a 24-month term with two extension options of 90 days each and accrues interest at a rate equal to LIBOR, plus 6.75%, plus an additional margin that ranges up to 7.00% based on the aggregate number of days the Revera Real Estate Bridge Loan is outstanding, plus 0.25% multiplied by the result of dividing the number of percentage points by which the loan-to-value ratio, defined as the ratio, expressed as a percentage, of (i) the outstanding principal balance to (ii) the total appraised value of the facilities as of the closing date, exceeds 75% by five. The interest rate is also subject to a LIBOR interest rate floor of 0.5%. The Revera Real Estate Bridge Loan bore interest of 8.50% at June 30, 2016. The Revera Real Estate Bridge Loan is subject to payments of interest only during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to repay the outstanding principal balance of the Revera Real Estate Bridge Loan. The proceeds of the Revera Real Estate Bridge Loan were used to finance the acquisition of 15 Revera facilities. The Revera Real Estate Bridge Loan has an outstanding principal balance of \$134.1 million at June 30, 2016.

On April 1, 2016, the Company acquired one skilled nursing facility and entered into a \$9.9 million real estate bridge loan. On May 23, 2016, the Company acquired the real property of five skilled nursing facilities it operated under a leasing arrangement and entered into a \$44.0 million real estate bridge loan (collectively, the Other Real Estate Bridge Loans). Each of the Other Real Estate Bridge Loans has a term of three years and accrues interest at a rate equal to LIBOR plus a margin of 4.00%. The Other Real Estate Bridge Loans bore interest of 4.50% at June 30, 2016. The Other Real Estate Bridge Loans are subject to payments primarily of interest only, with some principal payments in the second and third years, during the term with a balloon payment due at maturity, provided, that to the extent the subsidiaries receive any net proceeds from the sale and / or refinance of the underlying facilities such net proceeds are required to be used to pay down the outstanding principal balance of the Other Real Estate Bridge Loans. The Other Real Estate Bridge Loans have an outstanding principal balance of \$53.9 million at June 30, 2016.

HUD Insured Loans

As of June 30, 2016, the Company has 29 skilled nursing facility loans insured by the U.S. Department of Housing and Urban Development (HUD). The HUD insured loans have an original amortization term of 30 to 35 years. As of June 30, 2016 the Company has HUD insured loans with a combined aggregate principal balance of \$221.3 million, including a \$14.3 million debt premium on 10 skilled nursing facility loans established in purchase accounting in connection with the Combination.

These loans have an average remaining term of 32 years with fixed interest rates ranging from 3.1% to 4.6% and a weighted average interest rate of 3.7%. Depending on the mortgage agreement, prepayments are generally allowed only after 12 months from the inception of the mortgage. Prepayments are subject to a penalty of 10% of the remaining principal balances in the first year and the prepayment penalty decreases each subsequent year by 1% until no penalty is required thereafter. Any further HUD insured loans will require additional HUD approval.

All HUD insured loans are non-recourse loans to the Company. All loans are subject to HUD regulatory agreements that require escrow reserve funds to be deposited with the loan servicer for mortgage insurance premiums, property taxes, insurance and for capital replacement expenditures. As of June 30, 2016, the Company has total escrow reserve funds of \$12.9 million with the loan servicer that are reported within prepaid expenses.

Other Debt

Mortgages and other secured debt (recourse). The Company carries mortgage loans and notes payable on certain of its corporate office buildings and other acquired assets. The loans are secured by the underlying real property and have fixed or variable rates of interest ranging from 2.2% to 6.0% at June 30, 2016, with maturity dates ranging from 2018 to 2020.

Mortgages and other secured debt (non-recourse). Loans are carried by certain of the Company's consolidated joint ventures. The loans consist principally of revenue bonds and secured bank loans. Loans are secured by the underlying real and personal property of individual facilities and have fixed or variable rates of interest ranging from 2.5% to 22.7%, with a weighted average interest rate of 4.2%, at June 30, 2016. Maturity dates range from 2018 to 2034. Loans are labeled "non-recourse" because neither the Company nor any of its wholly owned subsidiaries is obligated to perform under the respective loan agreements.

Debt Covenants

The Revolving Credit Facilities, the New Term Loan Agreement and the Welltower Real Estate Bridge Loans (collectively, the Credit Facilities) each contain a number of restrictive covenants that, among other things, impose operating and financial restrictions on the Company and its subsidiaries. The Credit Facilities also require the Company to meet defined financial covenants, including interest coverage ratio, a maximum consolidated net leverage ratio and a minimum consolidated fixed charge coverage ratio, all as defined in the applicable agreements. The Credit Facilities also contain other customary covenants and events of default and cross default. Following the amendments to certain of these agreements, which are effective June 30, 2016, the Company is in compliance with all covenants contained in the Credit Facilities.

The Company's ability to maintain compliance with its debt covenants depends in part on management's ability to increase revenue and control costs. Should the Company fail to comply with its debt covenants at a future measurement date, it could, absent necessary and timely waivers and/or amendments, be in default under certain of its existing credit agreements. To the extent any cross-default provisions may apply, the default could have an even more significant impact on the Company's financial position.

As of June 30, 2016, considering the combination of scheduled debt maturities or accelerated maturity features in other debt agreements, the Company has \$468.9 million in debt obligations due in the next two years. The liquidity and financial condition of the Company will be adversely impacted in the event these obligations cannot be extended or refinanced prior to their scheduled or accelerated maturity dates. The table below does not reflect the effect of the New Term Loan and the ABL Amendment executed on July 29, 2016.

The maturity of total debt of \$1,134.6 million at June 30, 2016 is as follows (in thousands):

Twelve months ended June 30,	
2017	\$ 8,328
2018	460,556
2019	67,212
2020	368,260
2021	6,511
Thereafter	223,719
Total debt maturity	<u>\$1,134,586</u>

**Leases and Lease
Commitments**

**6 Months Ended
Jun. 30, 2016**

**Leases and Lease
Commitments**

**Leases and Lease
Commitments**

(8) Leases and Lease Commitments

The Company leases certain facilities under capital and operating leases. Future minimum payments for the next five years and thereafter under such leases at June 30, 2016 are as follows (in thousands):

<u>Twelve months ended June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2017	\$ 93,041	\$ 139,555
2018	89,929	137,912
2019	91,880	135,339
2020	94,163	134,828
2021	96,369	117,749
Thereafter	3,237,791	226,183
Total future minimum lease payments	3,703,173	\$ 891,566
Less amount representing interest	(2,691,010)	
Capital lease obligation	1,012,163	
Less current portion	(1,849)	
Long-term capital lease obligation	\$ 1,010,314	

Capital Lease Obligations

The capital lease obligations represent the present value of minimum lease payments under such capital lease and cease use arrangements and bear imputed interest at rates ranging from 3.5% to 12.8% at June 30, 2016, and mature at dates ranging from 2016 to 2047.

Deferred Lease Balances

At June 30, 2016 and December 31, 2015, the Company had \$50.3 million and \$54.7 million, respectively, of favorable leases net of accumulated amortization, included in identifiable intangible assets, and \$31.9 million and \$35.5 million, respectively, of unfavorable leases net of accumulated amortization included in other long-term liabilities on the consolidated balance sheet. Favorable and unfavorable lease assets and liabilities arise through the acquisition of operating leases in place that requires those contracts be recorded at their then fair value. The fair value of a lease is determined through a comparison of the actual rental rate with rental rates prevalent for similar assets in similar markets. A favorable lease asset to the Company represents a rental stream that is below market, and conversely an unfavorable lease is one with its cost above market rates. These assets and liabilities amortize as lease expense over the remaining term of the respective leases on a straight-line basis. At June 30, 2016 and December 31, 2015, the Company had \$29.3 million and \$27.3 million, respectively, of deferred straight-line rent balances included in other long-term liabilities on the consolidated balance sheet.

Lease Covenants

Certain lease agreements contain a number of restrictive covenants that, among other things, and subject to certain exceptions, impose operating and financial restrictions on the Company and its subsidiaries. These leases also require the Company to meet defined financial covenants, including a minimum level of consolidated liquidity, a maximum consolidated net leverage ratio and a minimum consolidated fixed charge coverage.

On July 29, 2016, the Company entered into amendments to its master lease agreements with Welltower, Sabra Health Care REIT, Inc. (Sabra) and Omega (collectively, the Master Lease

Amendments). Among other things, the Master Lease Amendments modified financial covenants effective as of June 30, 2016 to provide the Company with additional flexibility.

The Master Lease Amendments each contain a number of financial, affirmative and negative covenants. Following the amendments to these agreements, which are effective June 30, 2016, the Company is in compliance with all covenants contained in the Master Lease Amendments.

At June 30, 2016, the Company did not meet certain financial covenants contained in three leases related to 11 of its facilities. The Company is and expects to continue to be current in the timely payment of its obligations under such leases. These leases do not have cross default provisions, nor do they trigger cross default provisions in any of the Company's other loan or lease agreements. The Company will continue to work with the related credit parties to amend such leases and the related financial covenants. The Company does not believe the breach of such financial covenants at June 30, 2016 will have a material adverse impact on it. The Company has been afforded certain cure rights to such defaults by posting collateral in the form of additional letters of credit or security deposit.

The Company's ability to maintain compliance with its lease covenants depends in part on management's ability to increase revenue and control costs. Due to continuing changes in the healthcare industry, as well as the uncertainty with respect to changing referral patterns, patient mix, and reimbursement rates, it is possible that future operating performance may not generate sufficient operating results to maintain compliance with its quarterly lease covenant compliance requirements. Should the Company fail to comply with its lease covenants at a future measurement date, it could, absent necessary and timely waivers and/or amendments, be in default under certain of its existing lease agreements. To the extent any cross-default provisions may apply, the default could have an even more significant impact on the Company's financial position.

Financing Obligation

6 Months Ended
Jun. 30, 2016

Financing Obligation

Financing Obligation

(9) Financing Obligation

Future minimum payments for the next five years and thereafter under leases classified as financing obligations at June 30, 2016 are as follows (in thousands):

<u>Twelve months ended June 30,</u>	
2017	\$ 279,799
2018	288,243
2019	296,482
2020	304,961
2021	313,675
Thereafter	9,782,020
Total future minimum lease payments	11,265,180
Less amount representing interest	(8,156,016)
Financing obligations	\$ 3,109,164
Less current portion	(1,431)
Long-term financing obligations	<u>\$ 3,107,733</u>

Income Taxes

**6 Months Ended
Jun. 30, 2016**

[Income Tax Disclosure](#)

[\[Abstract\]](#)

[Income Taxes](#)

(10) Income Taxes

The Company effectively owns 58% of FC-GEN, an entity taxed as a partnership for U.S. income tax purposes. This is the Company's only source of taxable income. FC-GEN is subject to income taxes in several U.S. state and local jurisdictions. The income taxes assessed by these jurisdictions are included in the Company's tax provision, but at its 58% ownership of FC-GEN.

For the three months ended June 30, 2016, the Company recorded an income tax expense of \$3.1 million from continuing operations, representing an effective tax rate of (9.4)%, compared to an income tax benefit of \$4.4 million from continuing operations, representing an effective tax rate of 11.7%, for the same period in 2015.

For the six months ended June 30, 2016, the Company recorded an income tax expense of \$6.2 million from continuing operations, representing an effective tax rate of (6.1)%, compared to an income tax benefit of \$10.1 million from continuing operations, representing an effective tax rate of 6.2%, for the same period in 2015.

The decrease in the effective tax rate for each of the respective periods is attributable to the full valuation allowance against the Company's deferred tax assets, excluding the reversal of deferred tax liabilities related to indefinite-lived assets, and the Company's deferred tax asset on its Bermuda captive insurance company's discounted unpaid loss reserve. On December 31, 2015, in assessing the requirement for, and amount of, a valuation allowance in accordance with the "more likely than not" standard, management determined that the Company would not realize its deferred tax assets and established a valuation allowance against the deferred tax assets. As of June 30, 2016, management has determined that the valuation allowance is still necessary. The Company's Bermuda captive insurance company is expected to generate positive U.S. federal taxable income in 2016, with no net operating loss to offset its taxable income.

Beginning with the fourth quarter of 2014, the Company initiated rehabilitation therapy services within the People's Republic of China. In the quarter ended March 31, 2016, the Company initiated rehabilitation therapy services within Hong Kong. At June 30, 2016, these business operations remain in their respective startup stage. Management does not anticipate these operations will generate taxable income in the near term. The operations currently do not have a material effect on the Company's effective tax rate.

Exchange Rights and Tax Receivable Agreement

Following the Combination, the owners of FC-GEN will have the right to exchange their membership interests in FC-GEN for shares of Class A Common Stock of the Company or cash, at the Company's option. As a result of such exchanges, the Company's membership interest in FC-GEN will increase and its purchase price will be reflected in its share of the tax basis of FC-GEN's tangible and intangible assets. Any resulting increases in tax basis are likely to increase tax depreciation and amortization deductions and, therefore, reduce the amount of income tax the Company would otherwise be required to pay in the future. Any such increase would also decrease gain (or increase loss) on future dispositions of the affected assets. There have been no exchanges for the three or six months ended June 30, 2016 and 2015, respectively.

Concurrent with the Combination, the Company entered into a tax receivable agreement (TRA) with the owners of FC-GEN. The agreement provides for the payment by the Company to the owners of FC-GEN of 90% of the cash savings, if any, in U.S. federal, state and local income tax that the Company actually realizes as a result of (i) the increases in tax basis attributable to the owners of FC-GEN and (ii) tax benefits related to imputed interest deemed to be paid by the

Company as a result of the TRA. Under the TRA, the benefits deemed realized by the Company as a result of the increase in tax basis attributable to the owners of FC-GEN generally will be computed by comparing the actual income tax liability of the Company to the amount of such taxes that the Company would have been required to pay had there been no such increase in tax basis.

Estimating the amount of payments that may be made under the TRA is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis and deductions, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair value of the depreciable or amortizable assets of FC-GEN and its subsidiaries at the time of each exchange, which fair value may fluctuate over time;
- the price of shares of Company Class A Common Stock at the time of the exchange—the increase in any tax deductions, and the tax basis increase in other assets of FC-GEN and its subsidiaries is directly proportional to the price of shares of Company Class A Common Stock at the time of the exchange;
- the amount and timing of the Company’s income—the Company is required to pay 90% of the deemed benefits as and when deemed realized. If FC-GEN does not have taxable income, the Company is generally not required (absent a change of control or circumstances requiring an early termination payment) to make payments under the TRA for that taxable year because no benefit will have been actually realized. However, any tax benefits that do not result in realized benefits in a given tax year likely will generate tax attributes that may be utilized to generate benefits in previous or future tax years. The utilization of such tax attributes will result in payments under the TRA; and
- future tax rates of jurisdictions in which the Company has tax liability.

The TRA also provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control, FC-GEN (or its successor’s) obligations under the TRA would be based on certain assumptions defined in the TRA. As a result of these assumptions, FC-GEN could be required to make payments under the TRA that are greater or less than the specified percentage of the actual benefits realized by the Company that are subject to the TRA. In addition, if FC-GEN elects to terminate the TRA early, it would be required to make an early termination payment, which upfront payment may be made significantly in advance of the anticipated future tax benefits.

Payments generally are due under the TRA within a specified period of time following the filing of FC-GEN’s U.S. federal and state income tax return for the taxable year with respect to which the payment obligation arises. Payments under the TRA generally will be based on the tax reporting positions that FC-GEN will determine. Although FC-GEN does not expect the Internal Revenue Service (IRS) to challenge the Company’s tax reporting positions, FC-GEN will not be reimbursed for any overpayments previously made under the TRA, but any overpayments will reduce future payments. As a result, in certain circumstances, payments could be made under the TRA in excess of the benefits that FC-GEN actually realizes in respect of the tax attributes subject to the TRA.

The term of the TRA generally will continue until all applicable tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA and make an early termination payment.

In certain circumstances (such as certain changes in control, the election of the Company to exercise its right to terminate the agreement and make an early termination payment or an IRS challenge to a tax basis increase) it is possible that cash payments under the TRA may exceed actual cash savings.

[Commitments and
Contingencies Disclosure](#)

[\[Abstract\]](#)

[Commitments and
Contingencies](#)

(11) Commitments and Contingencies

Loss Reserves For Certain Self-Insured Programs

General and Professional Liability and Workers' Compensation

The Company self-insures for certain insurable risks, including general and professional liabilities and workers' compensation liabilities through the use of self-insurance or retrospective and self-funded insurance policies and other hybrid policies, which vary among states in which the Company operates, including wholly owned captive insurance subsidiaries, to provide for potential liabilities for general and professional liability claims and workers' compensation claims. Policies are typically written for a duration of twelve months and are measured on a "claims made" basis. Regarding workers' compensation, the Company self-insures to its deductible and purchases statutorily required insurance coverage in excess of its deductible. There is a risk that amounts funded by the Company's self-insurance programs may not be sufficient to respond to all claims asserted under those programs. Insurance reserves represent estimates of future claims payments. This liability includes an estimate of the development of reported losses and losses incurred but not reported. Provisions for changes in insurance reserves are made in the period of the related coverage. The Company also considers amounts that may be recovered from excess insurance carriers in estimating the ultimate net liability for such risks.

The Company's management employs its judgment and periodic independent actuarial analysis in determining the adequacy of certain self-insured workers' compensation and general and professional liability obligations recorded as liabilities in the Company's financial statements. The Company evaluates the adequacy of its self-insurance reserves on a semi-annual basis or more often when it is aware of changes to its incurred loss patterns that could impact the accuracy of those reserves. The methods of making such estimates and establishing the resulting reserves are reviewed periodically and are based on historical paid claims information and nationwide nursing home trends. The foundation for most of these methods is the Company's actual historical reported and/or paid loss data. Any adjustments resulting therefrom are reflected in current earnings. Claims are paid over varying periods, and future payments may be different than the estimated reserves.

The Company utilizes third-party administrators (TPAs) to process claims and to provide it with the data utilized in its assessments of reserve adequacy. The TPAs are under the oversight of the Company's in-house risk management and legal functions. These functions ensure that the claims are properly administered so that the historical data is reliable for estimation purposes. Case reserves, which are approved by the Company's legal and risk management departments, are determined based on an estimate of the ultimate settlement and/or ultimate loss exposure of individual claims.

The reserves for loss for workers' compensation risks are discounted based on actuarial estimates of claim payment patterns using a discount rate of approximately 1% for each policy period presented. The discount rate for the current policy year is 0.96%. The discount rates are based upon the risk-free rate for the appropriate duration for the respective policy year. The removal of discounting would have resulted in an increased reserve for workers' compensation risks of \$8.5 million and \$8.6 million as of June 30, 2016 and December 31, 2015, respectively. The reserves for general and professional liability are recorded on an undiscounted basis.

For the three months ended June 30, 2016 and 2015, the provision for general and professional liability risk totaled \$35.3 million and \$45.4 million, respectively. For the six

months ended June 30, 2016 and 2015, the provision for general and professional liability risk totaled \$70.2 million and \$71.6 million, respectively. The reserves for general and professional liability were \$390.0 million and \$371.6 million as of June 30, 2016 and December 31, 2015, respectively.

For the three months ended June 30, 2016 and 2015, the provision for workers' compensation risk totaled \$3.9 million and \$13.9 million, respectively. For the six months ended June 30, 2016 and 2015, the provision for workers' compensation risk totaled \$22.1 million and \$31.8 million, respectively. The reserves for workers' compensation risks were \$215.8 million and \$223.7 million as of June 30, 2016 and December 31, 2015, respectively.

Health Insurance

The Company offers employees an option to participate in self-insured health plans. Health insurance claims are paid as they are submitted to the plans' administrators. The Company maintains an accrual for claims that have been incurred but not yet reported to the plans' administrators and therefore have not yet been paid. The liability for the self-insured health plan is recorded in accrued compensation in the consolidated balance sheets. Although management believes that the amounts provided in the Company's consolidated financial statements are adequate and reasonable, there can be no assurances that the ultimate liability for such self-insured risks will not exceed management's estimates.

Legal Proceedings

The Company and certain of its subsidiaries are involved in various litigation and regulatory investigations arising in the ordinary course of business. While there can be no assurance, based on the Company's evaluation of information currently available, with the exception of the specific matters noted below, management does not believe the results of such litigation and regulatory investigations would have a material adverse effect on the results of operations, financial position or cash flows of the Company. However, the Company's assessment of materiality may be affected by limited information (particularly in the early stages of government investigations). Accordingly, the Company's assessment of materiality may change in the future based upon availability of discovery and further developments in the proceedings at issue. The results of legal proceedings are inherently uncertain, and material adverse outcomes are possible.

From time to time the Company may enter into confidential discussions regarding the potential settlement of pending investigations or litigation. There are a variety of factors that influence the Company's decisions to settle and the amount it may choose to pay, including the strength of the Company's case, developments in the investigation or litigation, the behavior of other interested parties, the demand on management time and the possible distraction of the Company's employees associated with the case and/or the possibility that the Company may be subject to an injunction or other equitable remedy. The settlement of any pending investigation, litigation or other proceedings could require the Company to make substantial settlement payments and result in its incurring substantial costs.

Agreement in Principle on Financial Terms of a Settlement

In July 2016, the Company and the U.S. Department of Justice (the DOJ) reached an agreement in principle on the financial terms of a settlement regarding four matters arising out of the activities of Skilled or Sun Healthcare prior to their operations becoming part of the Company's operations (collectively, the Successor Matters). The four matters are: the Creekside Hospice Litigation, the Therapy Matters Investigation, the Staffing Matters Investigation and the SunDance Part B Therapy Matter (each as defined below). The Company has agreed to the settlement in principle in order to resolve the allegations underlying the Successor Matters and to avoid the uncertainty and expense of litigation.

Based on the agreement in principle and in anticipation of the execution of final agreements and payment of a settlement amount of \$52.7 million (the Settlement Amount), the Company

recorded an additional loss contingency expense in the amount of \$13.6 million in the second quarter of 2016, to increase its previously estimated and recorded liability. The Company expects to remit the Settlement Amount to the government over a period of five (5) years, once the agreement has been fully documented.

The agreement in principle is subject to negotiation, completion and execution of appropriate implementing agreements, including a settlement agreement or agreements, which are expected to be finalized in the second half of 2016, and the final approval of the respective parties. There can be no assurance that the Company will enter into a final settlement agreement with the DOJ. At this time, management believes that the ultimate outcome of the Successor Matters will not have a material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

Creekside Hospice Litigation

On August 2, 2013, the United States Attorney for the District of Nevada and the Civil Division of the DOJ informed Skilled that its Civil Division was investigating Skilled, as well as its then subsidiary, Creekside Hospice II, LLC, for possible violations of federal and state healthcare fraud and abuse laws and regulations (the Creekside Hospice Litigation). Those laws could have included the federal False Claims Act (FCA) and the Nevada False Claims Act (NFCA). The FCA provides for civil and administrative fines and penalties, plus treble damages. The NFCA provides for similar fines and penalties, including treble damages. Violations of those federal or state laws could also subject the Company and/or its subsidiaries to exclusion from participation in the Medicare and Medicaid programs.

On or about August 6, 2014, in relation to the investigation the DOJ filed a notice of intervention in two pending qui tam proceedings filed by private party relators under the FCA and the NFCA and advised that it intended to take over the actions. The DOJ filed its complaint in intervention on November 25, 2014, against Creekside, Skilled Healthcare Group, Inc., and Skilled Healthcare, LLC, asserting, among other things, that certain claims for hospice services provided by Creekside in the time period 2010 to 2013 (prior to the Combination) did not meet Medicare requirements for reimbursement and were in violation of the civil False Claims Act.

Therapy Matters Investigation

In February 2015, representatives of the DOJ informed the Company that they were investigating the provision of therapy services at certain Skilled facilities from 2005 through 2013 (prior to the Combination) and may pursue legal action against the Company and certain of its subsidiaries including Hallmark Rehabilitation GP, LLC for alleged violations of the federal and state healthcare fraud and abuse laws and regulations related to such services (the Therapy Matters Investigation). Those laws could have included the FCA and similar state laws.

Staffing Matters Investigation

In February 2015, representatives of the DOJ informed the Company that it intended to pursue legal action against the Company and certain of its subsidiaries related to staffing and certain quality of care allegations at certain Skilled facilities that occurred prior to the Combination, related to the issues adjudicated against the Company and those subsidiaries in a previously disclosed class action lawsuit that Skilled settled in 2010 (the Staffing Matters Investigation). Those laws could have included the FCA and similar state laws.

SunDance Part B Therapy Matter

A subsidiary of Sun Healthcare, SunDance Rehabilitation Corp. (SunDance), operates an outpatient agency licensed to provide Medicare Part B therapy services at assisted/senior living facilities in Georgia and is a party to a qui tam proceeding that was filed by a private party relator under the FCA. No SunDance agencies outside of Georgia are part of the qui tam proceeding. The Civil Division of the United States Attorney's Office for the District of Georgia has filed a

notice of intervention in this matter in March 2016 and asserts that certain SunDance claims for therapy services did not meet Medicare requirements for reimbursement.

**Fair Value of Financial
Instruments**

**6 Months Ended
Jun. 30, 2016**

**Fair Value of Financial
Instruments**

Fair Value Measurements

(12) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and equivalents, restricted cash, trade accounts receivable, investments in marketable securities, accounts payable, short and long-term debt and derivative financial instruments.

The Company's financial instruments, other than its trade accounts receivable and accounts payable, are spread across a number of large financial institutions whose credit ratings the Company monitors and believes do not currently carry a material risk of non-performance. Certain of the Company's financial instruments, including its interest rate cap arrangements, contain an off-balance-sheet risk.

Recurring Fair Value Measures

Fair value is defined as an exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as shown below. An instrument's classification within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 — Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability.
- Level 3 — Inputs that are unobservable for the asset or liability based on the Company's own assumptions (about the assumptions market participants would use in pricing the asset or liability).

The tables below presents the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Fair Value Measurements at Reporting Date Using			
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 46,678	\$ 46,678	\$ —	\$ —
Restricted cash and equivalents	33,310	33,310	—	—
Restricted investments in marketable securities	154,637	154,637	—	—
Total	<u>\$234,625</u>	<u>\$ 234,625</u>	<u>\$ —</u>	<u>\$ —</u>

	Fair Value Measurements at Reporting Date Using			
	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 61,543	\$ 61,543	\$ —	\$ —

Restricted cash and equivalents	34,370	34,370	—	—
Restricted investments in marketable securities	163,757	163,757	—	—
Total	<u>\$ 259,670</u>	<u>\$ 259,670</u>	<u>\$ —</u>	<u>\$ —</u>

The Company places its cash and equivalents and restricted investments in marketable securities in quality financial instruments and limits the amount invested in any one institution or in any one type of instrument. The Company has not experienced any significant losses on such investments.

Debt Instruments

The table below shows the carrying amounts and estimated fair values of the Company's primary long-term debt instruments:

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facilities	\$ 362,234	\$ 362,234	\$ 352,746	\$ 352,746
Term loan facility	140,430	139,087	210,842	210,271
Real estate bridge loans	358,351	358,351	484,533	484,533
HUD insured loans	230,186	227,154	106,250	106,250
Mortgages and other secured debt (recourse)	13,586	13,586	13,934	13,934
Mortgages and other secured debt (non-recourse)	29,799	29,799	30,331	30,331
	<u>\$ 1,134,586</u>	<u>\$ 1,130,211</u>	<u>\$ 1,198,636</u>	<u>\$ 1,198,065</u>

The fair value of debt is based upon market prices or is computed using discounted cash flow analysis, based on the Company's estimated borrowing rate at the end of each fiscal period presented. The Company believes that the inputs to the pricing models qualify as Level 2 measurements.

Non-Recurring Fair Value Measures

The Company recently applied the fair value measurement principles to certain of its non-recurring nonfinancial assets in connection with an impairment test.

The following table presents the Company's hierarchy for nonfinancial assets measured at fair value on a non-recurring basis (in thousands):

	Carrying Value	Impairment Charges -
	June 30, 2016	Six months ended June 30, 2016
Assets:		
Property and equipment, net	\$ 3,957,245	\$ —
Goodwill	444,508	—
Intangible assets	192,566	—
	Carrying Value	Impairment Charges -
	December 31, 2015	Six months ended June 30, 2015
Assets:		
Property and equipment, net	\$ 4,085,247	\$ —
Goodwill	470,019	—
Intangible assets	209,967	—

The fair value of tangible and intangible assets is determined using a discounted cash flow approach, which is a significant unobservable input (Level 3). The Company estimates the fair value using the income approach (which is a discounted cash flow technique). These valuation methods required management to make various assumptions, including, but not limited to, future profitability, cash flows and discount rates. The Company's estimates are based upon historical trends, management's knowledge and experience and overall economic factors, including projections of future earnings potential.

Developing discounted future cash flows in applying the income approach requires the Company to evaluate its intermediate to longer-term strategies, including, but not limited to, estimates of revenue growth, operating margins, capital requirements, inflation and working capital management. The development of appropriate rates to discount the estimated future cash flows requires the selection of risk premiums, which can materially affect the present value of future cash flows.

The Company estimated the fair value of acquired tangible and intangible assets using discounted cash flow techniques that included an estimate of future cash flows, consistent with overall cash flow projections used to determine the purchase price paid to acquire the business, discounted at a rate of return that reflects the relative risk of the cash flows.

The Company believes the estimates and assumptions used in the valuation methods are reasonable.

The Company performs a goodwill assessment every September 30 and more frequently if circumstances warrant. The last assessment was performed on December 31, 2015 and resulted in no impairment charges. Since that time, management has not identified any triggering events that suggest that goodwill may be impaired.

**General Information
(Policies)**

**6 Months Ended
Jun. 30, 2016**

General Information

Description of Business

Description of Business

Genesis Healthcare, Inc. is a healthcare services company that through its subsidiaries (collectively, the Company) owns and operates skilled nursing facilities, assisted/senior living facilities and a rehabilitation therapy business. The Company has an administrative services company that provides a full complement of administrative and consultative services that allows its affiliated operators and third-party operators with whom the Company contracts to better focus on delivery of healthcare services. The Company provides inpatient services through 509 skilled nursing, assisted/senior living and behavioral health centers located in 34 states. Revenues of the Company's owned, leased and otherwise consolidated centers constitute approximately 85% of its revenues.

The Company provides a range of rehabilitation therapy services, including speech pathology, physical therapy, occupational therapy and respiratory therapy. These services are provided by rehabilitation therapists and assistants employed or contracted at substantially all of the centers operated by the Company, as well as by contract to healthcare facilities operated by others. After the elimination of intercompany revenues, the rehabilitation therapy services business constitutes approximately 12% of the Company's revenues.

The Company provides an array of other specialty medical services, including management services, physician services, staffing services, and other healthcare related services, which comprise the balance of the Company's revenues.

Basis of Presentation

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). In the opinion of management, the consolidated financial statements include all necessary adjustments for a fair presentation of the financial position and results of operations for the periods presented.

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The Company presents noncontrolling interests within the stockholders' deficit section of its consolidated balance sheets. The Company presents the amount of net loss attributable to Genesis Healthcare, Inc. and net loss (income) attributable to noncontrolling interests in its consolidated statements of operations.

The consolidated financial statements include the accounts of all entities controlled by the Company through its ownership of a majority voting interest and the accounts of any variable interest entities (VIEs) where the Company is subject to a majority of the risk of loss from the VIE's activities, or entitled to receive a majority of the entity's residual returns, or both. The Company assesses the requirements related to the consolidation of VIEs, including a qualitative assessment of power and economics that considers which entity has the power to direct the activities that "most significantly impact" the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits that could be potentially significant to, the VIE. The Company's composition of variable interest entities was not material at June 30, 2016.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q of Regulation S-X and do not include all of the disclosures normally required by U.S. GAAP or those normally required in annual reports on Form 10-K. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015 filed with the U.S. Securities and Exchange Commission (the SEC) on Form 10-K on March 14, 2016.

Certain prior year amounts have been reclassified to conform to current period presentation, the effect of which was not material. Upon adoption of new accounting guidance, debt issuance costs have been presented as a direct deduction from long-term debt rather than as an other long-term asset in all periods presented.

The Company's financial position at June 30, 2016 includes the impact of certain significant transactions and events, as disclosed within Note 3 – "*Significant Transactions and Events.*"

[Recent Accounting Pronouncements](#)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which changes the requirements for recognizing revenue when entities enter into contracts with customers. Under ASU 2014-09, an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. It also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017 and early adoption is not permitted. The Company is still evaluating the effect, if any, ASU 2014-09 will have on the Company's consolidated financial condition and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements – Going Concern* (ASU 2014-15), requiring management to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern and to provide disclosures in certain circumstances. ASU 2014-15 is effective for annual and interim periods ending after December 31, 2016. The Company is still evaluating the effect, if any, ASU 2014-15 will have on its consolidated financial condition and results of operations.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which is intended to improve the recognition and measurement of financial instruments. The new guidance is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted under certain circumstances. The Company is still evaluating the effect, if any, ASU 2016-01 will have on its consolidated financial condition and results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), which amended authoritative guidance on accounting for leases. The new provisions require that a lessee of operating leases recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The lease liability will be equal to the present value of lease payments, with the right-of-use asset based upon the lease liability. The classification criteria for distinguishing between finance (or capital) leases and operating leases are substantially similar to the previous lease guidance, but with no explicit bright lines. As such, operating leases will result in straight-line rent expense similar to current practice. For short term leases (term of 12 months or less), a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities, which would generally result in lease expense being recognized on a straight-line basis over the lease term. The guidance is effective for annual and interim periods beginning after December 15, 2018, and will require application of the new guidance at the beginning of the earliest comparable period presented. Early adoption is permitted. ASU 2016-02 must be adopted using a modified retrospective transition. The adoption of ASU 2016-02 is expected to have a material impact on the Company's financial position. The Company is still evaluating the impact on its results of operations and does not expect the adoption of this standard to have an impact on liquidity.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (ASU 2016-09), which is intended to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The new guidance is effective for annual and interim periods

beginning after December 15, 2016, with early adoption permitted. The Company is still evaluating the effect, if any, ASU 2016-09 will have on its consolidated financial condition and results of operations.

**Certain Significant Risks
and Uncertainties (Tables)**

**6 Months Ended
Jun. 30, 2016**

Certain Significant Risks and Uncertainties

Schedule of Revenue by Source

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Medicare	24 %	26 %	25 %	27 %
Medicaid	54 %	52 %	53 %	51 %
Insurance	12 %	12 %	12 %	12 %
Private and other	10 %	10 %	10 %	10 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

**Significant Transactions and
Events (Tables)**

**6 Months Ended
Jun. 30, 2016**

Significant Transactions and Events

Unaudited Pro Forma Net Effect of the Combination (in thousands,
except per share amounts)

	Pro forma six months ended June 30, 2015
Revenues	\$2,833,764
Loss attributable to Genesis Healthcare, Inc.	(30,846)
Loss per common share:	
Basic	\$ (0.35)
Diluted	\$ (0.35)

**Earnings (Loss) Per Share
(Tables)**

**6 Months Ended
Jun. 30, 2016**

**Earnings (Loss) Per Share
Reconciliation of the
Numerator and Denominator
Used in the Calculation of Net
Income per Share (in
thousands, except per share
data)**

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Numerator:				
Loss from continuing operations	\$ (36,019)	\$ (33,214)	\$ (107,009)	\$ (151,576)
Less: Net loss attributable to noncontrolling interests	(12,985)	(15,750)	(40,974)	(21,434)
Loss from continuing operations attributable to Genesis Healthcare, Inc.	<u>\$ (23,034)</u>	<u>\$ (17,464)</u>	<u>\$ (66,035)</u>	<u>\$ (130,142)</u>
Income (loss) from discontinued operations, net of taxes	61	(1,722)	23	(1,610)
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (22,973)</u>	<u>\$ (19,186)</u>	<u>\$ (66,012)</u>	<u>\$ (131,752)</u>
Denominator:				
Weighted average shares outstanding for basic and diluted net loss per share	89,421	89,211	89,310	82,279
Basic and diluted net loss per common share:				
Loss from continuing operations attributable to Genesis Healthcare, Inc.	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
Income (loss) from discontinued operations, net of taxes	0.00	(0.02)	0.00	(0.02)
Net loss attributable to Genesis Healthcare, Inc.	<u>\$ (0.26)</u>	<u>\$ (0.22)</u>	<u>\$ (0.74)</u>	<u>\$ (1.60)</u>

**Schedule of Anti-dilutive
Securities (in thousands)**

	Three months ended June 30,				Six months ended June 30,			
	2016		2015		2016		2015	
	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares	Net loss attributable to Genesis Healthcare, Inc.	Antidilutive shares
Exchange of restricted stock units of noncontrolling interests	\$ (7,504)	64,461	\$ (7,088)	64,461	\$ (29,833)	64,461	\$ (11,306)	53,066
Employee and director unvested restricted stock units	—	(2,442)	—	38	—	(2,656)	—	19

Segment Information
(Tables)

6 Months Ended
Jun. 30, 2016

[Segment Information](#)
[Summary of Segmented Revenues](#)

	Three months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage	Dollars	Percentage
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$1,194,326	83.0 %	\$1,164,674	82.0 %	\$ 29,652	2.5 %
Assisted/Senior living facilities	30,431	2.1 %	36,206	2.6 %	(5,775)	(16.0)%
Administration of third party facilities	2,870	0.2 %	2,828	0.2 %	42	1.5 %
Elimination of administrative services	(362)	— %	(523)	— %	161	(30.8)%
Inpatient services, net	1,227,265	85.3 %	1,203,185	84.8 %	24,080	2.0 %
Rehabilitation therapy services:						
Total therapy services	275,049	19.1 %	274,133	19.3 %	916	0.3 %
Elimination intersegment rehabilitation therapy services	(103,472)	(7.2)%	(110,002)	(7.7)%	6,530	(5.9)%
Third party rehabilitation therapy services	171,577	11.9 %	164,131	11.6 %	7,446	4.5 %
Other services:						
Total other services	45,334	3.2 %	61,409	4.3 %	(16,075)	(26.2)%
Elimination intersegment other services	(5,818)	(0.4)%	(9,250)	(0.7)%	3,432	(37.1)%
Third party other services	39,516	2.8 %	52,159	3.6 %	(12,643)	(24.2)%
Net revenues	\$1,438,358	100.0 %	\$1,419,475	100.0 %	\$ 18,883	1.3 %

	Six months ended June 30,					
	2016		2015		Increase / (Decrease)	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage	Dollars	Percentage
	(in thousands, except percentages)					
Revenues:						
Inpatient services:						
Skilled nursing facilities	\$2,402,759	82.5 %	\$2,269,665	82.2 %	\$133,094	5.9 %
Assisted/Senior living facilities	61,350	2.1 %	69,862	2.5 %	(8,512)	(12.2)%
Administration of third party facilities	5,949	0.2 %	5,499	0.2 %	450	8.2 %

Elimination of administrative services	(737)	— %	(1,024)	— %	287	(28.0)%
Inpatient services, net	2,469,321	84.8 %	2,344,002	84.9 %	125,319	5.3 %
Rehabilitation therapy services:						
Total therapy services	560,161	19.3 %	537,184	19.4 %	22,977	4.3 %
Elimination intersegment rehabilitation therapy services	(209,904)	(7.2)%	(215,908)	(7.8)%	6,004	(2.8)%
Third party rehabilitation therapy services	350,257	12.1 %	321,276	11.6 %	28,981	9.0 %
Other services:						
Total other services	101,960	3.5 %	113,955	4.1 %	(11,995)	(10.5)%
Elimination intersegment other services	(10,962)	(0.4)%	(16,757)	(0.6)%	5,795	(34.6)%
Third party other services	90,998	3.1 %	97,198	3.5 %	(6,200)	(6.4)%
Net revenues	<u>\$2,910,576</u>	<u>100.0 %</u>	<u>\$2,762,476</u>	<u>100.0 %</u>	<u>\$148,100</u>	<u>5.4 %</u>

[Summaries of Condensed Consolidated Statements of Operations, Total Assets and Goodwill](#)

	Three months ended June 30, 2016					
	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
	(In thousands)					
Net revenues	\$ 1,227,627	\$ 275,049	\$ 45,220	\$ 114	\$ (109,652)	\$ 1,438,358
Salaries, wages and benefits	572,676	229,533	30,484	—	—	832,693
Other operating expenses	428,550	19,683	11,580	—	(109,652)	350,161
General and administrative costs	—	—	—	45,026	—	45,026
Provision for losses on accounts receivable	24,324	4,795	608	(46)	—	29,681
Lease expense	36,006	23	410	529	—	36,968
Depreciation and amortization expense	60,056	3,074	328	4,495	—	67,953
Interest expense	110,057	15	4	23,784	—	133,860
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(658)	—	(658)
Other income	—	—	—	(42,923)	—	(42,923)
Transaction costs	—	—	—	4,993	—	4,993
Skilled Healthcare and other loss contingency expense	—	—	—	13,566	—	13,566
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,174)	677	(497)
(Loss) income before income tax expense	(4,042)	17,926	1,806	(47,946)	(677)	(32,933)

Income tax expense	—	—	—	3,086	—	3,086
(Loss) income from continuing operations	\$ (4,042)	\$ 17,926	\$ 1,806	\$ (51,032)	\$ (677)	\$ (36,019)

Three months ended June 30, 2015

	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
	(In thousands)					
Net revenues	\$ 1,203,708	\$ 274,133	\$ 60,338	\$ 1,071	\$ (119,775)	\$ 1,419,475
Salaries, wages and benefits	562,682	220,782	37,462	—	—	820,926
Other operating expenses	430,954	19,595	17,463	—	(119,776)	348,236
General and administrative costs	—	—	1	43,482	—	43,483
Provision for losses on accounts receivable	17,271	4,106	779	(43)	—	22,113
Lease expense	37,738	14	747	460	—	38,959
Depreciation and amortization expense	51,032	3,032	198	(657)	—	53,605
Interest expense	105,815	1	10	20,683	(124)	126,385
Investment (income) loss	—	—	—	(555)	124	(431)
Other loss	—	—	—	50	—	50
Transaction costs	—	—	—	2,642	—	2,642
Skilled Healthcare and other loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(928)	568	(360)
(Loss) income before income tax benefit	(1,784)	26,603	3,678	(65,563)	(567)	(37,633)
Income tax benefit	—	—	—	(4,419)	—	(4,419)
(Loss) income from continuing operations	\$ (1,784)	\$ 26,603	\$ 3,678	\$ (61,144)	\$ (567)	\$ (33,214)

Six months ended June 30, 2016

	Rehabilitation			Corporate	Eliminations	Consolidated
	Inpatient Services	Therapy Services	Other Services			
	(In thousands)					
Net revenues	\$ 2,470,058	\$ 560,161	\$ 101,744	\$ 216	\$ (221,603)	\$ 2,910,576
Salaries, wages and benefits	1,161,578	469,969	68,863	—	—	1,700,410
Other operating expenses	867,249	40,024	25,588	—	(221,603)	711,258
General and administrative costs	—	—	—	93,453	—	93,453
Provision for losses on accounts receivable	47,669	7,443	1,154	(92)	—	56,174
Lease expense	72,302	47	940	995	—	74,284

Depreciation and amortization expense	113,895	6,194	642	8,987	—	129,718
Interest expense	219,046	29	20	49,946	—	269,041
Loss on extinguishment of debt	—	—	—	468	—	468
Investment income	—	—	—	(1,139)	—	(1,139)
Other income	—	—	—	(42,911)	—	(42,911)
Transaction costs	—	—	—	6,747	—	6,747
Skilled Healthcare and other loss contingency expense	—	—	—	15,192	—	15,192
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(2,286)	1,026	(1,260)
(Loss) income before income tax expense	(11,681)	36,455	4,537	(129,144)	(1,026)	(100,859)
Income tax expense	—	—	—	6,150	—	6,150
(Loss) income from continuing operations	<u>\$ (11,681)</u>	<u>\$ 36,455</u>	<u>\$ 4,537</u>	<u>\$ (135,294)</u>	<u>\$ (1,026)</u>	<u>\$ (107,009)</u>

Six months ended June 30, 2015

	Rehabilitation					Consolidated
	Inpatient Services	Therapy Services	Other Services	Corporate	Eliminations	
	(In thousands)					
Net revenues	\$ 2,345,026	\$ 537,184	\$ 112,674	\$ 1,281	\$ (233,689)	\$ 2,762,476
Salaries, wages and benefits	1,105,374	435,579	70,706	—	—	1,611,659
Other operating expenses	827,496	34,994	31,996	—	(233,689)	660,797
General and administrative costs	—	—	3	85,013	—	85,016
Provision for losses on accounts receivable	36,344	7,933	1,318	(86)	—	45,509
Lease expense	73,266	55	1,206	851	—	75,378
Depreciation and amortization expense	99,257	5,899	560	7,822	—	113,538
Interest expense	209,469	2	20	38,454	(247)	247,698
Loss on extinguishment of debt	—	—	—	3,234	—	3,234
Investment (income) loss	—	—	—	(1,094)	247	(847)
Other income	—	—	—	(7,560)	—	(7,560)
Transaction costs	—	—	—	88,710	—	88,710
Skilled Healthcare loss contingency expense	—	—	—	1,500	—	1,500
Equity in net (income) loss of unconsolidated affiliates	—	—	—	(1,457)	944	(513)
(Loss) income before income tax benefit	<u>(6,180)</u>	<u>52,722</u>	<u>6,865</u>	<u>(214,106)</u>	<u>(944)</u>	<u>(161,643)</u>

Income tax benefit	—	—	—	(10,067)	—	(10,067)
(Loss) income from continuing operations	<u>\$ (6,180)</u>	<u>\$ 52,722</u>	<u>\$ 6,865</u>	<u>\$ (204,039)</u>	<u>\$ (944)</u>	<u>\$ (151,576)</u>

The following table presents the segment assets as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$5,324,300	\$ 5,437,518
Rehabilitation services	453,213	442,969
Other services	62,539	91,775
Corporate and eliminations	92,966	87,687
Total assets	<u>\$5,933,018</u>	<u>\$ 6,059,949</u>

The following table presents segment goodwill as of June 30, 2016 compared to December 31, 2015 (in thousands):

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Inpatient services	\$ 358,866	\$ 357,649
Rehabilitation services	73,814	73,098
Other services	11,828	39,272
Total goodwill	<u>\$ 444,508</u>	<u>\$ 470,019</u>

**Property and Equipment
(Tables)**

**6 Months Ended
Jun. 30, 2016**

Property, Plant and Equipment [Abstract]
Schedule of Property and Equipment (in
thousands)

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Land, buildings and improvements	\$ 714,872	\$ 714,766
Capital lease land, buildings and improvements	840,139	903,977
Financing obligation land, buildings and improvements	2,655,875	2,644,307
Equipment, furniture and fixtures	440,077	436,300
Construction in progress	<u>35,249</u>	<u>24,665</u>
Gross property and equipment	4,686,212	4,724,015
Less: accumulated depreciation	<u>(728,967)</u>	<u>(638,768)</u>
Net property and equipment	<u>\$ 3,957,245</u>	<u>\$ 4,085,247</u>

Long-term Debt (Tables)

**6 Months Ended
Jun. 30, 2016**

Long-Term Debt Abstract Schedule of Long-term Debt (in thousands)

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Revolving credit facilities, net of debt issuance costs of \$8,766 at June 30, 2016 and \$10,254 at December 31, 2015	\$ 362,234	\$ 352,746
Term loan facility, net of original issue discount of \$5,525 at June 30, 2016 and \$7,475 at December 31, 2015, and net of debt issuance costs of \$7,487 at June 30, 2016 and \$10,129 at December 31, 2015	140,430	210,842
Real estate bridge loans, net of debt issuance costs of \$6,396 at June 30, 2016 and \$9,567 at December 31, 2015	358,351	484,533
HUD insured loans, net of debt issuance costs of \$5,368 at June 30, 2016 and \$1,395 at December 31, 2015	230,186	106,250
Mortgages and other secured debt (recourse)	13,586	13,934
Mortgages and other secured debt (non-recourse), net of debt issuance costs of \$154 at June 30, 2016 and \$176 at December 31, 2015	29,799	30,331
	<u>1,134,586</u>	<u>1,198,636</u>
Less: Current installments of long-term debt	(8,328)	(12,477)
Long-term debt	<u>\$1,126,258</u>	<u>\$ 1,186,159</u>

Schedule of Borrowings and Interest Rates (dollars in thousands)

	<u>Borrowings</u>	<u>Weighted</u> <u>Average</u> <u>Interest</u>
Revolving credit facility		
FILO tranche	\$ 25,000	5.87 %
Tranche A-1	296,000	4.69 %
Tranche A-2	50,000	3.63 %
	<u>\$371,000</u>	<u>4.62 %</u>

Schedule of Maturity of Total Debt (in thousands)

<u>Twelve months ended June 30,</u>	
2017	\$ 8,328
2018	460,556
2019	67,212
2020	368,260
2021	6,511
Thereafter	223,719
Total debt maturity	<u>\$1,134,586</u>

**Leases and Lease
Commitments (Tables)**

**6 Months Ended
Jun. 30, 2016**

Leases and Lease Commitments

**Schedule of Future Minimum Capital and Operating Lease
Payments (in thousands)**

Twelve months ended June 30,	Capital Leases	Operating Leases
2017	\$ 93,041	\$ 139,555
2018	89,929	137,912
2019	91,880	135,339
2020	94,163	134,828
2021	96,369	117,749
Thereafter	3,237,791	226,183
Total future minimum lease payments	3,703,173	<u>\$ 891,566</u>
Less amount representing interest	<u>(2,691,010)</u>	
Capital lease obligation	1,012,163	
Less current portion	<u>(1,849)</u>	
Long-term capital lease obligation	<u>\$ 1,010,314</u>	

**Financing Obligation
(Tables)**

**6 Months Ended
Jun. 30, 2016**

Financing Obligation

Schedule of Future Minimum Financing Lease Payments (in thousands)

Twelve months ended June 30,

2017	\$ 279,799
2018	288,243
2019	296,482
2020	304,961
2021	313,675
Thereafter	9,782,020
Total future minimum lease payments	11,265,180
Less amount representing interest	(8,156,016)
Financing obligations	\$ 3,109,164
Less current portion	(1,431)
Long-term financing obligations	\$ 3,107,733

**Fair Value of Financial
Instruments (Tables)**

**6 Months Ended
Jun. 30, 2016**

Fair Value of Financial Instruments

**Schedule of Fair Value of Assets Measured on a
Recurring Basis (in thousands)**

	Fair Value Measurements at Reporting Date Using			
	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 46,678	\$ 46,678	\$ —	\$ —
Restricted cash and equivalents	33,310	33,310	—	—
Restricted investments in marketable securities	154,637	154,637	—	—
Total	<u>\$234,625</u>	<u>\$ 234,625</u>	<u>\$ —</u>	<u>\$ —</u>

	Fair Value Measurements at Reporting Date Using			
	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 61,543	\$ 61,543	\$ —	\$ —
Restricted cash and equivalents	34,370	34,370	—	—
Restricted investments in marketable securities	163,757	163,757	—	—
Total	<u>\$ 259,670</u>	<u>\$ 259,670</u>	<u>\$ —</u>	<u>\$ —</u>

**Schedule of Carrying Amounts and Estimated
Fair Values of Long-term Debt Instruments**

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit facilities	\$ 362,234	\$ 362,234	\$ 352,746	\$ 352,746
Term loan facility	140,430	139,087	210,842	210,271
Real estate bridge loans	358,351	358,351	484,533	484,533
HUD insured loans	230,186	227,154	106,250	106,250
Mortgages and other secured debt (recourse)	13,586	13,586	13,934	13,934
Mortgages and other secured debt (non- recourse)	29,799	29,799	30,331	30,331
	<u>\$ 1,134,586</u>	<u>\$1,130,211</u>	<u>\$ 1,198,636</u>	<u>\$1,198,065</u>

Schedule of Hierarchy of Nonfinancial Assets
Measured at Fair Value on a Nonrecurring Basis
(in thousands)

	Carrying Value	Impairment Charges -
	June 30, 2016	Six months ended
		June 30, 2016
Assets:		
Property and equipment, net	\$ 3,957,245	\$ —
Goodwill	444,508	—
Intangible assets	192,566	—

	Carrying Value	Impairment Charges -
	December 31, 2015	Six months ended
		June 30, 2015
Assets:		
Property and equipment, net	\$ 4,085,247	\$ —
Goodwill	470,019	—
Intangible assets	209,967	—

**General Information
(Details)**

**6 Months Ended
Jun. 30, 2016
state
facility**

Inpatient Services

Facility Count

Number of skilled nursing and assisted living facilities | facility 509

Number of states with facilities | state 34

Inpatient Services | Revenue | Product Concentration Risk

Facility Count

Concentration risk (as a percent) 85.00%

Rehabilitation Therapy Services | Revenue | Product Concentration Risk

Facility Count

Concentration risk (as a percent) 12.00%

Certain Significant Risks and Uncertainties (Details) - Government contracts - Revenue - Inpatient Services

	3 Months Ended		6 Months Ended	
	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>	100.00%	100.00%	100.00%	100.00%
<u>Medicare and Medicaid</u>				
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>			78.00%	
<u>Medicare</u>				
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>	24.00%	26.00%	25.00%	27.00%
<u>Medicaid</u>				
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>	54.00%	52.00%	53.00%	51.00%
<u>Insurance</u>				
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>	12.00%	12.00%	12.00%	12.00%
<u>Private and Other</u>				
<u>Concentration Risk</u>				
<u>Concentration risk (as a percent)</u>	10.00%	10.00%	10.00%	10.00%

Significant Transactions and Events (Details) \$ / shares in Units, \$ in Thousands	May 01, 2016 USD (\$)	Mar. 09, 2016 USD (\$)	Jan. 01, 2016 USD (\$) facility	3	5	6 Months Ended
				Months Ended	Months Ended	Jun. 30, 2016 USD (\$) facility
Pro Forma Information						
<u>Revenues</u>						\$ 2,833,764
<u>Loss attributable to Genesis Healthcare, Inc.</u>						\$ (30,846)
<u>Net loss per share, Basic \$ / shares</u>						\$ (0.35)
<u>Net loss per share, Diluted \$ / shares</u>						\$ (0.35)
Sale of facilities						
<u>Proceeds from Sale of Productive Assets</u>						\$ 148,347 \$ 1,263
<u>Partial pay down on loans</u>						263,933 341,893
HUD Insured Loans						
<u>Proceeds from Issuance of Long-term Debt</u>						\$ 182,986 \$ 360,000
<u>HUD insured loans</u>						
HUD Insured Loans						
<u>Number of facilities financed facility</u>				8		18
<u>Proceeds from Issuance of Long-term Debt</u>				\$ 61,200		\$ 129,100
<u>Skilled Real Estate Bridge Loan</u>						
Sale of facilities						
<u>Partial pay down on loans</u>				\$ 54,200		
<u>Assisted Senior Living Facilities Kansas</u>						
Sale of facilities						
<u>Number of facilities sold facility</u>				18		
<u>Proceeds from Sale of Productive Assets</u>				\$ 67,000		
<u>Compassus</u>						
Sale of facilities						
<u>Aggregate ownership interest in counterparty indirectly held by certain board members, as a percent</u>						10.00%
<u>Compassus Hospice And Home Health Operations</u>						
Sale of facilities						

<u>Proceeds from Sale of Productive Assets</u>	\$		
	72,000		
<u>Sales price per agreement</u>	\$		
	84,000		
<u>Short term note receivable</u>	\$		
	12,000		
<u>Gain (Loss) on Disposition of Business</u>			\$
			43,800
<u>The Combination</u>			
<u>Pro Forma Information</u>			
<u>Revenue of acquiree</u>		\$	
		382,600	
<u>Net loss of acquiree</u>		\$	
		9,500	
<u>Transaction costs in acquisition</u>			\$
	\$ 86,900		86,900

Earnings (Loss) Per Share (Details) \$ / shares in Units, shares in Thousands, \$ in Thousands	3 Months Ended		6 Months Ended	
	Jun. 30, 2016 USD (\$) \$ / shares shares	Jun. 30, 2015 USD (\$) \$ / shares shares	Jun. 30, 2016 USD (\$) class \$ / shares shares	Jun. 30, 2015 USD (\$) \$ / shares shares

Income Per Share, Basic, by Common Class, Including Two Class Method [Line Items]

<u>Number of classes of common stock class</u>			3	
<u>Numerator:</u>				
<u>Loss from continuing operations</u>	\$ (36,019)	\$ (33,214)	\$ (107,009)	\$ (151,576)
<u>Less: Net loss attributable to noncontrolling interests</u>	(12,985)	(15,750)	(40,974)	(21,434)
<u>Loss from continuing operations attributable to Genesis Healthcare, Inc.</u>	(23,034)	(17,464)	(66,035)	(130,142)
<u>Income (loss) from discontinued operations, net of taxes</u>	61	(1,722)	23	(1,610)
<u>Net loss attributable to Genesis Healthcare, Inc.</u>	\$ (22,973)	\$ (19,186)	\$ (66,012)	\$ (131,752)

Denominator:

<u>Weighted-average shares outstanding for basic and diluted loss from continuing operations per share shares</u>	89,421	89,211	89,310	82,279
<u>Loss from continuing operations attributable to Genesis Healthcare, Inc. \$ / shares</u>	\$ (0.26)	\$ (0.20)	\$ (0.74)	\$ (1.58)
<u>Income (loss) from discontinued operations, net of taxes \$ / shares</u>	0.00	(0.02)	0.00	(0.02)
<u>Net loss attributable to Genesis Healthcare, Inc. \$ / shares</u>	\$ (0.26)	\$ (0.22)	\$ (0.74)	\$ (1.60)

Class C Common Stock

Income Per Share, Basic, by Common Class, Including Two Class Method [Line Items]

<u>Voting ratio</u>			1	
<u>Number of classes of stock that share voting ratio class</u>			2	
<u>Convertible noncontrolling interest (as a percent)</u>			42.00%	

Earnings (Loss) Per Share - Antidilutive Securities (Details) - USD (\$) \$ in Thousands	Jun. 08, 2016	Oct. 26, 2015	3 Months Ended			6 Months Ended		
			Jun. 03, 2015	Jun. 30, 2016	Mar. 31, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015
<u>Restricted Stock Units (RSUs)</u> <u> Noncontrolling interests</u> Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]								
<u>Net loss attributable to Genesis</u> <u>Healthcare, Inc.</u>				\$ (7,504)	\$ (7,088)	\$ (29,833)	\$ (11,306)	
<u>Antidilutive shares</u> <u>Class A Common Stock</u> Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]				64,461,000	64,461,000	64,461,000	53,066,000	
<u>Incremental Class A stock</u> <u>attributable to conversion of</u> <u>noncontrolling interest</u> <u>Class C Common Stock </u> <u>Noncontrolling interests</u> Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]						11,222		
<u>Antidilutive shares</u> <u>Convertible noncontrolling</u> <u>interest (as a percent)</u> <u>Employee And Non-employee</u> <u>Director Restricted Stock</u> <u>Units (RSUs)</u> Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]					42.00%	64,449,380	42.00%	
<u>Antidilutive shares</u> <u>Restricted Stock Units (RSUs)</u> Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]				(2,442,000)	38,000	(2,656,000)	19,000	
<u>Shares vested</u> <u>Shares issued</u> <u>Restricted Stock Units (RSUs)</u> <u> Non-employee Director</u>				984,849	849,233			

**Antidilutive Securities
Excluded from Computation
of Earnings Per Share [Line
Items]**

Granted (in units) 360,000

Restricted Stock Units (RSUs)
| Employee

**Antidilutive Securities
Excluded from Computation
of Earnings Per Share [Line
Items]**

Granted (in units) 4,339,932 653,130

2015 Omnibus Equity
Incentive Plan | Restricted
Stock Units (RSUs) | Non-
employee Director

**Antidilutive Securities
Excluded from Computation
of Earnings Per Share [Line
Items]**

Granted (in units) 178,218

2015 Omnibus Equity
Incentive Plan | Restricted
Stock Units (RSUs) |
Employee

**Antidilutive Securities
Excluded from Computation
of Earnings Per Share [Line
Items]**

Granted (in units) 4,116,870

**Segment Information -
Segment Reporting (Details)
\$ in Thousands**

3 Months Ended		6 Months Ended	
Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015
USD (\$)	USD (\$)	USD (\$) segment	USD (\$)

Segment Reporting Information

Number of Reportable Segments segment			3
Net revenues	\$	\$	\$
	1,438,358	1,419,475	2,910,576
			2,762,476
Increase (Decrease) in Net Revenue From Prior Period	\$ 18,883		148,100
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue	1.30%		
Salaries, wages and benefits	\$ 832,693	820,926	1,700,410
Other operating expenses	350,161	348,236	711,258
General and administrative costs	45,026	43,483	93,453
Provision for losses on accounts receivable	29,681	22,113	56,174
Lease expense	36,968	38,959	74,284
Depreciation and amortization expense	67,953	53,605	129,718
Interest expense	133,860	126,385	269,041
Loss on early extinguishment of debt	468		468
Investment income	(658)	(431)	(1,139)
Other (income) loss	(42,923)	50	(42,911)
Amortization of Acquisition Costs	4,993	2,642	6,747
Skilled Healthcare and other loss contingency expense	13,566	1,500	15,192
Equity in net income of unconsolidated affiliates	(497)	(360)	(1,260)
(Loss) income before income tax benefit	(32,933)	(37,633)	(100,859)
Income tax expense (benefit)	3,086	(4,419)	6,150
(Loss) income from continuing operations	\$	\$	\$
	(36,019)	(33,214)	(107,009)

[Product Concentration Risk | Sales Revenue, Net \[Member\]](#)

Segment Reporting Information

Concentration Risk, Percentage	100.00%	100.00%	100.00%
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue			5.40%

[Inpatient Services](#)

Segment Reporting Information

Net revenues	\$	\$	\$
	1,227,265	1,203,185	2,469,321
			2,344,002
Increase (Decrease) in Net Revenue From Prior Period	\$ 24,080		\$ 125,319
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue	2.00%		

[Inpatient Services | Product Concentration Risk | Sales Revenue, Net \[Member\]](#)

Segment Reporting Information

Concentration Risk, Percentage	85.30%	84.80%	84.80%
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue			5.30%

[Inpatient Services | Skilled Nursing Facilities](#)

Segment Reporting Information

<u>Net revenues</u>	\$	\$	\$	\$
	1,194,326	1,164,674	2,402,759	2,269,665
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 29,652		\$ 133,094	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	2.50%			
<u>Inpatient Services Skilled Nursing Facilities Product Concentration Risk Sales Revenue, Net [Member]</u>				

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	83.00%	82.00%	82.50%	82.20%
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			5.90%	
<u>Inpatient Services Assisted Senior Living Facilities</u>				

Segment Reporting Information

<u>Net revenues</u>	\$ 30,431	\$ 36,206	\$ 61,350	\$ 69,862
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ (5,775)		\$ (8,512)	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	(16.00%)			
<u>Inpatient Services Assisted Senior Living Facilities Product Concentration Risk Sales Revenue, Net [Member]</u>				

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	2.10%	2.60%	2.10%	2.50%
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			(12.20%)	
<u>Inpatient Services Administration of third party facilities</u>				

Segment Reporting Information

<u>Net revenues</u>	\$ 2,870	\$ 2,828	\$ 5,949	\$ 5,499
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 42		\$ 450	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	1.50%			
<u>Inpatient Services Administration of third party facilities Product Concentration Risk Sales Revenue, Net [Member]</u>				

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	0.20%	0.20%	0.20%	0.20%
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			8.20%	
<u>Rehabilitation Therapy Services</u>				

Segment Reporting Information

<u>Net revenues</u>	\$ 171,577	\$ 164,131	\$ 350,257	\$ 321,276
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 7,446		\$ 28,981	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	4.50%			
<u>Rehabilitation Therapy Services Product Concentration Risk Sales Revenue, Net [Member]</u>				

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	11.90%	11.60%	12.10%	11.60%
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			9.00%	
<u>Rehabilitation Therapy Services Therapy Services</u>				

Segment Reporting Information

<u>Net revenues</u>	\$ 275,049	\$ 274,133	\$ 560,161	\$ 537,184
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 916		\$ 22,977	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	0.30%			

[Rehabilitation Therapy Services | Therapy Services | Product Concentration Risk | Sales Revenue, Net \[Member\]](#)

Segment Reporting Information

Concentration Risk, Percentage	19.10%	19.30%	19.30%	19.40%
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue			4.30%	

[Other Services](#)

Segment Reporting Information

Net revenues	\$ 39,516	\$ 52,159	\$ 90,998	\$ 97,198
Increase (Decrease) in Net Revenue From Prior Period	\$ (12,643)		\$ (6,200)	
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue	(24.20%)			

[Other Services | Product Concentration Risk | Sales Revenue, Net \[Member\]](#)

Segment Reporting Information

Concentration Risk, Percentage	2.80%	3.60%	3.10%	3.50%
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue			(6.40%)	

[Other Services | Other Services](#)

Segment Reporting Information

Net revenues	\$ 45,334	\$ 61,409	\$ 101,960	\$ 113,955
Increase (Decrease) in Net Revenue From Prior Period	\$ (16,075)		\$ (11,995)	
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue	(26.20%)			

[Other Services | Other Services | Product Concentration Risk | Sales Revenue, Net \[Member\]](#)

Segment Reporting Information

Concentration Risk, Percentage	3.20%	4.30%	3.50%	4.10%
Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue			(10.50%)	

[Operating Segments | Inpatient Services](#)

Segment Reporting Information

Net revenues	\$ 1,227,627	\$ 1,203,708	\$ 2,470,058	\$ 2,345,026
Salaries, wages and benefits	572,676	562,682	1,161,578	1,105,374
Other operating expenses	428,550	430,954	867,249	827,496
Provision for losses on accounts receivable	24,324	17,271	47,669	36,344
Lease expense	36,006	37,738	72,302	73,266
Depreciation and amortization expense	60,056	51,032	113,895	99,257
Interest expense	110,057	105,815	219,046	209,469
(Loss) income before income tax benefit	(4,042)	(1,784)	(11,681)	(6,180)
(Loss) income from continuing operations	(4,042)	(1,784)	(11,681)	(6,180)

[Operating Segments | Rehabilitation Therapy Services](#)

Segment Reporting Information

Net revenues	275,049	274,133	560,161	537,184
Salaries, wages and benefits	229,533	220,782	469,969	435,579
Other operating expenses	19,683	19,595	40,024	34,994
Provision for losses on accounts receivable	4,795	4,106	7,443	7,933

Lease expense	23	14	47	55
Depreciation and amortization expense	3,074	3,032	6,194	5,899
Interest expense	15	1	29	2
(Loss) income before income tax benefit	17,926	26,603	36,455	52,722
(Loss) income from continuing operations	17,926	26,603	36,455	52,722
Operating Segments Other Services				
Segment Reporting Information				
Net revenues	45,220	60,338	101,744	112,674
Salaries, wages and benefits	30,484	37,462	68,863	70,706
Other operating expenses	11,580	17,463	25,588	31,996
General and administrative costs		1		3
Provision for losses on accounts receivable	608	779	1,154	1,318
Lease expense	410	747	940	1,206
Depreciation and amortization expense	328	198	642	560
Interest expense	4	10	20	20
(Loss) income before income tax benefit	1,806	3,678	4,537	6,865
(Loss) income from continuing operations	1,806	3,678	4,537	6,865
Corporate, Non-Segment				
Segment Reporting Information				
Net revenues	114	1,071	216	1,281
General and administrative costs	45,026	43,482	93,453	85,013
Provision for losses on accounts receivable	(46)	(43)	(92)	(86)
Lease expense	529	460	995	851
Depreciation and amortization expense	4,495	(657)	8,987	7,822
Interest expense	23,784	20,683	49,946	38,454
Loss on early extinguishment of debt	468		468	3,234
Investment income	(658)	(555)	(1,139)	(1,094)
Other (income) loss	(42,923)	50	(42,911)	(7,560)
Amortization of Acquisition Costs	4,993	2,642	6,747	88,710
Skilled Healthcare and other loss contingency expense	13,566	1,500	15,192	1,500
Equity in net income of unconsolidated affiliates	(1,174)	(928)	(2,286)	(1,457)
(Loss) income before income tax benefit	(47,946)	(65,563)	(129,144)	(214,106)
Income tax expense (benefit)	3,086	(4,419)	6,150	(10,067)
(Loss) income from continuing operations	(51,032)	(61,144)	(135,294)	(204,039)
Elimination				
Segment Reporting Information				
Net revenues	(109,652)	(119,775)	(221,603)	(233,689)
Other operating expenses	(109,652)	(119,776)	(221,603)	(233,689)
Interest expense		(124)		(247)
Investment income		124		247
Equity in net income of unconsolidated affiliates	677	568	1,026	944
(Loss) income before income tax benefit	(677)	(567)	(1,026)	(944)
(Loss) income from continuing operations	(677)	(567)	(1,026)	(944)
Elimination Inpatient Services				

Segment Reporting Information

<u>Net revenues</u>	(362)	(523)	(737)	(1,024)
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 161		\$ 287	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	(30.80%)			

Elimination | Inpatient Services | Product Concentration Risk | Sales Revenue, Net [Member]

Segment Reporting Information

<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			(28.00%)	
--	--	--	----------	--

Elimination | Rehabilitation Therapy Services

Segment Reporting Information

<u>Net revenues</u>	\$	\$	\$	\$
	(103,472)	(110,002)	(209,904)	(215,908)
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 6,530		\$ 6,004	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	(5.90%)			

Elimination | Rehabilitation Therapy Services | Product Concentration Risk | Sales Revenue, Net [Member]

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	(7.20%)	(7.70%)	(7.20%)	(7.80%)
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			(2.80%)	

Elimination | Other Services

Segment Reporting Information

<u>Net revenues</u>	\$ (5,818)	\$ (9,250)	\$ (10,962)	\$ (16,757)
<u>Increase (Decrease) in Net Revenue From Prior Period</u>	\$ 3,432		\$ 5,795	
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>	(37.10%)			

Elimination | Other Services | Product Concentration Risk | Sales Revenue, Net [Member]

Segment Reporting Information

<u>Concentration Risk, Percentage</u>	(0.40%)	(0.70%)	(0.40%)	(0.60%)
<u>Increase (Decrease) in Net Revenue as Percent of Prior Period Revenue</u>			(34.60%)	

**Segment Information -
Assets by Segment (Details) -
USD (\$)
\$ in Thousands**

Jun. 30, 2016 Dec. 31, 2015

Segment Reporting, Asset Reconciling Item

<u>Segment total assets</u>	\$ 5,933,018	\$ 6,059,949
<u>Goodwill included in total assets</u>	444,508	470,019

Corporate and Eliminations

Segment Reporting, Asset Reconciling Item

<u>Segment total assets</u>	92,966	87,687
-----------------------------	--------	--------

Inpatient Services

Segment Reporting, Asset Reconciling Item

<u>Segment total assets</u>	5,324,300	5,437,518
<u>Goodwill included in total assets</u>	358,866	357,649

Rehabilitation Therapy Services

Segment Reporting, Asset Reconciling Item

<u>Segment total assets</u>	453,213	442,969
<u>Goodwill included in total assets</u>	73,814	73,098

Other Services

Segment Reporting, Asset Reconciling Item

<u>Segment total assets</u>	62,539	91,775
<u>Goodwill included in total assets</u>	\$ 11,828	\$ 39,272

Property and Equipment
(Details) - USD (\$)
\$ in Thousands

Jun. 30, 2016 **Dec. 31, 2015**

Property, Plant and Equipment [Abstract]

<u>Land and land improvements</u>	\$ 714,872	\$ 714,766
<u>Capital lease land, buildings and improvements</u>	840,139	903,977
<u>Financing obligation land, buildings and improvements</u>	2,655,875	2,644,307
<u>Equipment, furniture and fixtures</u>	440,077	436,300
<u>Construction in progress</u>	35,249	24,665
<u>Gross property and equipment</u>	4,686,212	4,724,015
<u>Less accumulated depreciation</u>	(728,967)	(638,768)
<u>Net property and equipment</u>	\$ 3,957,245	\$ 4,085,247

Long-Term Debt - Credit Facility and Term Loans (Details) \$ in Thousands	Jul. 29, 2016 USD (\$) loan item	May 01, 2016 USD (\$)	Feb. 02, 2015 USD (\$)	3	6 Months	12	
				Months Ended	Ended	Months Ended	
				Jun. 30, 2016 USD (\$)	Jun. 30, 2016 USD (\$) item	Jun. 30, 2015 USD (\$)	Dec. 31, 2015 USD (\$)
Debt Instrument							
<u>Total long-term debt</u>				\$ 1,134,586	\$ 1,134,586		\$ 1,198,636
<u>Current installments of long-term debt</u>				(8,328)	(8,328)		(12,477)
<u>Long-term debt</u>				1,126,258	1,126,258		1,186,159
<u>Revolving credit facility</u>				\$ 371,000	\$ 371,000		
<u>Weighted Average Interest Rate</u>				4.62%	4.62%		
<u>Term of debt</u>					2 years		
<u>Proceeds from Sale of Productive Assets</u>					\$ 148,347		\$ 1,263
<u>Revolving Credit Facility Tranche A-1 [Member]</u>							
Debt Instrument							
<u>Revolving credit facility</u>				\$ 296,000	\$ 296,000		
<u>Weighted Average Interest Rate</u>				4.69%	4.69%		
<u>Revolving Credit Facility Tranche A-1 [Member] LIBOR Minimum</u>							
Debt Instrument							
<u>Basis spread on variable rate</u>					3.25%		
<u>Revolving Credit Facility Tranche A-1 [Member] LIBOR Maximum</u>							
Debt Instrument							
<u>Basis spread on variable rate</u>					2.75%		
<u>Revolving Credit Facility Tranche A-2 [Member]</u>							
Debt Instrument							
<u>Revolving credit facility</u>				\$ 50,000	\$ 50,000		
<u>Weighted Average Interest Rate</u>				3.63%	3.63%		
<u>Revolving Credit Facility Tranche A-2 [Member] LIBOR Minimum</u>							
Debt Instrument							
<u>Basis spread on variable rate</u>					3.00%		
<u>Revolving Credit Facility Tranche A-2 [Member] LIBOR Maximum</u>							
Debt Instrument							
<u>Basis spread on variable rate</u>					2.50%		
<u>Revolving Credit Facility FILO Tranche [Member]</u>							
Debt Instrument							

Revolving credit facility		\$ 25,000	\$ 25,000	
Weighted Average Interest Rate		5.87%	5.87%	
Revolving Credit Facility FILO Tranche [Member] LIBOR				
Debt Instrument				
Basis spread on variable rate			5.00%	
Term Loan Facility [Member]				
Debt Instrument				
Total long-term debt		\$ 140,430	\$ 140,430	210,842
Original issue discount		5,525	5,525	7,475
Debt Issuance Cost			\$ 7,487	10,129
Term of debt			5 years	
Period prior to Skilled Real Estate Bridge Loan maturity the Term Loan Facility could mature			90 days	
Outstanding principal balance under term loan facility		153,400	\$ 153,400	
Principal payments		\$ 75,000	\$ 75,000	
Aggregate principal amount	\$	153,400		
Debt Instrument Annual Amortization Rate (as a percent)			5.00%	
Early termination fee	\$	3,100		
Term Loan Facility [Member] Base Rate				
Debt Instrument				
Debt Instrument Variable Interest Rate Floor			2.50%	
Effective interest rate		11.00%	11.00%	
Floor rate (as a percent)			2.50%	
Term Loan Facility [Member] LIBOR				
Debt Instrument				
Basis spread on variable rate			1.00%	
Debt Instrument Variable Interest Rate Floor			1.50%	
Effective interest rate		10.00%	10.00%	
Floor rate (as a percent)			1.50%	
Term Loan Facility [Member] Federal Funds				
Debt Instrument				
Basis spread on variable rate			0.50%	
New Term Loan Facility [Member]				
Debt Instrument				
Leverage ratio		6.00%		
Number of maintenance covenants item		4		
New Term Loan Facility [Member] Minimum				
Debt Instrument				
Leverage ratio		4.00%		
Skilled Real Estate Bridge Loan				
Debt Instrument				

<u>Total long-term debt</u>	\$ 358,351	\$ 358,351	484,533
<u>Debt Issuance Cost</u>		\$ 6,396	9,567
<u>Term of debt</u>	24		
	months		
<u>Effective interest rate</u>	11.75%	11.75%	
<u>Aggregate principal amount</u>	\$		
	360,000		
<u>Skilled Real Estate Bridge Loan LIBOR</u>			
<u>Debt Instrument</u>			
<u>Basis spread on variable rate</u>	6.75%		
<u>Debt Instrument Variable Interest Rate Floor</u>	0.50%		
<u>Floor rate (as a percent)</u>	0.50%		
<u>HUD insured loans</u>			
<u>Debt Instrument</u>			
<u>Total long-term debt</u>	\$ 230,186	\$ 230,186	106,250
<u>Debt Issuance Cost</u>		\$ 5,368	1,395
<u>Weighted Average Interest Rate</u>	3.70%	3.70%	
<u>Mortgages and other secured debt (recourse)</u>			
<u>Debt Instrument</u>			
<u>Total long-term debt</u>	\$ 13,586	\$ 13,586	13,934
<u>Weighted Average Interest Rate</u>	4.20%	4.20%	
<u>Mortgages and other secured debt (recourse) </u>			
<u>Minimum</u>			
<u>Debt Instrument</u>			
<u>Effective interest rate</u>	2.50%	2.50%	
<u>Mortgages and other secured debt (recourse) </u>			
<u>Maximum</u>			
<u>Debt Instrument</u>			
<u>Effective interest rate</u>	22.70%	22.70%	
<u>Mortgages and other secured debt (non-recourse)</u>			
<u>Debt Instrument</u>			
<u>Total long-term debt</u>	\$ 29,799	\$ 29,799	30,331
<u>Debt Issuance Cost</u>		\$ 154	176
<u>Mortgages and other secured debt (non-recourse) </u>			
<u>Minimum</u>			
<u>Debt Instrument</u>			
<u>Effective interest rate</u>	6.00%	6.00%	
<u>Mortgages and other secured debt (non-recourse) </u>			
<u>Maximum</u>			
<u>Debt Instrument</u>			
<u>Effective interest rate</u>	2.20%	2.20%	
<u>Revolving Credit Facilities</u>			
<u>Debt Instrument</u>			
<u>Total long-term debt</u>	\$ 362,234	\$ 362,234	352,746
<u>Debt Issuance Cost</u>		8,766	\$ 10,254

Line of Credit Facility, Maximum Borrowing Capacity	550,000	550,000
Total borrowing base capacity	550,000	\$ 550,000
Debt Instrument Number of Tranches item		3
Debt instrument maturity period if not refinanced		90 days
Revolving credit facility	371,000	\$ 371,000
Outstanding Letters of Credit	68,400	68,400
Available borrowing capacity under the revolving credit facilities	\$ 110,600	\$ 110,600
Revolving Credit Facilities Minimum Debt Instrument		
Commitment fee rate (as percentage)		0.375%
Revolving Credit Facilities Maximum Debt Instrument		
Commitment fee rate (as percentage)		0.50%
Revolving Credit Facilities Federal Funds Debt Instrument		
Basis spread on variable rate		3.00%
Revolving Credit Facilities Revolving Credit Facility Tranche A-1 [Member] Base Rate Minimum Debt Instrument		
Basis spread on variable rate	1.75%	
Revolving Credit Facilities Revolving Credit Facility Tranche A-1 [Member] Base Rate Maximum Debt Instrument		
Basis spread on variable rate	2.00%	
Revolving Credit Facilities Revolving Credit Facility Tranche A-1 [Member] LIBOR Minimum Debt Instrument		
Basis spread on variable rate	2.75%	
Revolving Credit Facilities Revolving Credit Facility Tranche A-1 [Member] LIBOR Maximum Debt Instrument		
Basis spread on variable rate	3.00%	
Revolving Credit Facilities Revolving Credit Facility Tranche A-2 [Member] Base Rate Minimum Debt Instrument		
Basis spread on variable rate	1.50%	
Revolving Credit Facilities Revolving Credit Facility Tranche A-2 [Member] Base Rate Maximum Debt Instrument		

Debt Instrument

Basis spread on variable rate 2.00%

Revolving Credit Facilities | Revolving Credit Facility Tranche A-2 [Member] | LIBOR | Minimum

Debt Instrument

Basis spread on variable rate 2.50%

Revolving Credit Facilities | Revolving Credit Facility Tranche A-2 [Member] | LIBOR | Maximum

Debt Instrument

Basis spread on variable rate 3.00%

Revolving Credit Facilities | Revolving Credit Facility FILO Tranche [Member] | Base Rate | Minimum

Debt Instrument

Basis spread on variable rate 4.00%

Revolving Credit Facilities | Revolving Credit Facility FILO Tranche [Member] | LIBOR | Minimum

Debt Instrument

Basis spread on variable rate 5.00%

Revolving Credit Facility Amendment (Member) | Minimum

Debt Instrument

Leverage ratio 4.00%

Revolving Credit Facility Amendment (Member) | Maximum

Debt Instrument

Leverage ratio 6.00%

Revolving Credit Facility Amendment (Member) | Federal Funds

Debt Instrument

Basis spread on variable rate 3.00%

Revolving Credit Facility Amendment (Member) | Revolving Credit Facility Tranche A-1 [Member] | Base Rate | Minimum

Debt Instrument

Basis spread on variable rate 2.25%

Revolving Credit Facility Amendment (Member) | Revolving Credit Facility Tranche A-1 [Member] | Base Rate | Maximum

Debt Instrument

Basis spread on variable rate 2.50%

Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-1 [Member] LIBOR Minimum	
Debt Instrument	
Basis spread on variable rate	3.25%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-1 [Member] LIBOR Maximum	
Debt Instrument	
Basis spread on variable rate	3.50%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-2 [Member] Base Rate Minimum	
Debt Instrument	
Basis spread on variable rate	2.00%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-2 [Member] Base Rate Maximum	
Debt Instrument	
Basis spread on variable rate	2.50%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-2 [Member] LIBOR Minimum	
Debt Instrument	
Basis spread on variable rate	3.00%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility Tranche A-2 [Member] LIBOR Maximum	
Debt Instrument	
Basis spread on variable rate	3.50%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility FILO Tranche [Member] Base Rate Maximum	
Debt Instrument	
Basis spread on variable rate	5.00%
Revolving Credit Facility Amendment (Member) Revolving Credit Facility FILO Tranche [Member] LIBOR Maximum	
Debt Instrument	
Basis spread on variable rate	6.00%
Hospice And Home Health Operations Term Loan Facility [Member]	
Debt Instrument	
Proceeds from Sale of Productive Assets	\$ 72,000

[Affiliate Of Welltower Inc And Affiliate Of Omega
Healthcare Investors Inc \[Member\] | New Term
Loan Facility \[Member\]](#)

Debt Instrument

[Term of debt](#) 4 years
[Aggregate principal amount](#) \$
120,000

[Debt Instrument Annual Amortization Rate In Years
One And Two As Percent](#) 2.50%

[Annual amortization in years three and four, percent](#) 6.00%

[Affiliate Of Welltower Inc And Affiliate Of Omega
Healthcare Investors Inc \[Member\] | New Term
Loan Facility \[Member\] | Maximum](#)

Debt Instrument

[Interest paid in cash or paid-in-kind \(as a percent\)](#) 2.00%

[Affiliate Of Welltower Inc And Affiliate Of Omega
Healthcare Investors Inc \[Member\] | New Term
Loan Facility \[Member\] | Base Rate](#)

Debt Instrument

[Basis spread on variable rate](#) 13.00%
[Debt Instrument Variable Interest Rate Floor](#) 1.00%
[Floor rate \(as a percent\)](#) 1.00%

[Affiliate Of Welltower Inc And Affiliate Of Omega
Healthcare Investors Inc \[Member\] | New Term
Loan Facility \[Member\] | Available Bit Rate
\[Member\]](#)

Debt Instrument

[Basis spread on variable rate](#) 12.00%
[Debt Instrument Variable Interest Rate Floor](#) 2.00%
[Floor rate \(as a percent\)](#) 2.00%

[Welltower Inc \[Member\]](#)

Debt Instrument

[Number of bridge loans funded | loan](#) 2

Long-Term Debt - Bridge HUD and Other (Details) \$ in Millions	May 23, 2016 USD (\$) facility	Apr. 01, 2016 USD (\$) facility	Dec. 01, 2015 USD (\$) facility item	Feb. 02, 2015 USD (\$) facility item	2 Months	6 Months
					Ended May 31, 2016	Ended Jun. 30, 2016 USD (\$) facility loan
<u>Debt Instrument</u>						
<u>Term of debt</u>						2 years
<u>Principal balance outstanding</u>						\$ 134.1
<u>Weighted Average Interest Rate</u>						4.62%
<u>Skilled Real Estate Bridge Loan</u>						
<u>Debt Instrument</u>						
<u>Face amount of bridge loan</u>				\$ 360.0		
<u>Number of facilities pledged facility</u>				67		
<u>Term of debt</u>				24 months		
<u>Principal balance outstanding</u>						\$ 176.7
<u>Effective interest rate</u>						11.75%
<u>Skilled Real Estate Bridge Loan Extension option one</u>						
<u>Debt Instrument</u>						
<u>Debt instrument number of term extensions item</u>				1		
<u>Debt instrument term extension period (in days)</u>				180 days		
<u>Skilled Real Estate Bridge Loan Extension Option Two [Member]</u>						
<u>Debt Instrument</u>						
<u>Debt instrument number of term extensions item</u>				2		
<u>Debt instrument term extension period (in days)</u>				90 days		
<u>Revera Real Estate Bridge Loan [Member]</u>						
<u>Debt Instrument</u>						
<u>Number of facilities pledged facility</u>				15		
<u>Term of debt</u>				24 months		
<u>Debt instrument number of term extensions item</u>				2		
<u>Debt instrument term extension period (in days)</u>				90 days		
<u>Debt Instrument Threshold for Ratio</u>				75.00%		
<u>Debt Instrument Additive to Threshold for Ratio</u>				5.00%		
<u>Effective interest rate</u>						8.50%
<u>Other Real Estate Bridge Loans</u>						
<u>Debt Instrument</u>						
<u>Face amount of bridge loan</u>	\$ 44.0	\$ 9.9				
<u>Term of debt</u>						3 years
<u>Basis spread on variable rate</u>						4.00%

Principal balance outstanding			\$ 53.9
Number of facilities acquired facility	5	1	
Effective interest rate			4.50%
HUD insured loans			
Debt Instrument			
Number of facilities pledged facility			10
Principal balance outstanding			\$ 221.3
Number of debt instruments loan			29
Debt premium			\$ 14.3
Debt instrument average remaining term (in years)			32 years
Weighted Average Interest Rate			3.70%
Debt instrument period in which prepayment is not allowed (in months)			12 months
Prepayment penalty (as a percentage)			10.00%
Decrease in prepayment penalty (as a percentage)			1.00%
HUD insured loans Prepaid Expenses and Other Current Assets [Member]			
Debt Instrument			
Escrow reserve funds			\$ 12.9
Mortgages and other secured debt (recourse)			
Debt Instrument			
Weighted Average Interest Rate			4.20%
Maximum HUD insured loans			
Debt Instrument			
Debt instrument average remaining term (in years)		35 years	
Fixed interest rate			4.60%
Maximum Mortgages and other secured debt (non-recourse)			
Debt Instrument			
Effective interest rate			2.20%
Maximum Mortgages and other secured debt (recourse)			
Debt Instrument			
Effective interest rate			22.70%
Minimum HUD insured loans			
Debt Instrument			
Debt instrument average remaining term (in years)		30 years	
Fixed interest rate			3.10%
Minimum Mortgages and other secured debt (non-recourse)			
Debt Instrument			
Effective interest rate			6.00%

Minimum Mortgages and other secured debt (recourse)		
Debt Instrument		
Effective interest rate		2.50%
LIBOR Skilled Real Estate Bridge Loan		
Debt Instrument		
Basis spread on variable rate	6.75%	
Debt Instrument Variable Interest Rate Floor	0.50%	
LIBOR Revera Real Estate Bridge Loan [Member]		
Debt Instrument		
Basis spread on variable rate	6.75%	
Debt instrument additional margin based on ratio	0.25%	
Debt Instrument Variable Interest Rate Floor	0.50%	
LIBOR Maximum Skilled Real Estate Bridge Loan		
Debt Instrument		
Debt instrument additional margin based on days outstanding		7.00%
LIBOR Maximum Revera Real Estate Bridge Loan [Member]		
Debt Instrument		
Debt instrument additional margin based on days outstanding		7.00%
Revera Acquisition		
Debt Instrument		
Number of facilities acquired facility	19	
Revera Acquisition Revera Real Estate Bridge Loan [Member]		
Debt Instrument		
Face amount of bridge loan	\$ 134.1	
Number of facilities acquired facility	15	

**Long-Term Debt - Maturity
(Details) - USD (\$)
\$ in Thousands**

6 Months Ended

Jun. 30, 2016 Dec. 31, 2015

Long-Term Debt Abstract

Debt obligations due in two years

\$ 468,900

Debt Instrument, Term

2 years

Twelve months ended March 31,

2017

\$ 8,328

2018

460,556

2019

67,212

2020

368,260

2021

6,511

Thereafter

223,719

Long-term Debt, Fiscal Year Maturity [Abstract]

Total long-term debt

\$ 1,134,586

\$ 1,198,636

**Lease and Lease
Commitments - Future
Minimum Capital and
Operating Lease Payments
(Details) - USD (\$)
\$ in Thousands**

Jun. 30, 2016 Dec. 31, 2015

Capital Leases, Future Minimum Payments Due, Rolling Maturity

<u>2017</u>	\$ 93,041	
<u>2018</u>	89,929	
<u>2019</u>	91,880	
<u>2020</u>	94,163	
<u>2021</u>	96,369	
<u>Thereafter</u>	3,237,791	
<u>Total future minimum lease payments</u>	3,703,173	
<u>Less amount representing interest</u>	(2,691,010)	
<u>Capital lease obligation</u>	1,012,163	
<u>Less current portion</u>	(1,849)	\$ (1,842)
<u>Capital lease obligations</u>	1,010,314	\$ 1,053,816

Operating Leases, Future Minimum Payments Due, Rolling Maturity

<u>2017</u>	139,555
<u>2018</u>	137,912
<u>2019</u>	135,339
<u>2020</u>	134,828
<u>2021</u>	117,749
<u>Thereafter</u>	226,183
<u>Total future minimum lease payments</u>	\$ 891,566

Lease and Lease Commitments - Capital Lease Rates and Deferred Balances (Details) \$ in Millions	6 Months Ended	
	Jun. 30, 2016 USD (\$) lease facility	Dec. 31, 2015 USD (\$)
Number Of Leases Containing Unmet Financial Covenants lease	3	
Number of facilities under leases with unmet financial covenants facility	11	
Identifiable Intangible Assets [Member]		
Net favorable leases	\$ 50.3	\$ 54.7
Other Noncurrent Liabilities [Member]		
Net unfavorable leases	31.9	35.5
Deferred straight-line rent balances included in other long-term liabilities	\$ 29.3	\$ 27.3
Maximum		
Capital lease imputed interest rate (as a percent)	12.80%	
Minimum		
Capital lease imputed interest rate (as a percent)	3.50%	

Financing Obligation
(Details) - USD (\$)
\$ in Thousands

Jun. 30,
2016 **Dec. 31,**
2015

Present Value of Future Minimum Lease Payments, Sale Leaseback Transactions,

Rolling Maturity

<u>2016</u>	\$ 279,799	
<u>2017</u>	288,243	
<u>2018</u>	296,482	
<u>2019</u>	304,961	
<u>2020</u>	313,675	
<u>Thereafter</u>	9,782,020	
<u>Total future minimum lease payments</u>	11,265,180	
<u>Less amount representing interest</u>	(8,156,016)	
<u>Financing obligation</u>	3,109,164	
<u>Less current portion</u>	(1,431)	\$ (989)
<u>Long-term financing obligation</u>	\$ 3,107,733	\$ 3,064,077

Income Taxes (Details) - USD (\$) \$ in Thousands	3 Months Ended		6 Months Ended		Dec. 31,
	Jun. 30, 2016	Jun. 30, 2015	Jun. 30, 2016	Jun. 30, 2015	2016
<u>(Expense) benefit from income taxes</u>	\$ (3,086)	\$ 4,419	\$ (6,150)	\$ 10,067	
<u>Effective tax rate</u>	(9.40%)	11.70%	(6.10%)	6.20%	
<u>Forecast</u>					
<u>Net operating loss carryforwards</u>					\$ 0
<u>The Combination</u>					
<u>Percentage of voting interests acquired</u>	58.00%		58.00%		
<u>Tax receivable agreement, potential payment as percentage of cash savings</u>			90.00%		

Commitments and Contingencies - Self Insurance Risks (Details) - USD (\$) \$ in Millions	3 Months Ended		6 Months Ended		
	Jun. 30,	Jun. 30,	Jun. 30,	Jun. 30,	Dec. 31,
	2016	2015	2016	2015	2015
<u>Workers' Compensation Liability</u>					
<u>Liabilities Related to Insurance Risks</u>					
<u>Workers' compensation approximate discount rate (as a percentage)</u>			1.00%		
<u>Workers' Compensation discount rate (as a percentage)</u>			0.96%		
<u>Effect of discounting on reserve</u>	\$ 8.5		\$ 8.5		\$ 8.6
<u>Provision for workers' compensation</u>	3.9	\$ 13.9	22.1	\$ 31.8	
<u>Reserve for workers' compensation risks</u>	215.8		215.8		223.7
<u>General and Professional Liability</u>					
<u>Liabilities Related to Insurance Risks</u>					
<u>Provision for general and professional liability</u>	35.3	\$ 45.4	70.2	\$ 71.6	
<u>Reserve for general and professional liability</u>	\$ 390.0		\$ 390.0		\$ 371.6

Commitments and Contingencies - Litigation (Details) \$ in Millions	1 Months	3 Months
	Ended	Ended
	Aug. 06, 2014 plaintiff	Jul. 31, 2016 item
		Jun. 30, 2016 USD (\$)
Creekside Hospice Investigation		
Loss Contingencies		
Number of Qui Tam proceedings plaintiff	2	
Creekside Hospice Therapy Matters Investigation Staffing Matters Investigation And Sundance Part B Therapy Matter (Member)		
Loss Contingencies		
Number of matters under agreement in principle item	4	
Litigation settlement amount		\$ 52.7
Loss contingency		\$ 13.6
Loss contingency settlement terms		5 years

Fair Value Measurements
(Details) - USD (\$)
\$ in Thousands

Jun. 30, 2016 Dec. 31, 2015

Financial Liabilities Fair Value Disclosure [Abstract]		
Revolving credit facility	\$ 371,000	
Carrying value	1,134,586	\$ 1,198,636
Term Loan Facility [Member]		
Financial Liabilities Fair Value Disclosure [Abstract]		
Carrying value	140,430	210,842
Original issue discount	5,525	7,475
Skilled Real Estate Bridge Loan		
Financial Liabilities Fair Value Disclosure [Abstract]		
Carrying value	358,351	484,533
HUD insured loans		
Financial Liabilities Fair Value Disclosure [Abstract]		
Carrying value	230,186	106,250
Mortgages and other secured debt (recourse)		
Financial Liabilities Fair Value Disclosure [Abstract]		
Carrying value	13,586	13,934
Mortgages and other secured debt (non-recourse)		
Financial Liabilities Fair Value Disclosure [Abstract]		
Carrying value	29,799	30,331
Revolving Credit Facilities		
Financial Liabilities Fair Value Disclosure [Abstract]		
Revolving credit facility	371,000	
Carrying value	362,234	352,746
Level 2		
Financial Liabilities Fair Value Disclosure [Abstract]		
Fair Value	1,130,211	1,198,065
Level 2 Term Loan Facility [Member]		
Financial Liabilities Fair Value Disclosure [Abstract]		
Fair Value	139,087	210,271
Level 2 Skilled Real Estate Bridge Loan		
Financial Liabilities Fair Value Disclosure [Abstract]		
Fair Value	358,351	484,533
Level 2 HUD insured loans		
Financial Liabilities Fair Value Disclosure [Abstract]		
Fair Value	227,154	106,250
Level 2 Mortgages and other secured debt (recourse)		
Financial Liabilities Fair Value Disclosure [Abstract]		
Fair Value	13,586	13,934
Level 2 Mortgages and other secured debt (non-recourse)		
Financial Liabilities Fair Value Disclosure [Abstract]		

<u>Fair Value</u>	29,799	30,331
<u>Level 2 Revolving Credit Facilities</u>		
<u>Financial Liabilities Fair Value Disclosure [Abstract]</u>		
<u>Fair Value</u>	362,234	352,746
<u>Fair Value, Measurements, Recurring</u>		
<u>Assets, Fair Value Disclosure [Abstract]</u>		
<u>Cash and equivalents</u>	46,678	61,543
<u>Restricted cash and equivalents</u>	33,310	34,370
<u>Restricted investments in marketable securities</u>	154,637	163,757
<u>Assets, Fair Value Disclosure, Total</u>	234,625	259,670
<u>Fair Value, Measurements, Recurring Level 1</u>		
<u>Assets, Fair Value Disclosure [Abstract]</u>		
<u>Cash and equivalents</u>	46,678	61,543
<u>Restricted cash and equivalents</u>	33,310	34,370
<u>Restricted investments in marketable securities</u>	154,637	163,757
<u>Assets, Fair Value Disclosure, Total</u>	234,625	259,670
<u>Fair Value, Measurements, Nonrecurring [Member] Level 3</u>		
<u>Assets, Fair Value Disclosure [Abstract]</u>		
<u>Property and equipment, net</u>	3,957,245	4,085,247
<u>Goodwill</u>	444,508	470,019
<u>Intangible assets</u>	\$ 192,566	\$ 209,967