

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-32641

BROOKDALE SENIOR LIVING INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

20-3068069

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

111 Westwood Place, Suite 400, Brentwood, Tennessee

(Address of principal executive offices)

37027

(Zip Code)

(Registrant's telephone number, including area code)

(615) 221-2250

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 Par Value Per Share	BKD	New York Stock Exchange
7.00% Tangible Equity Units	BKDT	New York Stock Exchange

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of August 7, 2024, 197,201,015 shares of the registrant's common stock, \$0.01 par value, were outstanding (excluding restricted stock and restricted stock units).

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FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except stock amounts)**

	June 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 290,018	\$ 277,971
Marketable securities	19,727	29,755
Restricted cash	43,959	41,341
Accounts receivable, net	49,782	48,393
Prepaid expenses and other current assets, net	89,343	80,908
Total current assets	<u>492,829</u>	<u>478,368</u>
Property, plant and equipment and leasehold intangibles, net	4,256,490	4,330,629
Operating lease right-of-use assets	603,816	670,907
Restricted cash	28,527	30,356
Goodwill	27,321	27,321
Other assets, net	41,903	35,854
Total assets	<u>\$ 5,450,886</u>	<u>\$ 5,573,435</u>
Liabilities and Equity		
Current liabilities		
Current portion of long-term debt	\$ 60,939	\$ 41,463
Current portion of financing lease obligations	1,123	1,075
Current portion of operating lease obligations	199,226	192,631
Trade accounts payable	74,700	66,526
Accrued expenses	231,908	242,668
Refundable fees and deferred revenue	54,189	55,753
Total current liabilities	<u>622,085</u>	<u>600,116</u>
Long-term debt, less current portion	3,679,102	3,655,850
Financing lease obligations, less current portion	150,240	150,774
Operating lease obligations, less current portion	584,556	683,876
Deferred tax liability	5,627	5,987
Other liabilities	67,603	71,679
Total liabilities	<u>5,109,213</u>	<u>5,168,282</u>
Preferred stock, \$0.01 par value, 50,000,000 shares authorized at June 30, 2024 and December 31, 2023; no shares issued and outstanding	—	—
Common stock, \$0.01 par value, 400,000,000 shares authorized at June 30, 2024 and December 31, 2023; 207,728,540 and 198,780,826 shares issued and 197,201,015 and 188,253,301 shares outstanding, respectively	2,077	1,988
Additional paid-in-capital	4,346,116	4,342,362
Treasury stock, at cost; 10,527,525 shares at June 30, 2024 and December 31, 2023	(102,774)	(102,774)
Accumulated deficit	(3,905,205)	(3,837,912)
Total Brookdale Senior Living Inc. stockholders' equity	<u>340,214</u>	<u>403,664</u>
Noncontrolling interest	1,459	1,489
Total equity	<u>341,673</u>	<u>405,153</u>
Total liabilities and equity	<u>\$ 5,450,886</u>	<u>\$ 5,573,435</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Resident fees	\$ 739,709	\$ 710,161	\$ 1,483,950	\$ 1,423,565
Management fees	2,616	2,510	5,234	5,087
Reimbursed costs incurred on behalf of managed communities	35,216	33,999	71,188	68,953
Other operating income	—	4,122	—	6,450
Total revenue and other operating income	<u>777,541</u>	<u>750,792</u>	<u>1,560,372</u>	<u>1,504,055</u>
Facility operating expense (excluding facility depreciation and amortization of \$81,706, \$77,846, \$161,610, and \$157,163, respectively)	537,507	531,118	1,080,057	1,061,925
General and administrative expense (including non-cash stock-based compensation expense of \$3,975, \$2,969, \$7,248, and \$6,073, respectively)	46,664	45,326	92,396	93,945
Facility operating lease expense	50,964	50,512	102,460	96,639
Depreciation and amortization	88,028	84,448	174,155	169,382
Asset impairment	—	520	1,708	520
Loss (gain) on sale of communities, net	—	(36,296)	—	(36,296)
Costs incurred on behalf of managed communities	35,216	33,999	71,188	68,953
Income (loss) from operations	<u>19,162</u>	<u>41,165</u>	<u>38,408</u>	<u>48,987</u>
Interest income	4,714	6,115	9,492	11,441
Interest expense:				
Debt	(53,778)	(52,256)	(107,234)	(102,571)
Financing lease obligations	(5,110)	(5,453)	(10,171)	(12,005)
Amortization of deferred financing costs	(2,334)	(1,899)	(4,591)	(3,839)
Change in fair value of derivatives	(345)	5,173	2,742	4,269
Equity in earnings (loss) of unconsolidated ventures	—	(1,153)	—	(1,730)
Non-operating gain (loss) on sale of assets, net	199	860	903	860
Other non-operating income (loss)	199	3,197	3,537	6,346
Income (loss) before income taxes	<u>(37,293)</u>	<u>(4,251)</u>	<u>(66,914)</u>	<u>(48,242)</u>
Benefit (provision) for income taxes	(449)	(275)	(409)	(847)
Net income (loss)	<u>(37,742)</u>	<u>(4,526)</u>	<u>(67,323)</u>	<u>(49,089)</u>
Net (income) loss attributable to noncontrolling interest	<u>15</u>	<u>16</u>	<u>30</u>	<u>30</u>
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (37,727)</u>	<u>\$ (4,510)</u>	<u>\$ (67,293)</u>	<u>\$ (49,059)</u>
Basic and diluted net income (loss) per share attributable to Brookdale Senior Living Inc. common stockholders	<u>\$ (0.17)</u>	<u>\$ (0.02)</u>	<u>\$ (0.30)</u>	<u>\$ (0.22)</u>
Weighted average shares used in computing basic and diluted net income (loss) per share	<u>226,789</u>	<u>225,404</u>	<u>226,340</u>	<u>224,994</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total equity, balance at beginning of period	\$ 375,448	\$ 540,854	\$ 405,153	\$ 584,153
Common stock:				
Balance at beginning of period	\$ 2,035	\$ 1,988	\$ 1,988	\$ 1,978
Shares issued for settlement of prepaid stock purchase contracts	32	—	67	—
Shares issued for warrant exercise	9	—	9	—
Restricted stock and restricted stock units, net	1	—	19	16
Shares withheld for employee taxes	—	—	(6)	(6)
Balance at end of period	\$ 2,077	\$ 1,988	\$ 2,077	\$ 1,988
Additional paid-in-capital:				
Balance at beginning of period	\$ 4,342,191	\$ 4,333,556	\$ 4,342,362	\$ 4,332,302
Compensation expense related to restricted stock grants	3,975	2,969	7,248	6,073
Shares issued for settlement of prepaid stock purchase contracts	(32)	—	(67)	—
Shares issued for warrant exercise	(9)	—	(9)	—
Restricted stock and restricted stock units, net	(1)	—	(19)	(16)
Shares withheld for employee taxes	(8)	(21)	(3,399)	(1,855)
Balance at end of period	\$ 4,346,116	\$ 4,336,504	\$ 4,346,116	\$ 4,336,504
Treasury stock:				
Balance at beginning and end of period	\$ (102,774)	\$ (102,774)	\$ (102,774)	\$ (102,774)
Accumulated deficit:				
Balance at beginning of period	\$ (3,867,478)	\$ (3,693,450)	\$ (3,837,912)	\$ (3,648,901)
Net income (loss) attributable to Brookdale Senior Living Inc. common stockholders	(37,727)	(4,510)	(67,293)	(49,059)
Balance at end of period	\$ (3,905,205)	\$ (3,697,960)	\$ (3,905,205)	\$ (3,697,960)
Noncontrolling interest:				
Balance at beginning of period	\$ 1,474	\$ 1,534	\$ 1,489	\$ 1,548
Net income (loss) attributable to noncontrolling interest	(15)	(16)	(30)	(30)
Balance at end of period	\$ 1,459	\$ 1,518	\$ 1,459	\$ 1,518
Total equity, balance at end of period	\$ 341,673	\$ 539,276	\$ 341,673	\$ 539,276
Common stock share activity				
Outstanding shares of common stock:				
Balance at beginning of period	193,013	188,235	188,253	187,249
Shares issued for settlement of prepaid stock purchase contracts	3,152	—	6,709	—
Shares issued for warrant exercise	942	—	942	—
Restricted stock and restricted stock units, net	95	6	1,873	1,551
Shares withheld for employee taxes	(1)	(6)	(576)	(565)
Balance at end of period	197,201	188,235	197,201	188,235

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash Flows from Operating Activities		
Net income (loss)	\$ (67,323)	\$ (49,089)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization, net	178,746	173,221
Asset impairment	1,708	520
Equity in (earnings) loss of unconsolidated ventures	—	1,730
Distributions from unconsolidated ventures from cumulative share of net earnings	—	430
Amortization of entrance fees	—	(732)
Proceeds from deferred entrance fee revenue	—	477
Deferred income tax (benefit) provision	(360)	188
Operating lease expense adjustment	(26,572)	(22,362)
Change in fair value of derivatives	(2,742)	(4,269)
Loss (gain) on sale of assets, net	(903)	(37,156)
Non-cash stock-based compensation expense	7,248	6,073
Property and casualty insurance income	(2,688)	(3,927)
Other non-operating (income) loss	—	(2,542)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,390)	7,550
Prepaid expenses and other assets, net	(855)	11,711
Prepaid insurance premiums financed with notes payable	(15,702)	(13,004)
Trade accounts payable and accrued expenses	(14,380)	3,782
Refundable fees and deferred revenue	(1,563)	13,021
Operating lease assets and liabilities for lessor capital expenditure reimbursements	1,300	2,244
Net cash provided by (used in) operating activities	<u>54,524</u>	<u>87,866</u>
Cash Flows from Investing Activities		
Purchase of marketable securities	(19,591)	(110,754)
Sale and maturities of marketable securities	30,000	65,100
Capital expenditures, net of related payables	(95,973)	(109,825)
Acquisition of assets, net of cash acquired	—	(574)
Proceeds from sale of assets, net	7,017	43,059
Property and casualty insurance proceeds	2,704	8,789
Purchase of interest rate cap instruments	(8,513)	(3,019)
Proceeds from interest rate cap instruments	9,129	3,423
Other	(176)	(109)
Net cash provided by (used in) investing activities	<u>(75,403)</u>	<u>(103,910)</u>
Cash Flows from Financing Activities		
Proceeds from debt	81,271	25,532
Repayment of debt and financing lease obligations	(41,077)	(72,917)
Payment of financing costs, net of related payables	(3,074)	(676)
Payments of employee taxes for withheld shares	(3,405)	(1,861)
Net cash provided by (used in) financing activities	<u>33,715</u>	<u>(49,922)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	12,836	(65,966)
Cash, cash equivalents, and restricted cash at beginning of period	349,668	474,548
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 362,504</u>	<u>\$ 408,582</u>

See accompanying notes to condensed consolidated financial statements.

BROOKDALE SENIOR LIVING INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Description of Business

Brookdale Senior Living Inc. together with its consolidated subsidiaries ("Brookdale" or the "Company") is an operator of 649 senior living communities throughout the United States. The Company is committed to its mission of enriching the lives of the people it serves with compassion, respect, excellence, and integrity. The Company operates and manages independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs"). The Company's senior living communities and its comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. As of June 30, 2024, the Company owned 342 communities, representing a majority of the Company's community portfolio, leased 277 communities, and managed 30 communities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for quarterly reports on Form 10-Q. In the opinion of management, these financial statements include all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position, results of operations, and cash flows of the Company for all periods presented. Certain information and footnote disclosures included in annual financial statements have been condensed or omitted. The Company believes that the disclosures included are adequate and provide a fair presentation of interim period results. Interim financial statements are not necessarily indicative of the financial position or operating results for an entire year. These interim financial statements should be read in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 21, 2024.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Brookdale and its consolidated subsidiaries. The ownership interest of consolidated entities not wholly-owned by the Company are presented as noncontrolling interests in the accompanying unaudited condensed consolidated financial statements. Intercompany balances and transactions have been eliminated in consolidation, and net income (loss) is reduced by the portion of net income (loss) attributable to noncontrolling interests.

Use of Estimates

The preparation of the condensed consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates are used for, but not limited to, revenue, asset impairments, self-insurance reserves, performance-based compensation, allowance for credit losses, depreciation and amortization, leasing transactions, income taxes, and other contingencies. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from the original estimates.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current financial statement presentation, with no effect on the Company's condensed consolidated financial position or results of operations.

3. Fair Value Measurements

Marketable Securities

As of June 30, 2024 and December 31, 2023, marketable securities of \$19.7 million and \$29.8 million, respectively, are stated at fair value based on valuations provided by third-party pricing services and are classified within Level 2 of the valuation hierarchy.

Interest Rate Derivatives

The Company's derivative assets include interest rate cap and swap instruments that effectively manage the risk above certain interest rates for a portion of the Company's long-term variable rate debt. The Company has not designated the interest rate cap and swap instruments as hedging instruments and as such, changes in the fair value of the instruments are recognized in earnings in the period of the change. The interest rate derivative positions are valued using models developed by the respective counterparty that use as their basis readily available observable market parameters (such as forward yield curves) and are classified within Level 2 of the valuation hierarchy. The Company considers the credit risk of its counterparties when evaluating the fair value of its derivatives.

The following table summarizes the Company's Secured Overnight Financing Rate ("SOFR") interest rate cap instruments as of June 30, 2024.

(\$ in millions)

Current notional balance	\$	1,257.5
Weighted average fixed cap rate		3.90%
Weighted average remaining term		0.7 years
Estimated asset fair value (included in other assets, net)	\$	15.5

As of December 31, 2023, the estimated fair value of the interest rate cap instruments was \$13.3 million.

The following table summarizes the Company's SOFR interest rate swap instrument as of June 30, 2024.

(\$ in millions)

Current notional balance	\$	220.0
Fixed interest rate		4.25%
Remaining term		1.3 years
Estimated asset fair value (included in other assets, net)	\$	1.6

As of December 31, 2023, the estimated fair value of the interest rate swap instrument was \$1.6 million.

Long-term debt

The Company estimates the fair value of its debt primarily using a discounted cash flow analysis based upon the Company's current borrowing rate for debt with similar maturities and collateral securing the indebtedness. The Company estimates the fair value of its convertible senior notes based on valuations provided by third-party pricing services. The Company had outstanding long-term debt with a carrying amount of approximately \$3.7 billion as of both June 30, 2024 and December 31, 2023. Fair value of the long-term debt is approximately \$3.5 billion and \$3.4 billion as of June 30, 2024 and December 31, 2023, respectively. The Company's fair value of long-term debt disclosure is classified within Level 2 of the valuation hierarchy.

4. Revenue

The Company disaggregates its revenue from contracts with customers by payor source as the Company believes it best depicts how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. Resident fee revenue by payor source is as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Private pay	94.1 %	93.8 %	94.0 %	93.7 %
Government reimbursement	4.6 %	4.8 %	4.6 %	4.9 %
Other third-party payor programs	1.3 %	1.4 %	1.4 %	1.4 %

Refer to Note 13 for disaggregation of revenue by reportable segment.

The payment terms and conditions within the Company's revenue-generating contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Resident fee revenue for recurring and routine monthly services is generally billed monthly in advance under the Company's independent living, assisted living, and memory care residency agreements. Resident fee revenue for standalone or certain healthcare services is generally billed monthly in arrears. Additionally, certain of the Company's revenue-generating contracts include non-refundable fees that are generally billed and collected in advance or upon move-in of a resident under the Company's independent living, assisted living, and memory care residency agreements. Amounts of revenue that are collected from residents in advance are recognized as deferred revenue until the performance obligations are satisfied.

The Company had total deferred revenue (included within refundable fees and deferred revenue and other liabilities within the condensed consolidated balance sheets) of \$48.8 million and \$48.3 million, including \$23.0 million and \$24.1 million of monthly resident fees billed and received in advance, as of June 30, 2024 and December 31, 2023, respectively. For the six months ended June 30, 2024 and 2023, the Company recognized \$42.8 million and \$44.9 million, respectively, of revenue that was included in the deferred revenue balance as of January 1, 2024 and 2023, respectively. The Company applies the practical expedient in ASC 606-10-50-14 and does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

5. Property, Plant and Equipment and Leasehold Intangibles, Net

As of June 30, 2024 and December 31, 2023, net property, plant and equipment and leasehold intangibles, which include assets under financing leases, consisted of the following.

<i>(in thousands)</i>	June 30, 2024	December 31, 2023
Land	\$ 497,829	\$ 500,649
Buildings and improvements	5,372,852	5,348,133
Furniture and equipment	1,143,172	1,111,408
Resident in-place lease intangibles	281,041	282,411
Construction in progress	35,412	33,905
Assets under financing leases and leasehold improvements	1,110,127	1,070,900
Property, plant and equipment and leasehold intangibles	<u>8,440,433</u>	<u>8,347,406</u>
Accumulated depreciation and amortization	(4,183,943)	(4,016,777)
Property, plant and equipment and leasehold intangibles, net	<u>\$ 4,256,490</u>	<u>\$ 4,330,629</u>

Long-lived assets with definite useful lives are depreciated or amortized on a straight-line basis over their estimated useful lives (or, in certain cases, the shorter of their estimated useful lives or the lease term) and are tested for impairment whenever indicators of impairment arise. The Company recognized depreciation and amortization expense on its property, plant and equipment and leasehold intangibles of \$88.0 million and \$84.4 million for the three months ended June 30, 2024 and 2023, respectively, and \$174.2 million and \$169.4 million for the six months ended June 30, 2024 and 2023, respectively. The Company did not recognize any impairment charges for the three months ended June 30, 2024. The Company recognized \$1.7 million for the six months ended June 30, 2024 and \$0.5 million for both the three and six months ended June 30, 2023 of non-cash impairment charges in its operating results for its property, plant and equipment and leasehold intangibles assets, primarily due to property damage sustained at certain communities.

6. Debt

Long-term debt consists of the following.

<i>(in thousands)</i>	June 30, 2024	December 31, 2023
Fixed rate mortgage notes payable due 2025 through 2047; weighted average interest rate of 4.26% as of both June 30, 2024 and December 31, 2023	\$ 1,941,759	\$ 1,953,414
Variable rate mortgage notes payable due 2025 through 2030; weighted average interest rate of 7.76% and 7.74% as of June 30, 2024 and December 31, 2023, respectively	1,566,960	1,524,907
Convertible notes payable due October 2026; interest rate of 2.00% as of both June 30, 2024 and December 31, 2023	230,000	230,000
Tangible equity units senior amortizing notes due November 2025; interest rate of 10.25% as of both June 30, 2024 and December 31, 2023	13,827	17,990
Notes payable for insurance premium financing due 2024; interest rate of 7.40% as of June 30, 2024	14,486	—
Deferred financing costs, net	(26,991)	(28,998)
Total long-term debt	3,740,041	3,697,313
Current portion	60,939	41,463
Total long-term debt, less current portion	\$ 3,679,102	\$ 3,655,850

As of June 30, 2024, the long-term debt, less current portion within the Company's condensed consolidated balance sheet includes \$100.0 million of mortgage notes payable scheduled to mature in January 2025 with two one-year extension options, exercisable by the Company subject to the satisfaction of certain conditions.

As of June 30, 2024, 91.3%, or \$3.4 billion, of the Company's total debt obligations represented non-recourse property-level mortgage financings.

As of June 30, 2024, \$58.8 million of letters of credit and no cash borrowings were outstanding under the Company's \$100.0 million secured credit facility. The Company also had a separate secured letter of credit facility providing up to \$17.0 million of letters of credit as of June 30, 2024 under which \$15.7 million had been issued as of that date.

2024 Mortgage Financing

In February 2024, the Company obtained \$50.0 million of debt secured by first priority mortgages on 11 communities. The loan bears interest at a variable rate equal to SOFR plus a margin of 350 basis points. The debt matures in February 2027 with two one-year extension options, exercisable subject to certain performance criteria.

Financial Covenants

Certain of the Company's debt documents contain restrictions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service ratios, and requiring the Company not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. In addition, the Company's debt documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable debt documents. Many of the Company's debt documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Furthermore, the Company's mortgage debt is secured by its communities and, in certain cases, a guaranty by the Company and/or one or more of its subsidiaries.

As of June 30, 2024, the Company is in compliance with the financial covenants of its debt agreements.

7. Leases

As of June 30, 2024, the Company operated 277 communities under long-term leases (263 operating leases and 14 financing leases). The substantial majority of the Company's lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, the Company guarantees the performance and lease payment obligations of its subsidiary lessees under the master leases. An event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or the leased property revenue. The Company is responsible for all operating costs, including repairs and maintenance, property taxes, and insurance. The leases generally provide for renewal or extension options from 5 to 20 years and in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions and financial covenants, such as those requiring the Company to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community and/or entity basis. In addition, the Company's lease documents generally contain non-financial covenants, such as those requiring the Company to comply with Medicare or Medicaid provider requirements and maintain insurance coverage.

The Company's failure to comply with applicable covenants could constitute an event of default under the applicable lease documents. Many of the Company's debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors). Certain leases contain cure provisions, which generally allow the Company to post an additional lease security deposit if the required covenant is not met. Furthermore, the Company's leases are secured by its communities and, in certain cases, a guaranty by the Company and/or one or more of its subsidiaries.

As of June 30, 2024, the Company is in compliance with the financial covenants of its long-term lease agreements.

Lease right-of-use assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company did not recognize any such impairment charges for the three and six months ended June 30, 2024 and 2023.

A summary of operating and financing lease expense (including the respective presentation on the condensed consolidated statements of operations) and net cash outflows from leases is as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating Leases (in thousands)				
Facility operating expense	\$ 2,176	\$ 1,732	\$ 4,096	\$ 3,358
Facility lease expense	50,964	50,512	102,460	96,639
Operating lease expense	53,140	52,244	106,556	99,997
Operating lease expense adjustment ⁽¹⁾	13,483	11,557	26,572	22,362
Changes in operating lease assets and liabilities for lessor capital expenditure reimbursements	(1,051)	—	(1,300)	(2,244)
Operating net cash outflows from operating leases	<u>\$ 65,572</u>	<u>\$ 63,801</u>	<u>\$ 131,828</u>	<u>\$ 120,115</u>

(1) Represents the difference between the amount of cash operating lease payments and the amount of operating lease expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>Financing Leases (in thousands)</i>				
Depreciation and amortization	\$ 2,898	\$ 4,091	\$ 5,770	\$ 10,476
Interest expense: financing lease obligations	5,110	5,453	10,171	12,005
Financing lease expense	<u>\$ 8,008</u>	<u>\$ 9,544</u>	<u>\$ 15,941</u>	<u>\$ 22,481</u>
Operating cash outflows from financing leases	\$ 5,110	\$ 5,453	\$ 10,171	\$ 12,005
Financing cash outflows from financing leases	265	2,126	527	7,978
Total net cash outflows from financing leases	<u>\$ 5,375</u>	<u>\$ 7,579</u>	<u>\$ 10,698</u>	<u>\$ 19,983</u>

The aggregate amounts of future minimum lease payments, including community, office, and equipment leases, recognized on the condensed consolidated balance sheet as of June 30, 2024 are as follows (in thousands).

Year Ending December 31,	Operating Leases	Financing Leases
2024 (six months)	\$ 129,816	\$ 10,209
2025	261,680	7,004
2026	147,137	6,988
2027	148,971	6,237
2028	85,882	6,071
Thereafter	252,096	21,146
Total lease payments	<u>1,025,582</u>	<u>57,655</u>
Purchase option liability and non-cash gain on future sale of property	—	145,136
Imputed interest and variable lease payments	<u>(241,800)</u>	<u>(51,428)</u>
Total lease obligations	<u>\$ 783,782</u>	<u>\$ 151,363</u>

Subsequent to the three months ended June 30, 2024, the Company and Omega Healthcare Investors, Inc. ("Omega") amended the existing master lease pursuant to which the Company continues to lease 24 communities from Omega. The Company's amended master lease has an initial term to expire on December 31, 2037. As part of the amendment, Omega agreed to make available up to \$80.0 million to fund costs associated with capital expenditures for the communities through December 31, 2037. The annual rent under the lease will not be adjusted upon reimbursements for capital expenditures in the aggregate amount of up to \$30.0 million of the \$80.0 million pool, which is available in certain tranches through June 30, 2028. With respect to the remaining \$50.0 million of the \$80.0 million pool, the annual rent under the lease will prospectively increase by the amount of each reimbursement multiplied by 9.5%. The \$50.0 million will be available in certain tranches beginning January 1, 2025, subject to certain annual reimbursement caps specified in the lease. Under the terms of the amendment, rent will escalate annually per the terms of the existing lease escalator, with a potential minor contingent rent adjustment beginning in 2028 depending on lease performance. The Company preliminarily estimates that the lease modification will increase the right-of-use assets and lease obligations recognized on its condensed consolidated balance sheet each by approximately \$220.0 million.

8. Litigation

The Company has been and is currently involved in litigation and claims incidental to the conduct of its business, which it believes are generally comparable to other companies in the senior living and healthcare industries, including, but not limited to, putative class action claims from time to time regarding staffing at the Company's communities and compliance with consumer protection laws and the Americans with Disabilities Act. Certain claims and lawsuits allege large damage amounts and may require significant costs to defend and resolve. As a result, the Company maintains general liability, professional liability, and other insurance policies in amounts and with coverage and deductibles the Company believes are appropriate, based on the nature and risks of its business, historical experience, availability, and industry standards. The Company's current policies provide for deductibles for each claim and contain various exclusions from coverage. The Company uses its wholly-owned captive insurance company for the purpose of insuring certain portions of its risk retention under its general and professional liability insurance programs. Accordingly, the Company is, in effect, self-insured for claims that are less than the

deductible amounts, for claims that exceed the funding level of the Company's wholly-owned captive insurance company, and for claims or portions of claims that are not covered by such policies and/or exceed the policy limits.

The senior living and healthcare industries are continuously subject to scrutiny by governmental regulators, which could result in reviews, audits, investigations, enforcement actions, or litigation related to regulatory compliance matters. In addition, the Company is subject to various government reviews, audits, and investigations to verify compliance with Medicare and Medicaid programs and other applicable laws and regulations. The Centers for Medicare & Medicaid Services ("CMS") has engaged third-party firms to review claims data to evaluate appropriateness of billings. In addition to identifying overpayments, audit contractors can refer suspected violations to government authorities. In addition, states' Attorneys General vigorously enforce consumer protection laws as those laws relate to the senior living industry. An adverse outcome of government scrutiny may result in citations, sanctions, other criminal or civil fines and penalties, the refund of overpayments, payment suspensions, termination of participation in Medicare and Medicaid programs, and damage to the Company's business reputation. The Company's costs to respond to and defend any such audits, reviews, and investigations may be significant.

In June 2020, the Company and several current and former executive officers were named as defendants in a putative class action lawsuit alleging violations of the federal securities laws filed in the federal court for the Middle District of Tennessee. The lawsuit asserted that the defendants made material misstatements and omissions concerning the Company's business, operational and compliance policies, compliance with applicable regulations and statutes, and staffing practices that caused the Company's stock price to be artificially inflated between August 2016 and April 2020. The district court dismissed the lawsuit and entered judgment in favor of the defendants in September 2021, and the plaintiffs did not file an appeal. Between October 2020 and June 2021, alleged stockholders of the Company filed several stockholder derivative lawsuits in the federal courts for the Middle District of Tennessee and the District of Delaware, which were subsequently transferred to the Middle District of Tennessee and consolidated into two lawsuits. In January 2024, the court dismissed one of the two derivative lawsuits. Plaintiffs have appealed the dismissal to the United States Court of Appeals for the Sixth Circuit. The other derivative lawsuit remains pending with the Middle District of Tennessee and asserts claims on behalf of the Company against certain current and former officers and directors for alleged breaches of duties owed to the Company. The complaint incorporates substantively similar allegations to the securities lawsuit previously described.

9. Stock-Based Compensation

Grants of restricted stock units and stock awards under the Company's 2014 Omnibus Incentive Plan were as follows.

<i>(in thousands, except for weighted average amounts)</i>	Restricted Stock Unit and Stock Award Grants	Weighted Average Grant Date Fair Value	Total Grant Date Fair Value
Three months ended March 31, 2024	2,224	\$ 6.36	\$ 14,148
Three months ended June 30, 2024	17	\$ 6.86	\$ 115

10. Earnings Per Share

Potentially dilutive common stock equivalents for the Company include convertible senior notes, warrants, unvested restricted stock, restricted stock units, and prepaid stock purchase contracts.

On October 1, 2021, the Company issued \$230.0 million principal amount of 2.00% convertible senior notes due 2026 (the "Notes"). As of June 30, 2024, the maximum number of shares issuable upon settlement of the Notes is 38.3 million (after giving effect to additional shares that would be issuable upon conversion in connection with the occurrence of certain corporate or other events).

On July 26, 2020, the Company issued to Ventas, Inc. ("Ventas") a warrant (the "Warrant") to purchase 16.3 million shares of the Company's common stock, \$0.01 par value per share, at a price per share of \$3.00. The Warrant is exercisable at Ventas' option at any time and from time to time, in whole or in part, until December 31, 2025. The exercise price and the number of shares issuable on exercise of the Warrant are subject to certain anti-dilution adjustments, including for cash dividends, stock dividends, stock splits, reclassifications, non-cash distributions, certain repurchases of common stock, and business combination transactions. During the three months ended June 30, 2024, the Company issued 942,424 shares of common stock upon the partial exercise of the Warrant by Ventas for 1.7 million shares, net of shares withheld to satisfy the aggregate exercise price. As of June 30, 2024, the Warrant remains outstanding for the right to purchase 14.6 million shares of the Company's common stock.

During the three months ended December 31, 2022, the Company issued 2,875,000 of its 7.00% tangible equity units (the "Units") at a public offering price of \$50.00 per Unit for an aggregate offering of \$143.8 million. Each Unit is comprised of a prepaid stock purchase contract and a senior amortizing note with an initial principal amount of \$8.8996. Unless settled early in accordance with the terms of the instruments, under each purchase contract, the Company is obligated to deliver to the holder on November 15, 2025 a minimum of 12.9341, and a maximum of 15.1976, shares of the Company's common stock depending on the daily volume-weighted average price of its common stock for the 20 trading days preceding the settlement date. During the three and six months ended June 30, 2024, 243,662 and 518,662, respectively, of the Units were separated at the election of the holders into the two components, prepaid stock purchase contracts and senior amortizing notes, and the Company delivered 3,151,548 and 6,708,425 shares of the Company's common stock upon settlement of such prepaid stock purchase contracts for the three and six months ended June 30, 2024, respectively. As of June 30, 2024, 2,356,338 prepaid stock purchase contracts remain outstanding, and the maximum number of shares issuable upon settlement of the Units' prepaid stock purchase contracts is 35.8 million.

Basic earnings per share ("EPS") is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding, after giving effect to the minimum number of shares issuable upon settlement of the prepaid stock purchase contract component of the Units. The following table summarizes the computation of basic weighted average shares presented in the condensed consolidated statements of operations.

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average common shares outstanding	194,788	188,218	192,425	187,808
Weighted average minimum shares issuable under purchase contracts	32,001	37,186	33,915	37,186
Weighted average shares outstanding - basic	<u>226,789</u>	<u>225,404</u>	<u>226,340</u>	<u>224,994</u>

Diluted EPS includes the components of basic EPS and also gives effect to dilutive common stock equivalents. Diluted EPS reflects the potential dilution that could occur if securities or other instruments that are convertible into common stock were exercised or could result in the issuance of common stock. For the purposes of computing diluted EPS, weighted average shares outstanding do not include potentially dilutive securities that are anti-dilutive under the treasury stock method or if-converted method, and performance-based equity awards are included based on the attainment of the applicable performance metrics as of the end of the reporting period. The Company has the following potentially outstanding shares of common stock, which were excluded from the computation of diluted net income (loss) per share attributable to common stockholders in both periods as a result of the net loss.

<i>(in millions)</i>	As of June 30,	
	2024	2023
Convertible senior notes	38.3	38.3
Warrants	14.6	16.3
Restricted stock and restricted stock units	6.5	6.5
Incremental shares issuable under purchase contracts	5.3	6.5
Total	<u>64.7</u>	<u>67.6</u>

11. Income Taxes

The difference between the Company's effective tax rate for the three months ended June 30, 2024 and 2023 was primarily due to an increase in the valuation allowance recorded on operating losses during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. The difference between the Company's effective tax rate for the six months ended June 30, 2024 and 2023 was primarily due to an increase in the tax benefit on the vesting of restricted stock units for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

The Company recorded an aggregate deferred federal, state, and local tax benefit of \$9.1 million for the three months ended June 30, 2024, which was offset by an increase to the valuation allowance of \$9.2 million. The Company recorded an aggregate deferred federal, state, and local tax benefit of \$16.7 million for the six months ended June 30, 2024, which was partially offset by an increase to the valuation allowance of \$16.3 million. The Company recorded an aggregate deferred federal, state, and local tax benefit of \$1.4 million for the three months ended June 30, 2023, which was partially offset by an increase to the

valuation allowance of \$1.3 million. The Company recorded an aggregate deferred federal, state, and local tax benefit of \$10.8 million for the six months ended June 30, 2023, which was offset by an increase to the valuation allowance of \$11.0 million.

The Company evaluates its deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. The Company's valuation allowance as of June 30, 2024 and December 31, 2023 was \$490.5 million and \$474.2 million, respectively.

The increase in the valuation allowance for both the six months ended June 30, 2024 and 2023 is the result of current operating losses during the periods and the anticipated reversal of future tax liabilities offset by future tax deductions.

The Company recorded interest charges related to its tax contingency reserve for cash tax positions for the three and six months ended June 30, 2024 and 2023 which are included in income tax expense or benefit for the period. As of June 30, 2024, tax returns for years 2019 through 2022 are subject to future examination by tax authorities. In addition, the net operating losses from prior years are subject to adjustment under examination.

12. Supplemental Disclosure of Cash Flow Information

<i>(in thousands)</i>	Six Months Ended June 30,	
	2024	2023
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 117,143	\$ 114,194
Income taxes paid, net of (refunds)	\$ 1,213	\$ (946)
Capital expenditures, net of related payables:		
Capital expenditures - non-development, net	\$ 102,916	\$ 127,727
Capital expenditures - development, net	433	904
Capital expenditures - non-development - reimbursable from lessor	1,300	2,244
Trade accounts payable	(8,676)	(21,050)
Net cash paid	<u>\$ 95,973</u>	<u>\$ 109,825</u>
Acquisition of assets, net of cash acquired:		
Prepaid expenses and other assets, net	\$ —	\$ 23
Property, plant and equipment and leasehold intangibles, net	—	6,872
Investment in unconsolidated ventures	—	(3,395)
Other liabilities	—	(384)
Other non-operating loss (income)	—	(2,542)
Net cash paid	<u>\$ —</u>	<u>\$ 574</u>
Proceeds from sale of assets, net:		
Prepaid expenses and other assets, net	\$ (362)	\$ (1,538)
Property, plant and equipment and leasehold intangibles, net	(6,311)	(23,733)
Refundable fees and deferred revenue	—	9,347
Other liabilities	559	10,021
Non-operating loss (gain) on sale of assets, net	(903)	(860)
Loss (gain) on sale of communities, net	—	(36,296)
Net cash received	<u>\$ (7,017)</u>	<u>\$ (43,059)</u>
Supplemental Schedule of Non-cash Operating, Investing, and Financing Activities:		
Non-cash lease transactions, net:		
Property, plant and equipment and leasehold intangibles, net	\$ 38	\$ (51,584)
Operating lease right-of-use assets	3,420	178,409
Financing lease obligations	(38)	88,886
Operating lease obligations	(3,420)	(215,711)
Net	<u>\$ —</u>	<u>\$ —</u>

Restricted cash consists principally of escrow deposits for interest rate caps, real estate taxes, property insurance, capital expenditures, and debt service reserves required by certain lenders under mortgage debt agreements, deposits as security for self-insured retention risk under workers' compensation programs and property insurance programs, and regulatory reserves for certain CCRCs. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets that sums to the total of the same such amounts shown in the condensed consolidated statements of cash flows.

<i>(in thousands)</i>	June 30, 2024	December 31, 2023
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 290,018	\$ 277,971
Restricted cash - current	43,959	41,341
Restricted cash - non-current	28,527	30,356
Total cash, cash equivalents, and restricted cash	<u>\$ 362,504</u>	<u>\$ 349,668</u>

13. Segment Information

The Company has three reportable segments: Independent Living; Assisted Living and Memory Care; and CCRCs. Operating segments are defined as components of an enterprise that engage in business activities from which it may earn revenues and incur expenses; for which separate financial information is available; and whose operating results are regularly reviewed by the chief operating decision maker to assess the performance of the individual segment and make decisions about resources to be allocated to the segment.

Independent Living. The Company's Independent Living segment includes owned or leased communities that are primarily designed for middle to upper income seniors who desire to live in a residential setting that feels like home, without the efforts of ownership. The majority of the Company's independent living communities consist of both independent and assisted living units in a single community, which allows residents to age-in-place by providing them with a broad continuum of senior independent and assisted living services to accommodate their changing needs.

Assisted Living and Memory Care. The Company's Assisted Living and Memory Care segment includes owned or leased communities that offer housing and 24-hour assistance with activities of daily living for the Company's residents. The Company's assisted living and memory care communities include both freestanding, multi-story communities, as well as smaller, freestanding, single story communities. The Company also provides memory care services at freestanding memory care communities that are specially designed for residents with Alzheimer's disease and other dementias.

CCRCs. The Company's CCRCs segment includes large owned or leased communities that offer a variety of living arrangements and services to accommodate a broad spectrum of physical ability and healthcare needs. Most of the Company's CCRCs have independent living, assisted living, memory care, and skilled nursing available on one campus.

All Other. All Other includes communities operated by the Company pursuant to management agreements. Under the management agreements for these communities, the Company receives management fees as well as reimbursement of expenses it incurs on behalf of the owners.

The following tables set forth selected segment financial data.

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue and other operating income:				
Independent Living ⁽¹⁾	\$ 149,542	\$ 140,888	\$ 298,490	\$ 281,544
Assisted Living and Memory Care ⁽¹⁾	507,191	490,286	1,018,063	979,090
CCRCs ⁽¹⁾	82,976	83,109	167,397	169,381
All Other	37,832	36,509	76,422	74,040
Total revenue and other operating income	<u>\$ 777,541</u>	<u>\$ 750,792</u>	<u>\$ 1,560,372</u>	<u>\$ 1,504,055</u>
Segment operating income: ⁽²⁾				
Independent Living	\$ 50,334	\$ 46,361	\$ 98,977	\$ 93,194
Assisted Living and Memory Care	136,155	124,616	273,613	249,209
CCRCs	15,713	12,188	31,303	25,687
All Other	2,616	2,510	5,234	5,087
Total segment operating income	<u>204,818</u>	<u>185,675</u>	<u>409,127</u>	<u>373,177</u>
General and administrative expense (including non-cash stock-based compensation expense)	46,664	45,326	92,396	93,945
Facility operating lease expense	50,964	50,512	102,460	96,639
Depreciation and amortization	88,028	84,448	174,155	169,382
Asset impairment	—	520	1,708	520
Loss (gain) on sale of communities, net	—	(36,296)	—	(36,296)
Income (loss) from operations	<u>\$ 19,162</u>	<u>\$ 41,165</u>	<u>\$ 38,408</u>	<u>\$ 48,987</u>

<i>(in thousands)</i>	As of	
	June 30, 2024	December 31, 2023
Total assets:		
Independent Living ⁽³⁾	\$ 1,174,509	\$ 1,206,021
Assisted Living and Memory Care	3,227,652	3,315,921
CCRCs	598,719	612,521
Corporate and All Other	450,006	438,972
Total assets	<u>\$ 5,450,886</u>	<u>\$ 5,573,435</u>

- (1) All revenue and other operating income is earned from external third parties in the United States.
- (2) Segment operating income is defined as segment revenues and other operating income less segment facility operating expenses (excluding facility depreciation and amortization) and costs incurred on behalf of managed communities.
- (3) The Company's total carrying amount of goodwill is included within the Independent Living segment and was \$27.3 million as of both June 30, 2024 and December 31, 2023.

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

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks and uncertainties and include all statements that are not historical statements of fact and those regarding our intent, belief or expectations. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "could," "would," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "believe," "project," "predict," "continue," "plan," "target," or other similar words or expressions, and include statements regarding our expected financial and operational results. These forward-looking statements are based on certain assumptions and expectations, and our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that expectations reflected in any forward-looking statements are based on reasonable assumptions, we can give no assurance that our assumptions or expectations will be attained and actual results and performance could differ materially from those projected. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include, but are not limited to, events which adversely affect the ability of seniors to afford resident fees, including downturns in the economy, housing market, consumer confidence, or the equity markets and unemployment among resident family members; changes in reimbursement rates, methods, or timing under governmental reimbursement programs including the Medicare and Medicaid programs; the effects of senior housing construction and development, lower industry occupancy, and increased competition; conditions of housing markets, regulatory changes, acts of nature, and the effects of climate change in geographic areas where we are concentrated; terminations of our resident agreements and vacancies in the living spaces we lease; failure to maintain the security and functionality of our information systems, to prevent a cybersecurity attack or breach, or to comply with applicable privacy and consumer protection laws, including HIPAA; our ability to complete our capital expenditures in accordance with our plans; our ability to identify and pursue development, investment, and acquisition opportunities and our ability to successfully integrate acquisitions; competition for the acquisition of assets; our ability to complete pending or expected disposition, acquisition, or other transactions on agreed upon terms or at all, including in respect of the satisfaction of closing conditions, the risk that regulatory approvals are not obtained or are subject to unanticipated conditions, and uncertainties as to the timing of closing, and our ability to identify and pursue any such opportunities in the future; risks related to the implementation of our strategy, including initiatives undertaken to execute on our strategic priorities and their effect on our results; the impacts of the COVID-19 pandemic, including on the nation's economy and debt and equity markets and the local economies in our markets, and on us and our business, results of operations, cash flow, revenue, expenses, liquidity, and our strategic initiatives, including plans for future growth, which will depend on many factors, some of which cannot be foreseen, including the pace and consistency of recovery from the pandemic and any resurgence or variants of the disease; limits on our ability to use net operating loss carryovers to reduce future tax payments; delays in obtaining regulatory approvals; disruptions in the financial markets or decreases in the appraised values or performance of our communities that affect our ability to obtain financing or extend or refinance debt as it matures and our financing costs; our ability to generate sufficient cash flow to cover required interest, principal, and long-term lease payments and to fund our planned capital projects; the effect of any non-compliance with any of our debt or lease agreements (including the financial or other covenants contained therein), including the risk of lenders or lessors declaring a cross default in the event of our non-compliance with any such agreements and the risk of loss of our property securing leases and indebtedness due to any resulting lease terminations and foreclosure actions; the inability to renew, restructure, or extend leases, or exercise purchase options at or prior to the end of any existing lease term; the effect of our indebtedness and long-term leases on our liquidity and our ability to operate our business; increases in market interest rates that increase the costs of our debt obligations; our ability to obtain additional capital on terms acceptable to us; departures of key officers and potential disruption caused by changes in management; increased competition for, or a shortage of, associates, wage pressures resulting from increased competition, low unemployment levels, minimum wage increases and changes in overtime laws, and union activity; environmental contamination at any of our communities; failure to comply with existing environmental laws; an adverse determination or resolution of complaints filed against us, including putative class action complaints, and the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or our response efforts; negative publicity with respect to any lawsuits, claims, or other legal or regulatory proceedings; costs to respond to, and adverse determinations resulting from, government inquiries, reviews, audits, and investigations; the cost and difficulty of complying with increasing and evolving regulation, including new disclosure obligations; changes in, or our failure to comply with, employment-related laws and regulations; the risks associated with current global economic conditions and general economic factors on us and our business partners such as inflation, commodity costs, fuel and other energy costs, competition in the labor market, costs of salaries, wages, benefits, and insurance, interest rates, tax rates, geopolitical tensions or conflicts, and uncertainty surrounding federal elections; the impact of seasonal contagious illness or an outbreak of COVID-19 or other contagious disease in the markets in which we operate; actions of activist stockholders, including a proxy contest; as well as other risks detailed from time to time in our filings with the Securities and Exchange Commission ("SEC"), including those set forth under "Item 1A. Risk Factors" contained in our Annual Report on Form 10-K for the year ended

December 31, 2023. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in such SEC filings. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this Quarterly Report on Form 10-Q. We cannot guarantee future results, levels of activity, performance or achievements, and, except as required by law, we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect any change in our expectations with regard thereto or change in events, conditions, or circumstances on which any statement is based.

Unless otherwise specified, references to "Brookdale," "we," "us," "our," or "the Company" in this Quarterly Report on Form 10-Q mean Brookdale Senior Living Inc. together with its consolidated subsidiaries.

Overview

We are the nation's premier operator of senior living communities, operating and managing 649 communities in 41 states as of June 30, 2024, with the ability to serve approximately 59,000 residents. We offer our residents access to a broad continuum of services across the most attractive sectors of the senior living industry. We operate and manage independent living, assisted living, memory care, and continuing care retirement communities ("CCRCs"). As of June 30, 2024, we owned 342 communities (30,970 units), leased 277 communities (19,857 units), and managed 30 communities (4,579 units).

Our senior living communities and our comprehensive network help to provide seniors with care, connection, and services in an environment that feels like home. Our expertise in healthcare, hospitality, and real estate provides residents with opportunities to improve wellness, pursue passions, make new friends, and stay connected with loved ones. By providing residents with a range of service options as their needs change, we provide greater continuity of care, enabling seniors to age-in-place, which we believe enables them to maintain residency with us for a longer period of time. The ability of residents to age-in-place is also beneficial to our residents' families who are concerned with care decisions for their elderly relatives.

Community Transactions

Subsequent to the three months ended June 30, 2024, we amended the existing master lease with Omega Healthcare Investors, Inc. ("Omega") pursuant to which we continue to lease 24 communities (2,555 units) from Omega. The amended master lease has an initial term to expire on December 31, 2037. As part of the amendment, Omega agreed to make available up to \$80.0 million to fund costs associated with capital expenditures for the communities through December 31, 2037. The annual rent under the lease will not be adjusted upon reimbursements for capital expenditures in the aggregate amount of up to \$30.0 million of the \$80.0 million pool, which is available in certain tranches through June 30, 2028. With respect to the remaining \$50.0 million of the \$80.0 million pool, the annual rent under the lease will prospectively increase by the amount of each reimbursement multiplied by 9.5%. The \$50.0 million will be available in certain tranches beginning January 1, 2025, subject to certain annual reimbursement caps specified in the lease. Under the terms of the amendment, rent will escalate annually per the terms of the existing lease escalator, with a potential minor contingent rent adjustment beginning in 2028 depending on lease performance. We preliminarily estimate that the lease modification will increase the right-of-use assets and lease obligations recognized on our condensed consolidated balance sheet each by approximately \$220.0 million.

Results of Operations

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes, which are included in "Item 1. Financial Statements" of this Quarterly Report on Form 10-Q. The results of operations for any particular period are not necessarily indicative of results for any future period.

We use the operating measures described below in connection with operating and managing our business and reporting our results of operations.

- Senior housing operating results and data presented on a **same community basis** reflect results and data of a consistent population of communities by excluding the impact of changes in the composition of our portfolio of communities. The operating results exclude natural disaster expense and related insurance recoveries. We define our same community portfolio as communities consolidated and operational for the full period in both comparison years. Consolidated communities excluded from the same community portfolio include communities acquired or disposed of since the beginning of the prior year, communities classified as assets held for sale, certain communities planned for disposition, certain communities that have undergone or are undergoing expansion, redevelopment, and repositioning projects, and certain communities that have experienced a casualty event that significantly impacts their operations. Our management uses same community operating results and data for decision making and components of executive compensation, and we

believe such results and data provide useful information to investors, because it enables comparisons of revenue, expense, and other operating measures for a consistent portfolio over time without giving effect to the impacts of communities that were not consolidated and operational for the comparison periods, communities acquired or disposed during the comparison periods (or planned for disposition), and communities with results that are or likely will be impacted by completed or in-process development-related capital expenditure projects.

- **RevPAR**, or average monthly senior housing resident fee revenue per available unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of available units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPAR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments. Our management uses RevPAR for decision making and components of executive compensation, and we believe the measure provides useful information to investors, because the measure is an indicator of senior housing resident fee revenue performance that reflects the impact of both senior housing occupancy and rate.
- **RevPOR**, or average monthly senior housing resident fee revenue per occupied unit, is defined as resident fee revenue for the corresponding portfolio for the period (excluding revenue for private duty services provided to seniors living outside of our communities and entrance fee amortization), divided by the weighted average number of occupied units in the corresponding portfolio for the period, divided by the number of months in the period. We measure RevPOR at the consolidated level, as well as at the segment level with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments. Our management uses RevPOR for decision making, and we believe the measure provides useful information to investors, because it reflects the average amount of senior housing resident fee revenue we derive from an occupied unit per month without factoring occupancy rates. RevPOR is a significant driver of our senior housing revenue performance.
- Weighted average occupancy reflects the percentage of units at our owned and leased communities being utilized by residents over a reporting period. We measure occupancy rates with respect to our Independent Living, Assisted Living and Memory Care, and CCRCs segments, and also measure this metric both on a consolidated senior housing and a same community basis. Our management uses weighted average occupancy, and we believe the measure provides useful information to investors, because it is a significant driver of our senior housing revenue performance.

This section includes the non-GAAP performance measure Adjusted EBITDA. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable measure in accordance with generally accepted accounting principles in the United States ("GAAP").

Comparison of Three Months Ended June 30, 2024 and 2023

Summary Operating Results

The following table summarizes our overall operating results for the three months ended June 30, 2024 and 2023.

<i>(in thousands)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 739,709	\$ 710,161	\$ 29,548	4.2 %
Facility operating expense	537,507	531,118	6,389	1.2 %
Net income (loss)	(37,742)	(4,526)	33,216	NM
Adjusted EBITDA	97,816	81,372	16,444	20.2 %

The increase in resident fees was primarily attributable to a 5.9% increase in same community RevPAR, comprised of a 4.1% increase in same community RevPOR and a 130 basis point increase in same community weighted average occupancy. The increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$14.4 million less in resident fees during the three months ended June 30, 2024 compared to the prior year period.

The increase in facility operating expense was primarily attributable to a 3.6% increase in same community facility operating expense primarily resulting from broad inflationary pressure and an increase in estimated insurance expense, partially offset by a decrease in the use of premium labor, primarily contract labor and a decrease in estimated incentive compensation costs. The

increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$12.8 million less in facility operating expense during the three months ended June 30, 2024 compared to the prior year period.

The increase in net loss was primarily attributable to a \$36.3 million gain on sale of communities, net recognized during the three months ended June 30, 2023 for the sale of our one remaining entrance fee community and the increase in facility operating expense, partially offset by the increase in resident fees.

The increase in Adjusted EBITDA was primarily attributable to the increase in resident fees, partially offset by the increase in facility operating expense, a \$4.1 million decrease in other operating income for state government grants recognized in the three months ended June 30, 2023, and the change in classification of \$2.5 million of lease payments for 35 communities as cash facility operating lease payments as a result of lease amendments in the prior year period.

Operating Results - Senior Housing Segments

The following table summarizes the consolidated operating results and data of our three senior housing segments (Independent Living, Assisted Living and Memory Care, and CCRCs) for the three months ended June 30, 2024 and 2023, including operating results and data on a same community basis. See management's discussion and analysis of the operating results on an individual segment basis on the following pages.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 739,709	\$ 710,161	\$ 29,548	4.2 %
Other operating income	\$ —	\$ 4,122	\$ (4,122)	(100.0)%
Facility operating expense	\$ 537,507	\$ 531,118	\$ 6,389	1.2 %
Number of communities (period end)	619	641	(22)	(3.4)%
Total average units	50,927	52,030	(1,103)	(2.1)%
RevPAR	\$ 4,835	\$ 4,544	\$ 291	6.4 %
Weighted average occupancy	78.1%	76.5%	160 bps	n/a
RevPOR	\$ 6,193	\$ 5,939	\$ 254	4.3 %

Same Community Operating Results and Data

Resident fees	\$ 725,865	\$ 685,095	\$ 40,770	6.0 %
Other operating income	\$ —	\$ 4,050	\$ (4,050)	(100.0)%
Facility operating expense	\$ 527,080	\$ 508,549	\$ 18,531	3.6 %
Number of communities	611	611	—	— %
Total average units	50,131	50,126	5	— %
RevPAR	\$ 4,826	\$ 4,556	\$ 270	5.9 %
Weighted average occupancy	78.1%	76.8%	130 bps	n/a
RevPOR	\$ 6,177	\$ 5,934	\$ 243	4.1 %

Independent Living Segment

The following table summarizes the operating results and data for our Independent Living segment for the three months ended June 30, 2024 and 2023. All 68 of the communities in our Independent Living segment are included within our same community portfolio.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 149,542	\$ 140,670	\$ 8,872	6.3 %
Other operating income	\$ —	\$ 218	\$ (218)	(100.0)%
Facility operating expense	\$ 99,208	\$ 94,527	\$ 4,681	5.0 %
Number of communities (period end)	68	68	—	— %
Total average units	12,573	12,573	—	— %
RevPAR	\$ 3,965	\$ 3,729	\$ 236	6.3 %
Weighted average occupancy	79.9%	78.9%	100 bps	n/a
RevPOR	\$ 4,959	\$ 4,727	\$ 232	4.9 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's RevPAR, comprised of a 4.9% increase in RevPOR and a 100 basis point increase in weighted average occupancy. The increase in the segment's RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024. The increase in the segment's weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to broad inflationary pressure and an increase in estimated insurance expense.

Assisted Living and Memory Care Segment

The following table summarizes the operating results and data for our Assisted Living and Memory Care segment for the three months ended June 30, 2024 and 2023, including operating results and data on a same community basis.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 507,191	\$ 486,523	\$ 20,668	4.2 %
Other operating income	\$ —	\$ 3,763	\$ (3,763)	(100.0)%
Facility operating expense	\$ 371,036	\$ 365,670	\$ 5,366	1.5 %
Number of communities (period end)	534	555	(21)	(3.8)%
Total average units	33,622	34,442	(820)	(2.4)%
RevPAR	\$ 5,018	\$ 4,703	\$ 315	6.7 %
Weighted average occupancy	77.6%	76.3%	130 bps	n/a
RevPOR	\$ 6,462	\$ 6,164	\$ 298	4.8 %

Same Community Operating Results and Data

Resident fees	\$ 500,329	\$ 470,538	\$ 29,791	6.3 %
Other operating income	\$ —	\$ 3,699	\$ (3,699)	(100.0)%
Facility operating expense	\$ 365,066	\$ 351,973	\$ 13,093	3.7 %
Number of communities	527	527	—	— %
Total average units	33,242	33,239	3	— %
RevPAR	\$ 5,017	\$ 4,719	\$ 298	6.3 %
Weighted average occupancy	77.7%	76.3%	140 bps	n/a
RevPOR	\$ 6,459	\$ 6,182	\$ 277	4.5 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 4.5% increase in same community RevPOR and a 140 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's resident fees was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$10.5 million less in resident fees during the three months ended June 30, 2024 compared to the prior year period.

The increase in the segment's facility operating expense was primarily attributable to an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure and an increase in estimated insurance expense, partially offset by decreases in estimated incentive compensation costs and the use of premium labor, primarily contract labor. The increase in the segment's facility operating expense was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$8.5 million less in facility operating expense during the three months ended June 30, 2024 compared to the prior year period.

CCRCs Segment

The following table summarizes the operating results and data for our CCRCs segment for the three months ended June 30, 2024 and 2023, including operating results and data on a same community basis.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 82,976	\$ 82,968	\$ 8	— %
Other operating income	\$ —	\$ 141	\$ (141)	(100.0)%
Facility operating expense	\$ 67,263	\$ 70,921	\$ (3,658)	(5.2)%
Number of communities (period end)	17	18	(1)	(5.6)%
Total average units	4,732	5,015	(283)	(5.6)%
RevPAR	\$ 5,845	\$ 5,500	\$ 345	6.3 %
Weighted average occupancy	76.1%	72.0%	410 bps	n/a
RevPOR	\$ 7,685	\$ 7,636	\$ 49	0.6 %

Same Community Operating Results and Data

Resident fees	\$ 75,994	\$ 73,887	\$ 2,107	2.9 %
Other operating income	\$ —	\$ 133	\$ (133)	(100.0)%
Facility operating expense	\$ 62,805	\$ 61,871	\$ 934	1.5 %
Number of communities	16	16	—	— %
Total average units	4,316	4,314	2	— %
RevPAR	\$ 5,869	\$ 5,709	\$ 160	2.8 %
Weighted average occupancy	76.5%	74.0%	250 bps	n/a
RevPOR	\$ 7,675	\$ 7,712	\$ (37)	(0.5)%

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 250 basis point increase in same community weighted average occupancy and a 0.5% decrease in the segment's same community RevPOR. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The decrease in the segment's same community RevPOR was primarily the result of an occupancy mix shift to more independent living residents and lower skilled nursing revenue, partially offset by annual in-place rate increases effective January 1, 2024. The increase in the segment's resident fees was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$3.9 million less in resident fees during the three months ended June 30, 2024 compared to the prior year period.

The decrease in the segment's facility operating expense was primarily attributable to the disposition of communities since the beginning of the prior year period, which resulted in \$4.3 million less in facility operating expense during the three months ended June 30, 2024 compared to the prior year period. The decrease in the segment's facility operating expense was partially offset by an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure and an increase in estimated insurance expense, partially offset by a decrease in the use of premium labor, primarily contract labor.

Operating Results - Other Income and Expense Items

The following table summarizes other income and expense items in our operating results for the three months ended June 30, 2024 and 2023.

<i>(in thousands)</i>	Three Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Management fees	\$ 2,616	\$ 2,510	\$ 106	4.2 %
Reimbursed costs incurred on behalf of managed communities	35,216	33,999	1,217	3.6 %
Costs incurred on behalf of managed communities	35,216	33,999	1,217	3.6 %
General and administrative expense	46,664	45,326	1,338	3.0 %
Facility operating lease expense	50,964	50,512	452	0.9 %
Depreciation and amortization	88,028	84,448	3,580	4.2 %
Asset impairment	—	520	(520)	(100.0)%
Loss (gain) on sale of communities, net	—	(36,296)	(36,296)	(100.0)%
Interest income	4,714	6,115	(1,401)	(22.9)%
Interest expense	61,567	54,435	7,132	13.1 %
Equity in earnings (loss) of unconsolidated ventures	—	(1,153)	(1,153)	(100.0)%
Non-operating gain (loss) on sale of assets, net	199	860	(661)	(76.9)%
Other non-operating income (loss)	199	3,197	(2,998)	(93.8)%
Benefit (provision) for income taxes	(449)	(275)	174	63.3 %

General and Administrative Expense. The increase in general and administrative expense was primarily attributable to an increase in non-cash stock-based compensation expense compared to the prior year period. General and administrative expense includes transaction and organizational restructuring costs of \$0.1 million for both the three months ended June 30, 2024 and 2023. Transaction costs include those directly related to acquisition, disposition, financing and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance costs.

Facility Operating Lease Expense. The increase in facility operating lease expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments in the prior year period.

Depreciation and Amortization. The increase in depreciation and amortization expense was primarily due to the completion of community renovations, apartment upgrades, and other major building infrastructure projects since the beginning of the prior year period, partially offset by the change in classification of lease costs from financing leases to operating leases as a result of lease amendments in the prior year period.

Loss (Gain) on Sale of Communities, net. The decrease in gain on sale of communities, net was due to the sale of our one remaining entrance fee community during the three months ended June 30, 2023.

Interest Expense. The increase in interest expense was primarily due to an increase in the fair value of interest rate derivatives in the prior period and an increase in interest expense on long-term debt primarily as a result of increases in variable interest rate indices.

Benefit (Provision) for Income Taxes. The difference between our effective tax rate for the three months ended June 30, 2024 and 2023 was primarily due to an increase in the valuation allowance recorded on operating losses during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

We recorded an aggregate deferred federal, state, and local tax benefit of \$9.1 million for the three months ended June 30, 2024, which was offset by an increase in the valuation allowance of \$9.2 million.

We evaluate our deferred tax assets each quarter to determine if a valuation allowance is required based on whether it is more likely than not that some portion of the deferred tax asset would not be realized. Our valuation allowance as of June 30, 2024 and December 31, 2023 was \$490.5 million and \$474.2 million, respectively.

Comparison of Six Months Ended June 30, 2024 and 2023

Summary Operating Results

The following table summarizes our overall operating results for the six months ended June 30, 2024 and 2023.

<i>(in thousands)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 1,483,950	\$ 1,423,565	\$ 60,385	4.2 %
Facility operating expense	1,080,057	1,061,925	18,132	1.7 %
Net income (loss)	(67,323)	(49,089)	18,234	37.1 %
Adjusted EBITDA	195,432	169,995	25,437	15.0 %

The increase in resident fees was primarily attributable to a 6.1% increase in same community RevPAR, comprised of a 4.2% increase in same community RevPOR and a 140 basis point increase in same community weighted average occupancy. The increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$30.1 million less in resident fees during the six months ended June 30, 2024 compared to the prior year period.

The increase in facility operating expense was primarily attributable to a 4.0% increase in same community facility operating expense, primarily resulting from broad inflationary pressure, an additional day of expense due to the leap year, an increase in estimated insurance expense, and an increase in property repair expense primarily as a result of severe weather events, partially offset by a decrease in the use of premium labor, primarily contract labor. The increase was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$26.4 million less in facility operating expense during the six months ended June 30, 2024 compared to the prior year period.

The increase in net loss was primarily attributable to a \$36.3 million gain on sale of communities, net recognized during the six months ended June 30, 2023 for the sale of our one remaining entrance fee community, the increase in facility operating expense, a decrease in other operating income, an increase in depreciation and amortization expense, and an increase in debt interest expense compared to the prior year period. These changes were partially offset by the increase in resident fees.

The increase in Adjusted EBITDA was primarily attributable to the increase in resident fees, partially offset by the increase in facility operating expense and the change in classification of \$9.9 million of lease payments for 35 communities as cash facility operating lease payments as a result of lease amendments in the prior year period.

Operating Results - Senior Housing Segments

The following table summarizes the operating results and data of our three senior housing segments (Independent Living, Assisted Living and Memory Care, and CCRCs) on a combined basis for the six months ended June 30, 2024 and 2023 including operating results and data on a same community basis. See management's discussion and analysis of the operating results on an individual segment basis on the following pages.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$1,483,950	\$1,423,565	\$ 60,385	4.2 %
Other operating income	\$ —	\$ 6,450	\$ (6,450)	(100.0)%
Facility operating expense	\$1,080,057	\$1,061,925	\$ 18,132	1.7 %
Number of communities (period end)	619	641	(22)	(3.4)%
Total average units	50,983	52,104	(1,121)	(2.2)%
RevPAR	\$ 4,844	\$ 4,548	\$ 296	6.5 %
Weighted average occupancy	78.0%	76.4%	160 bps	n/a
RevPOR	\$ 6,211	\$ 5,951	\$ 260	4.4 %

Same Community Operating Results and Data

Resident fees	\$1,454,992	\$1,371,039	\$ 83,953	6.1 %
Other operating income	\$ —	\$ 6,265	\$ (6,265)	(100.0)%
Facility operating expense	\$1,054,776	\$1,014,660	\$ 40,116	4.0 %
Number of communities	611	611	—	— %
Total average units	50,126	50,125	1	— %
RevPAR	\$ 4,838	\$ 4,559	\$ 279	6.1 %
Weighted average occupancy	78.1%	76.7%	140 bps	n/a
RevPOR	\$ 6,198	\$ 5,947	\$ 251	4.2 %

Independent Living Segment

The following table summarizes the operating results and data for our Independent Living segment for the six months ended June 30, 2024 and 2023, including operating results and data on a same community basis. All 68 of the communities in our Independent Living segment are included within our same community portfolio.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 298,490	\$ 281,272	\$ 17,218	6.1 %
Other operating income	\$ —	\$ 272	\$ (272)	(100.0)%
Facility operating expense	\$ 199,513	\$ 188,350	\$ 11,163	5.9 %
Number of communities (period end)	68	68	—	— %
Total average units	12,569	12,572	(3)	— %
RevPAR	\$ 3,958	\$ 3,729	\$ 229	6.1 %
Weighted average occupancy	79.8%	78.8%	100 bps	n/a
RevPOR	\$ 4,961	\$ 4,734	\$ 227	4.8 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's RevPAR, comprised of a 4.8% increase in RevPOR and a 100 basis point increase in weighted average occupancy. The increase in the segment's RevPOR was primarily the result of the annual in-place rate increases effective January 1, 2024. The increase in the segment's weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic.

The increase in the segment's facility operating expense was primarily attributable to broad inflationary pressure, an additional day of expense due to the leap year, an increase in property repair expense primarily as a result of severe weather events, and increased wireless internet access provided for residents, and an increase in estimated insurance expense, partially offset by a decrease in estimated incentive compensation costs. The segment's same community facility operating expense for the six months ended June 30, 2024 excludes \$0.4 million of natural disaster expense.

Assisted Living and Memory Care Segment

The following table summarizes the operating results and data for our Assisted Living and Memory Care segment for the six months ended June 30, 2024 and 2023, including operating results and data on a same community basis.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$1,018,063	\$ 973,300	\$ 44,763	4.6 %
Other operating income	\$ —	\$ 5,790	\$ (5,790)	(100.0)%
Facility operating expense	\$ 744,450	\$ 729,881	\$ 14,569	2.0 %
Number of communities (period end)	534	555	(21)	(3.8)%
Total average units	33,682	34,429	(747)	(2.2)%
RevPAR	\$ 5,027	\$ 4,706	\$ 321	6.8 %
Weighted average occupancy	77.6%	76.1%	150 bps	n/a
RevPOR	\$ 6,478	\$ 6,184	\$ 294	4.8 %

Same Community Operating Results and Data

Resident fees	\$1,002,824	\$ 942,197	\$ 60,627	6.4 %
Other operating income	\$ —	\$ 5,651	\$ (5,651)	(100.0)%
Facility operating expense	\$ 729,716	\$ 703,341	\$ 26,375	3.7 %
Number of communities	527	527	—	— %
Total average units	33,241	33,239	2	— %
RevPAR	\$ 5,028	\$ 4,724	\$ 304	6.4 %
Weighted average occupancy	77.6%	76.2%	140 bps	n/a
RevPOR	\$ 6,479	\$ 6,202	\$ 277	4.5 %

The increase in the segment's resident fees was primarily attributable to an increase in the segment's same community RevPAR, comprised of a 4.5% increase in same community RevPOR and a 140 basis point increase in same community weighted average occupancy. The increase in the segment's same community RevPOR was primarily the result of the annual in-place rate increases effective January 1, 2024. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's resident fees was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$19.4 million less in resident fees during the six months ended June 30, 2024 compared to the prior year period.

The increase in the segment's facility operating expense was primarily attributable to an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure, an additional day of expense due to the leap year, an increase in estimated insurance expense, and an increase in property repair expense primarily as a result of severe weather events, partially offset by a decrease in the use of premium labor, primarily contract labor, a decrease in estimated incentive compensation costs, and a decrease in credit losses. The increase in the segment's facility operating expense was partially offset by the disposition of communities since the beginning of the prior year period, which resulted in \$15.7 million less in facility operating expense during the six months ended June 30, 2024 compared to the prior year period. The segment's same community facility operating expense for the six months ended June 30, 2024 and 2023 excludes \$2.4 million and \$0.7 million, respectively, of natural disaster expense.

CCRCs Segment

The following table summarizes the operating results and data for our CCRCs segment for the six months ended June 30, 2024 and 2023, including operating results and data on a same community basis.

<i>(in thousands, except communities, units, occupancy, RevPAR, and RevPOR)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Resident fees	\$ 167,397	\$ 168,993	\$ (1,596)	(0.9)%
Other operating income	\$ —	\$ 388	\$ (388)	(100.0)%
Facility operating expense	\$ 136,094	\$ 143,694	\$ (7,600)	(5.3)%
Number of communities (period end)	17	18	(1)	(5.6)%
Total average units	4,732	5,103	(371)	(7.3)%
RevPAR	\$ 5,896	\$ 5,495	\$ 401	7.3 %
Weighted average occupancy	76.1%	72.7%	340 bps	n/a
RevPOR	\$ 7,750	\$ 7,557	\$ 193	2.6 %

Same Community Operating Results and Data

Resident fees	\$ 153,678	\$ 147,570	\$ 6,108	4.1 %
Other operating income	\$ —	\$ 342	\$ (342)	(100.0)%
Facility operating expense	\$ 125,895	\$ 122,990	\$ 2,905	2.4 %
Number of communities	16	16	—	— %
Total average units	4,316	4,314	2	— %
RevPAR	\$ 5,935	\$ 5,701	\$ 234	4.1 %
Weighted average occupancy	76.5%	74.3%	220 bps	n/a
RevPOR	\$ 7,758	\$ 7,675	\$ 83	1.1 %

The decrease in the segment's resident fees was primarily attributable to the disposition of communities since the beginning of the prior year period, which resulted in \$10.7 million less in resident fees during the six months ended June 30, 2024 compared to the prior year period. The decrease was partially offset by an increase in the segment's same community RevPAR, comprised of a 220 basis point increase in same community weighted average occupancy and a 1.1% increase in same community RevPOR. The increase in the segment's same community weighted average occupancy primarily reflects the impact of our execution on key initiatives to rebuild occupancy lost due to the pandemic. The increase in the segment's same community RevPOR was primarily the result of annual in-place rate increases effective January 1, 2024, partially offset by an occupancy mix shift to more independent living residents.

The decrease in the segment's facility operating expense was primarily attributable to the disposition of communities since the beginning of the prior year period, which resulted in \$10.7 million less in facility operating expense during the six months ended June 30, 2024 compared to the prior year period. The decrease in the segment's facility operating expense was partially offset by an increase in the segment's same community facility operating expense primarily attributable to broad inflationary pressure, an additional day of expense due to the leap year, and an increase in estimated insurance expense, partially offset by a decrease in the use of premium labor, primarily contract labor.

Operating Results - Other Income and Expense Items

The following table summarizes other income and expense items in our operating results for the six months ended June 30, 2024 and 2023.

<i>(in thousands)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Management fees	\$ 5,234	\$ 5,087	\$ 147	2.9 %
Reimbursed costs incurred on behalf of managed communities	71,188	68,953	2,235	3.2 %
Costs incurred on behalf of managed communities	71,188	68,953	2,235	3.2 %
General and administrative expense	92,396	93,945	(1,549)	(1.6)%
Facility operating lease expense	102,460	96,639	5,821	6.0 %
Depreciation and amortization	174,155	169,382	4,773	2.8 %
Asset impairment	1,708	520	1,188	NM
Loss (gain) on sale of communities, net	—	(36,296)	(36,296)	(100.0)%
Interest income	9,492	11,441	(1,949)	(17.0)%
Interest expense	119,254	114,146	5,108	4.5 %
Equity in earnings (loss) of unconsolidated ventures	—	(1,730)	(1,730)	(100.0)%
Non-operating gain (loss) on sale of assets, net	903	860	43	5.0 %
Other non-operating income (loss)	3,537	6,346	(2,809)	(44.3)%
Benefit (provision) for income taxes	(409)	(847)	(438)	(51.7)%

Reimbursed Costs Incurred on Behalf of Managed Communities and Costs Incurred on Behalf of Managed Communities. The increase in reimbursed costs and costs incurred on behalf of managed communities was primarily attributable to an increase in community costs incurred as a result of broad inflationary pressure for communities managed in both periods.

General and Administrative Expense. The decrease in general and administrative expense was primarily attributable to a decrease in organizational restructuring costs compared to the prior year period, primarily for severance costs for our senior leadership changes during the six months ended June 30, 2023, partially offset by an increase in non-cash stock-based compensation expense compared to the prior year period. General and administrative expense includes transaction and organizational restructuring costs of \$0.5 million and \$3.7 million for the six months ended June 30, 2024 and 2023, respectively. Transaction costs include those directly related to acquisition, disposition, financing and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance costs.

Facility Operating Lease Expense. The increase in facility operating lease expense was primarily due to the change in classification of lease costs from financing leases to operating leases as a result of lease amendments in the prior year period.

Depreciation and Amortization. The increase in depreciation and amortization expense was primarily due to the completion of community renovations, apartment upgrades, and other major building infrastructure projects since the beginning of the prior year period, partially offset by the change in classification of lease costs from financing leases to operating leases as a result of lease amendments in the prior year period.

Loss (Gain) on Sale of Communities, net. The decrease in gain on sale of communities, net was due to the sale of our one remaining entrance fee community during the six months ended June 30, 2023.

Interest Expense. The increase in interest expense was primarily due to an increase in interest expense on long-term debt primarily as a result of increases in variable interest rate indices.

Benefit (Provision) for Income Taxes. The difference between our effective tax rate for the six months ended June 30, 2024 and 2023 was primarily due to an increase in the tax benefit on the vesting of restricted stock units for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

We recorded an aggregate deferred federal, state, and local tax benefit of \$16.7 million for the six months ended June 30, 2024, which was partially offset by an increase in the valuation allowance of \$16.3 million. We recorded an aggregate deferred federal, state, and local tax benefit of \$10.8 million for the six months ended June 30, 2023, which was offset by an increase to the valuation allowance of \$11.0 million.

Liquidity and Capital Resources

This section includes the non-GAAP liquidity measure Adjusted Free Cash Flow. See "Non-GAAP Financial Measures" below for our definition of the measure and other important information regarding such measure, including reconciliations to the most comparable GAAP measure.

Liquidity

The following is a summary of cash flows from operating, investing, and financing activities, as reflected in the condensed consolidated statements of cash flows, and our Adjusted Free Cash Flow.

<i>(in thousands)</i>	Six Months Ended June 30,		Increase (Decrease)	
	2024	2023	Amount	Percent
Net cash provided by (used in) operating activities	\$ 54,524	\$ 87,866	\$ (33,342)	(37.9)%
Net cash provided by (used in) investing activities	(75,403)	(103,910)	(28,507)	(27.4)%
Net cash provided by (used in) financing activities	33,715	(49,922)	83,637	NM
Net increase (decrease) in cash, cash equivalents, and restricted cash	12,836	(65,966)	78,802	NM
Cash, cash equivalents, and restricted cash at beginning of period	349,668	474,548	(124,880)	(26.3)%
Cash, cash equivalents, and restricted cash at end of period	\$ 362,504	\$ 408,582	\$ (46,078)	(11.3)%
Adjusted Free Cash Flow	\$ (31,813)	\$ (28,720)	\$ (3,093)	(10.8)%

The decrease in net cash provided by operating activities was primarily attributable to \$25.3 million in cash received in the prior year period associated with government grants and credits, an increase in incentive compensation payments, and an increase in facility operating expense compared to the prior year period, partially offset by an increase in resident fees compared to the prior year period.

The decrease in net cash used in investing activities was primarily attributable to a \$91.2 million decrease in purchases of marketable securities and a \$13.9 million decrease in cash paid for capital expenditures compared to the prior year period. These changes were partially offset by a reduction in net proceeds from sale of assets of \$36.0 million and a reduction in the sale and maturities of marketable securities of \$35.1 million.

The change in net cash provided by (used in) financing activities was primarily attributable to \$50.0 million of debt secured by first priority mortgages on 11 communities in the current year period and the repayment of \$29.6 million of mortgage debt upon the sale of our one remaining entrance fee community in the prior year period.

The change in Adjusted Free Cash Flow was primarily attributable to the decrease in net cash provided by operating activities, partially offset by a \$24.8 million decrease in non-development capital expenditures, net compared to the prior year period.

Our principal sources of liquidity have historically been from:

- cash balances on hand, cash equivalents, and marketable securities;
- cash flows from operations;
- proceeds from our credit facilities;
- funds generated through unconsolidated venture arrangements;

- proceeds from mortgage financing or refinancing of various assets;
- funds raised in the debt or equity markets; and
- proceeds from the disposition of assets.

Over the longer-term, we expect to continue to fund our business through these principal sources of liquidity.

Over the near-term, we expect that our liquidity requirements will primarily arise from:

- working capital;
- operating costs such as labor costs, general and administrative expense, and supply costs;
- debt, interest, and lease payments;
- investment in our healthcare and wellness initiatives;
- transaction consideration and related expenses;
- capital expenditures and improvements;
- cash collateral required to be posted in connection with our financial instruments and insurance programs; and
- other corporate initiatives (including information systems and other strategic projects).

In addition, we may use liquidity to the extent that we identify potential lease restructuring opportunities or exercise available lease purchase options.

We are highly leveraged and have significant debt and lease obligations. As of June 30, 2024, we had \$3.7 billion of debt outstanding at a weighted average interest rate of 5.61%. As of such date, 91.3%, or \$3.4 billion, of our total debt obligations represented non-recourse property-level mortgage financings.

As of June 30, 2024, we had \$0.9 billion of operating and financing lease obligations, and for the twelve months ending June 30, 2025, we will be required to make approximately \$274.6 million of cash lease payments in connection with our existing operating and financing leases.

Total liquidity of \$345.8 million as of June 30, 2024 included \$290.0 million of unrestricted cash and cash equivalents (excluding restricted cash of \$72.5 million), \$19.7 million of marketable securities, and \$36.1 million of availability on our secured credit facility. Total liquidity as of June 30, 2024 increased \$5.2 million from total liquidity of \$340.7 million as of December 31, 2023. The increase was primarily attributable to \$50.0 million of mortgage debt proceeds, partially offset by negative \$31.8 million of Adjusted Free Cash Flow and repayments of mortgage debt.

Our actual liquidity and capital funding requirements depend on numerous factors, including our operating results, our actual level of capital expenditures, general economic conditions, and the cost of capital, as well as other factors described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 21, 2024. Since the amount of mortgage financing available for our communities is generally dependent on their appraised values and performance, decreases in their appraised values, including due to adverse changes in real estate market conditions, or their performance, could result in available mortgage refinancing amounts that are less than the communities' maturing indebtedness. In addition, our inability to satisfy underwriting criteria for individual communities may limit our access to our historical lending sources for such communities, including Fannie Mae and Freddie Mac. As of June 30, 2024, 9% of our owned communities were unencumbered by mortgage debt.

As of June 30, 2024, our current liabilities exceeded current assets by \$129.3 million. Included in our current liabilities is \$200.3 million of the current portion of operating and financing lease obligations, for which the associated right-of-use assets are excluded from current assets on our condensed consolidated balance sheets. We currently estimate our historical principal sources of liquidity, primarily our cash flows from operations, together with cash balances on hand and cash equivalents, and proceeds from financings and refinancings of various assets will be sufficient to fund our liquidity needs for at least the next 12 months. We continue to seek opportunities to preserve and enhance our liquidity, including through increasing our RevPAR, maintaining appropriate expense discipline, continuing to refinance or exercise available extension options for maturing debt, continuing to evaluate our capital structure and the state of debt and equity markets, and monetizing non-strategic or underperforming owned assets. There is no assurance that financing will continue to be available on terms consistent with our expectations or at all, or that our efforts will be successful in monetizing certain assets or exercising extension options.

We have completed the refinancing of all of our mortgage debt maturities due in 2024. Our inability to exercise available extension options or obtain refinancing proceeds sufficient to cover 2025 and later maturing indebtedness could adversely impact our liquidity, and may cause us to seek additional alternative sources of financing, which may be less attractive or unavailable. Shortfalls in cash flows from estimated operating results or other principal sources of liquidity may have an

adverse impact on our ability to fund our planned capital expenditures or to fund investments to support our strategy. In order to continue some of these activities at historical or planned levels, we may incur additional indebtedness or lease financing to provide additional funding. There can be no assurance that any such additional financing will be available or on terms that are acceptable to us.

Funding our planned capital expenditures or investments to support our strategy may require additional capital. We expect to continue to assess our financing alternatives periodically and access the capital markets opportunistically. If our existing resources are insufficient to satisfy our liquidity requirements, we may need to sell additional equity or debt securities. Any such sale of additional equity securities will dilute the percentage ownership of our existing stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, if at all. Any newly issued equity securities may have rights, preferences, or privileges senior to those of our common stock. If we are unable to raise additional funds or obtain them on terms acceptable to us, we may have to delay or abandon our plans.

Capital Expenditures

Our capital expenditures are comprised of community-level, corporate, and development capital expenditures. Community-level capital expenditures include maintenance expenditures (including routine maintenance of communities over \$1,500 per occurrence), community renovations, unit upgrades (including unit turnovers over \$500 per unit), and other major building infrastructure projects (including replacements of major building systems). Corporate capital expenditures include those for information technology systems and equipment and the remediation or replacement of assets as a result of casualty losses. Development capital expenditures include community expansions, major community redevelopment and repositioning projects, and the development of new communities.

The following table summarizes our capital expenditures for the six months ended June 30, 2024 for our consolidated business.

(in thousands)

Community-level capital expenditures, net ⁽¹⁾	\$	85,909
Corporate capital expenditures, net		17,007
Non-development capital expenditures, net⁽²⁾		102,916
Development capital expenditures, net		433
Total capital expenditures, net	\$	103,349

(1) Reflects the amount invested, net of lessor reimbursements of \$1.3 million.

(2) Amount is included in Adjusted Free Cash Flow.

In the aggregate, we expect our full-year 2024 non-development capital expenditures, net of anticipated lessor reimbursements, to be approximately \$180.0 million. We anticipate that our 2024 capital expenditures will be funded from cash on hand, cash equivalents, cash flows from operations, reimbursements from lessors, and reimbursement from our property and casualty insurance policies.

Credit Facilities

In December 2023, we amended our revolving credit agreement with Capital One, National Association, as administrative agent and lender and the other lenders from time to time parties thereto. The amended agreement provides an expanded commitment amount of up to \$100.0 million which can be drawn in cash or as letters of credit. The credit facility matures in January 2027, and we have the option to extend the facility for two additional terms of approximately one year each subject to the satisfaction of certain conditions. Amounts drawn under the facility will bear interest at the Secured Overnight Financing Rate ("SOFR") plus an applicable margin ranging from 2.5% to 3.0% based upon the percentage of the total commitment drawn. Additionally, a quarterly commitment fee of 0.25% per annum was applicable on the unused portion of the facility as of June 30, 2024. The revolving credit facility is currently secured by first priority mortgages and negative pledges on certain of our communities. Available capacity under the facility will vary from time to time based upon certain calculations related to the appraised value and performance of the communities securing the credit facility and the variable interest rate of the credit facility.

As of June 30, 2024, \$58.8 million of letters of credit and no cash borrowings were outstanding under our \$100.0 million secured credit facility and the facility had \$36.1 million of availability. We also had a separate secured letter of credit facility providing up to \$17.0 million of letters of credit as of June 30, 2024 under which \$15.7 million had been issued as of that date.

Long-Term Leases

As of June 30, 2024, we operated 277 communities under long-term leases (263 operating leases and 14 financing leases). The substantial majority of our lease arrangements are structured as master leases. Under a master lease, numerous communities are leased through an indivisible lease. In certain cases, we guarantee the performance and lease payment obligations of our subsidiary lessees under the master leases. Due to the nature of such master leases, it is difficult to restructure the composition of our leased portfolios or economic terms of the leases without the consent of the applicable landlord. In addition, an event of default related to an individual property or limited number of properties within a master lease portfolio may result in a default on the entire master lease portfolio.

The leases relating to these communities are generally fixed rate leases with annual escalators that are either fixed or based upon changes in the consumer price index or leased property revenue. Approximately 88% of our community lease payments for the six months ended June 30, 2024 are subject to a weighted average maximum annual increase of 2.7% for community leases subject to fixed annual escalators or variable annual escalators based on the consumer price index subject to a cap. The remaining community lease payments are subject to variable annual escalators primarily based upon the change in the consumer price index. We are responsible for all operating costs, including repairs and maintenance, property taxes, and insurance. The lease terms generally provide for renewal or extension options from 5 to 20 years, and, in some instances, purchase options.

The community leases contain other customary terms, which may include assignment and change of control restrictions, maintenance and capital expenditure obligations, termination provisions, and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and lease coverage ratios. Our lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Certain leases contain cure provisions, which generally allow us to post an additional lease security deposit if the required covenant is not met.

Certain of our master leases contain radius restrictions, which limit our ability to own, develop, or acquire new communities within a specified distance from certain existing communities covered by such agreements. These radius restrictions could negatively affect our ability to expand, develop, or acquire senior housing communities and operating companies.

For the six months ended June 30, 2024 and 2023, our cash lease payments for our operating leases were \$133.1 million and \$122.4 million, respectively, and for our financing leases were \$10.7 million and \$20.0 million, respectively. For the twelve months ending June 30, 2025, we will be required to make \$274.6 million of cash lease payments in connection with our existing operating and financing leases.

Debt and Lease Covenants

Certain of our long-term debt and lease documents contain restrictions and financial covenants, such as those requiring us to maintain prescribed minimum liquidity, net worth, and stockholders' equity levels and debt service and lease coverage ratios, and requiring us not to exceed prescribed leverage ratios, in each case on a consolidated, portfolio-wide, multi-community, single-community, and/or entity basis. Net worth is generally calculated as stockholders' equity as calculated in accordance with GAAP, and in certain circumstances, reduced by intangible assets or liabilities and/or increased by accumulated depreciation and amortization, and/or further adjusted for certain other specified adjustments. The debt service and lease coverage ratios are generally calculated as revenues less operating expenses, including an implied management fee and a reserve for capital expenditures, divided by the debt (principal and interest) or lease payment. These covenants include a requirement contained in certain of our long-term debt documents for us to maintain liquidity of at least \$130.0 million at each quarter-end determination date. As of June 30, 2024, our liquidity was \$345.8 million.

In addition, our debt and lease documents generally contain non-financial covenants, such as those requiring us to comply with Medicare or Medicaid provider requirements and maintain insurance coverage. Our failure to comply with applicable covenants could constitute an event of default under the applicable debt or lease documents. Many of our debt and lease documents contain cross-default provisions so that a default under one of these instruments could cause a default under other debt and lease documents (including documents with other lenders and lessors).

Furthermore, our mortgage debt is secured by our communities and, in certain cases, our long-term debt and leases are secured by a guaranty by us and/or one or more of our subsidiaries. Therefore, if an event of default has occurred under any of our debt or lease documents, subject to cure provisions in certain instances, the respective lender or lessor would have the right to declare all the related outstanding amounts of indebtedness or cash lease obligations immediately due and payable, to foreclose on our mortgaged communities, to terminate our leasehold interests, to foreclose on other collateral securing the indebtedness and leases, to discontinue our operation of leased communities, and/or to pursue other remedies available to such lender or

lessor. Further, an event of default could trigger cross-default provisions in our other debt and lease documents (including documents with other lenders or lessors). We cannot provide assurance that we would be able to pay the debt or lease obligations if they became due upon acceleration following an event of default.

As of June 30, 2024, we are in compliance with the financial covenants of our debt agreements and long-term lease agreements.

Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the financial measures Adjusted EBITDA and Adjusted Free Cash Flow, which are not calculated in accordance with GAAP. Presentations of these non-GAAP financial measures are intended to aid investors in better understanding the factors and trends affecting our performance and liquidity. However, investors should not consider these non-GAAP financial measures as a substitute for financial measures determined in accordance with GAAP, including net income (loss), income (loss) from operations, or net cash provided by (used in) operating activities. We caution investors that amounts presented in accordance with our definitions of these non-GAAP financial measures may not be comparable to similar measures disclosed by other companies because not all companies calculate non-GAAP measures in the same manner. We urge investors to review the following reconciliations of these non-GAAP financial measures from the most comparable financial measures determined in accordance with GAAP.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP performance measure that we define as net income (loss) excluding: benefit/provision for income taxes, non-operating income/expense items, and depreciation and amortization; and further adjusted to exclude income/expense associated with non-cash, non-operational, transactional, cost reduction, or organizational restructuring items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods. For the periods presented herein, such other items include non-cash impairment charges, operating lease expense adjustment, non-cash stock-based compensation expense, and transaction and organizational restructuring costs. Transaction costs include those directly related to acquisition, disposition, financing, and leasing activity, and are primarily comprised of legal, finance, consulting, professional fees, and other third-party costs. Organizational restructuring costs include those related to our efforts to reduce general and administrative expense and our senior leadership changes, including severance.

We believe that presentation of Adjusted EBITDA as a performance measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective core operating performance, and to make day-to-day operating decisions; (ii) it provides an assessment of operational factors that management can impact in the short-term, namely revenues and the controllable cost structure of the organization, by eliminating items related to our financing and capital structure and other items that management does not consider as part of our underlying core operating performance and that management believes impact the comparability of performance between periods; (iii) we believe that this measure is used by research analysts and investors to evaluate our operating results and to value companies in our industry; and (iv) we use the measure for components of executive compensation.

Adjusted EBITDA has material limitations as a performance measure, including: (i) excluded interest and income tax are necessary to operate our business under our current financing and capital structure; (ii) excluded depreciation, amortization, and impairment charges may represent the wear and tear and/or reduction in value of our communities, goodwill, and other assets and may be indicative of future needs for capital expenditures; and (iii) we may incur income/expense similar to those for which adjustments are made, such as gain/loss on sale of assets, facility operating lease termination, or debt modification and extinguishment, non-cash stock-based compensation expense, and transaction and other costs, and such income/expense may significantly affect our operating results.

The table below reconciles Adjusted EBITDA from net income (loss).

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ (37,742)	\$ (4,526)	\$ (67,323)	\$ (49,089)
Provision (benefit) for income taxes	449	275	409	847
Equity in (earnings) loss of unconsolidated ventures	—	1,153	—	1,730
Non-operating loss (gain) on sale of assets, net	(199)	(860)	(903)	(860)
Other non-operating (income) loss	(199)	(3,197)	(3,537)	(6,346)
Interest expense	61,567	54,435	119,254	114,146
Interest income	(4,714)	(6,115)	(9,492)	(11,441)
Income (loss) from operations	19,162	41,165	38,408	48,987
Depreciation and amortization	88,028	84,448	174,155	169,382
Asset impairment	—	520	1,708	520
Loss (gain) on sale of communities, net	—	(36,296)	—	(36,296)
Operating lease expense adjustment	(13,483)	(11,557)	(26,572)	(22,362)
Non-cash stock-based compensation expense	3,975	2,969	7,248	6,073
Transaction and organizational restructuring costs	134	123	485	3,691
Adjusted EBITDA	\$ 97,816	\$ 81,372	\$ 195,432	\$ 169,995

Adjusted Free Cash Flow

Adjusted Free Cash Flow is a non-GAAP liquidity measure that we define as net cash provided by (used in) operating activities before: distributions from unconsolidated ventures from cumulative share of net earnings, changes in prepaid insurance premiums financed with notes payable, changes in operating lease assets and liabilities for lease termination, cash paid/received for gain/loss on facility operating lease termination, and lessor capital expenditure reimbursements under operating leases; plus: property and casualty insurance proceeds and proceeds from refundable entrance fees, net of refunds; less: non-development capital expenditures and payment of financing lease obligations. Non-development capital expenditures are comprised of corporate and community-level capital expenditures, including those related to maintenance, renovations, upgrades, and other major building infrastructure projects for our communities and is presented net of lessor reimbursements. Non-development capital expenditures do not include capital expenditures for: community expansions, major community redevelopment and repositioning projects, and the development of new communities.

We believe that presentation of Adjusted Free Cash Flow as a liquidity measure is useful to investors because (i) it is one of the metrics used by our management for budgeting and other planning purposes, to review our historic and prospective sources of operating liquidity, and to review our ability to service our outstanding indebtedness, pay dividends to stockholders, engage in share repurchases, and make capital expenditures, including development capital expenditures; and (ii) it provides an indicator to management to determine if adjustments to current spending decisions are needed.

Adjusted Free Cash Flow has material limitations as a liquidity measure, including: (i) it does not represent cash available for dividends, share repurchases, or discretionary expenditures since certain non-discretionary expenditures, including mandatory debt principal payments, are not reflected in this measure; (ii) the cash portion of non-recurring charges related to gain/loss on facility lease termination generally represent charges/gains that may significantly affect our liquidity; and (iii) the impact of timing of cash expenditures, including the timing of non-development capital expenditures, limits the usefulness of the measure for short-term comparisons.

The table below reconciles Adjusted Free Cash Flow from net cash provided by (used in) operating activities.

<i>(in thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net cash provided by (used in) operating activities	\$ 55,670	\$ 63,824	\$ 54,524	\$ 87,866
Net cash provided by (used in) investing activities	(68,457)	(41,891)	(75,403)	(103,910)
Net cash provided by (used in) financing activities	(20,375)	(50,093)	33,715	(49,922)
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>\$ (33,162)</u>	<u>\$ (28,160)</u>	<u>\$ 12,836</u>	<u>\$ (65,966)</u>
Net cash provided by (used in) operating activities	\$ 55,670	\$ 63,824	\$ 54,524	\$ 87,866
Distributions from unconsolidated ventures from cumulative share of net earnings	—	(430)	—	(430)
Changes in prepaid insurance premiums financed with notes payable	(7,617)	(6,301)	15,702	13,004
Changes in assets and liabilities for lessor capital expenditure reimbursements under operating leases	(1,051)	—	(1,300)	(2,244)
Non-development capital expenditures, net	(52,325)	(64,815)	(102,916)	(127,727)
Property and casualty insurance proceeds	62	2,367	2,704	8,789
Payment of financing lease obligations	(265)	(2,126)	(527)	(7,978)
Adjusted Free Cash Flow	<u>\$ (5,526)</u>	<u>\$ (7,481)</u>	<u>\$ (31,813)</u>	<u>\$ (28,720)</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks from changes in interest rates charged on our credit facilities and other variable rate indebtedness. The impact on earnings and the value of our long-term debt are subject to change as a result of movements in market rates and prices. As of June 30, 2024, 58.4%, or \$2.2 billion, of our long-term debt had a weighted average fixed interest rate of 4.08%. As of June 30, 2024, we had \$1.5 billion of long-term variable rate debt, at a weighted average interest rate of 7.76%.

In the normal course of business, we enter into certain interest rate cap and swap agreements with major financial institutions to manage our risk above certain interest rates on variable rate debt. As of June 30, 2024, our \$1.5 billion of outstanding long-term variable rate debt is indexed to SOFR plus a weighted average margin of 242 basis points. Accordingly, our annual interest expense related to long-term variable rate debt is directly affected by movements in SOFR. As of June 30, 2024, \$1.4 billion, or 94%, of our long-term variable rate debt is subject to interest rate cap or swap agreements and \$0.1 billion of our variable rate debt is not subject to any interest rate cap or swap agreements. For our SOFR interest rate cap and swap agreements as of June 30, 2024, the weighted average fixed interest rate is 3.95%, and the weighted average remaining term is 0.8 years. Many of our long-term variable rate debt instruments include provisions that obligate us to obtain additional interest rate cap agreements upon the maturity of the existing interest rate cap agreements. The costs of obtaining additional interest rate cap agreements may offset the benefits of our existing interest rate cap agreements.

The table below reflects the additional annual debt interest expense that would have resulted for the respective basis point increases in SOFR as of June 30, 2024.

Increase in Index <i>(in basis points)</i>	Annual Interest Expense Increase⁽¹⁾ <i>(in millions)</i>
100	\$ 1.5
200	2.9
500	6.4
1,000	11.4

(1) Amounts are after consideration of interest rate cap and swap agreements in place as of June 30, 2024.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined under Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that, as of June 30, 2024, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has not been any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2024 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

The information contained in Note 8 to the condensed consolidated financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by this reference.

Item 1A. Risk Factors

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

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

The following table contains information regarding purchases of our common stock made during the quarter ended June 30, 2024 by or on behalf of the Company or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Exchange Act.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$ in thousands) ⁽²⁾
4/1/2024 - 4/30/2024	—	\$ —	—	\$ 44,026
5/1/2024 - 5/31/2024	1,216	6.86	—	44,026
6/1/2024 - 6/30/2024	—	—	—	44,026
Total	<u>1,216</u>	<u>\$ 6.86</u>	<u>—</u>	

- (1) Consists entirely of shares withheld to satisfy tax liabilities due upon the vesting of restricted stock units. The average price paid per share for such share withholding is based on the closing price per share on the vesting date of the restricted stock units or, if such date is not a trading day, the trading day immediately prior to such vesting date.
- (2) In 2016, our Board of Directors approved a share repurchase program that authorizes us to purchase up to \$100.0 million in the aggregate of our common stock. The share repurchase program is intended to be implemented through purchases made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions or block trades, or by any combination of such methods, in accordance with applicable insider trading and other securities laws and regulations. The size, scope and timing of any purchases will be based on business, market and other conditions and factors, including price, regulatory and contractual requirements, and capital availability. The repurchase program does not obligate us to acquire any particular amount of common stock and the program may be suspended, modified or discontinued at any time at our discretion without prior notice. Shares of stock repurchased under the program will be held as treasury shares. As of June 30, 2024, \$44.0 million remained available under the repurchase program.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the fiscal quarter ended June 30, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit No.	Description
3.1	<u>Amended and Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on November 5, 2019 (File No. 001-32641)).</u>
3.2	<u>Amended and Restated Bylaws of the Company dated October 29, 2019 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed on October 29, 2019 (File No. 001-32641)).</u>
4.1	<u>Form of Certificate for common stock (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Amendment No. 3) filed on November 7, 2005 (File No. 333-127372)).</u>
4.2	<u>Description of the Company's securities (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2023 (File No. 001-32641)).</u>
4.3	<u>Indenture, dated as of October 1, 2021, by and among the Company and American Stock Transfer & Trust Company, LLC, as trustee, governing the 2.00% Convertible Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 1, 2021 (File No. 001-32641)).</u>
4.4	<u>Form of 2.00% Convertible Senior Notes due 2026 (included in Exhibit 4.3).</u>
4.5	<u>Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.6	<u>First Supplemental Indenture, dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.7	<u>Form of 10.25% Senior Amortizing Notes due 2025 (included in Exhibit 4.6).</u>
4.8	<u>Purchase Contract Agreement dated as of November 21, 2022, between the Company and American Stock Transfer & Trust Company, LLC, as purchase contract agent, as attorney-in-fact for holders of the purchase contracts referred to therein and as trustee under the indenture referred to therein (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 22, 2022 (File No. 001-32641)).</u>
4.9	<u>Form of 7.00% Tangible Equity Units (included in Exhibit 4.8).</u>
4.10	<u>Form of Purchase Contracts (included in Exhibit 4.8).</u>
10.1	<u>Brookdale Senior Living Inc. 2024 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 20, 2024).</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL (included in Exhibit 101).

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.

BROOKDALE SENIOR LIVING INC.

(Registrant)

By: /s/ Dawn L. Kussow

Name: Dawn L. Kussow

Title: Executive Vice President and Chief
Financial Officer
(Authorized Officer and Principal
Financial Officer)

Date: August 9, 2024