CareTrust REIT, Inc.
Form 424B5
May 11, 2017
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Amount of Registration Fee(1)
5.25% Senior Notes due 2025	$300,000,000	$34,770

(1) Pursuant to Rule 457(p) under the Securities Act of 1933, as amended, the registrants hereby offset the total registration fee due under this registration statement by the amount of the filing fee associated with the unsold securities from CareTrust REIT s Registration Statement on Form S-3 (No. 333-208925) (the Prior Registration Statement) filed with the Securities and Exchange Commission on January 8, 2016. The associated filing fee of $43,388.56 of unutilized fees remaining under the Prior Registration Statement is hereby used to offset the current registration fee due. As a result, $0 is due in connection with this registration statement and $8,618.56 remains available for future registration fees.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-217670

PROSPECTUS SUPPLEMENT

(To prospectus dated May 4, 2017)

$300,000,000

CTR Partnership, L.P.

CareTrust Capital Corp.

5.25% Senior Notes due 2025

CTR Partnership, L.P. (the Operating Partnership) and CareTrust Capital Corp. (Capital Corp. and, together with the Operating Partnership, the Issuers) are offering $300,000,000 aggregate principal amount of 5.25% Senior Notes due June 1, 2025 (the Notes).

The Operating Partnership is a subsidiary of CareTrust REIT, Inc. (CareTrust REIT), which is a self-administered, publicly traded real estate investment trust (REIT) engaged in the ownership, acquisition and leasing of seniors housing and healthcare-related properties. Capital Corp. is a wholly owned subsidiary of the Operating Partnership formed for the purpose of acting as a co-issuer of debt securities of the Operating Partnership and does not and will not have any substantial operations, assets or revenues.

We will pay interest on the Notes semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2017. The Notes will mature on June 1, 2025. We may redeem some or all of the Notes at any time prior to June 1, 2020 at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest on the Notes, if any, to, but not including, the redemption date, plus a make-whole premium and, at any time on or after June 1, 2020, at the redemption prices set forth in this prospectus supplement. In addition, at any time on or prior to June 1, 2020, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings at a redemption price of 105.25% of the aggregate principal amount of Notes to be redeemed plus accrued and unpaid interest on the Notes, if any, to, but not including, the redemption date.

The Notes will be our senior unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured indebtedness (including our senior unsecured revolving credit facility (Revolving Facility) and our senior unsecured term loan (Term Loan and, together with our Revolving Facility, the Credit Facility), will be effectively subordinated to all of our secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all indebtedness of any of our non-guarantor subsidiaries. The Notes will be guaranteed by CareTrust REIT and certain of CareTrust REIT s existing and future subsidiaries, other than the Issuers. The guarantee by each guarantor will be a senior unsecured obligation of such guarantor and will rank equal in right of payment with all existing and future senior unsecured indebtedness of such guarantor (including the guarantees of obligations under our Credit Facility), will be effectively subordinated to all secured indebtedness of such guarantor to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all indebtedness of any non-guarantor subsidiaries (other than the Issuers) of such guarantor.

Investing in the Notes involves risks. See ***Risk Factors*** **beginning on page S-16 of this prospectus supplement.**

	Per Note	Total
Public offering price[(1)]	100.000%	$ 300,000,000
Underwriting discount	1.675%	$ 5,025,000
Proceeds, before expenses, to us[(1)]	98.325%	$ 294,975,000

(1) Plus accrued interest from May 24, 2017 if settlement occurs after that date.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Notes will not be listed on any securities exchange or any automated dealer system. Currently, there is no public market for the Notes.

The underwriters expect to deliver the Notes to purchasers only in book-entry form through the facilities of The Depository Trust Company, on or about May 24, 2017.

Joint Book-Running Managers

KeyBanc Capital Markets **BMO Capital Markets** **Barclays**

Co-Managers

Raymond James **Capital One Securities** **Fifth Third Securities** **RBC Capital Markets**

Prospectus Supplement dated May 10, 2017.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if applicable, any free writing prospectus that we have authorized for use in connection with this offering. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of the date on its respective cover, and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference, unless we indicate otherwise. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not, and the underwriters are not, making an offer to sell the securities described in this prospectus supplement in any jurisdiction in which an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make an offer or solicitation. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters or any agents, to subscribe for and purchase any of the securities and may not be used for or in connection with any offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering, the Notes and matters relating to us and our financial performance and condition. The second part is the accompanying prospectus, which provides a more general description of the terms and conditions of the various securities we may, from time to time, offer under our registration statement on Form S-3 that we filed with the Securities and Exchange Commission (the SEC) utilizing a shelf registration process, some of which may not apply to this offering. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You also should read and consider the information in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus and the additional information described under *Where You Can Find More Information* on page S-iii of this prospectus supplement and page iv of the accompanying prospectus.

We expect that delivery of the Notes will be made to investors on or about May 24, 2017, which will be the tenth business day following the date of this prospectus supplement (such settlement being referred to as T+10). Under Rule 15c6-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act), trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+10, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

When this prospectus supplement uses the terms Company, CareTrust REIT, we, our and us, they refer to CareT REIT, Inc. and its consolidated subsidiaries. With respect to REIT matters, the terms Company, CareTrust REIT, we, our and us refer only to CareTrust REIT, Inc. and not to its consolidated subsidiaries. With respect to the discussion of the terms of the Notes on the cover page, in the sections entitled *Summary Redemption of 2021 Notes* and *Summary The Offering* , and in the section entitled *Description of Notes*, we, our, and us refer only to the Issuers.

WHERE YOU CAN FIND MORE INFORMATION

CareTrust REIT files annual, quarterly and current reports, proxy statements and other information with the SEC. The Operating Partnership and CareTrust Capital do not currently file reports, proxy statements or other information under the Exchange Act with the SEC. The public may read and copy the information CareTrust REIT files with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The address of that site is *http://www.sec.gov*.

CareTrust REIT s website address is located at *http://www.caretrustreit.com*. Through links on the Investors portion of CareTrust REIT s website, it makes available free of charge CareTrust REIT s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, any amendments to those reports and other information filed with, or furnished to, the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. Such material is made available through CareTrust REIT s website as soon as reasonably practicable after it electronically files the information with, or furnishes it to, the SEC. The information contained on or that can be accessed through CareTrust REIT s website does not constitute part of this prospectus supplement, except for reports filed with the SEC that are specifically incorporated herein by reference.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference in this prospectus supplement certain documents that CareTrust REIT has filed with the SEC prior to the date of this prospectus supplement. By incorporating by reference, we are disclosing important information to you by referring you to documents CareTrust REIT has filed separately with the SEC. This prospectus supplement incorporates by reference the documents and reports listed below (other than the portions that are deemed to have been furnished and not filed in accordance with SEC rules):

Our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 7, 2017;

Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed with the SEC on May 2, 2017);

The portions of our Definitive Proxy Statement on Schedule 14A filed with the SEC on March 15, 2017 that were incorporated by reference into Part III of our Annual Report on Form 10-K for the year ended December 31, 2016; and

Our Current Reports on Form 8-K filed with the SEC on March 1, 2017 (with respect to Item 5.02 only) and April 27, 2017 and our Current Report on Form 8-K/A filed with the SEC on February 16, 2017 amending our Form 8-K filed on December 2, 2016.

We also incorporate by reference the information contained in all other documents CareTrust REIT files with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than the portions that are deemed to have been furnished and not filed in accordance with SEC rules, unless otherwise indicated therein) on or after the date of the prospectus supplement but prior to the completion of the sale of all securities offered by this prospectus supplement. The information contained in any such document will be considered part of this prospectus supplement from the date the document is filed with the SEC. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

We will provide to each person, including any beneficial owner, to whom a prospectus (or a notice of registration in lieu thereof) is delivered a copy of any or all of the documents incorporated by reference into this prospectus supplement (including any exhibits that are specifically incorporated by reference in those documents) at no cost. Any such request can be made by writing or telephoning us at the following address and telephone number:

CareTrust REIT, Inc.

905 Calle Amanecer, Suite 300

San Clemente, California 92673

(949) 542-3130

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Words such as anticipate(s), expect(s), intend(s), plan(s), believe(s), may, will, would, could, shou similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management s current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to:

- the ability to achieve some or all of the benefits that we expect to achieve from the completed Spin-Off (as defined herein);

- the ability and willingness of our tenants to meet and/or perform their obligations under the triple-net leases we have entered into with them and the ability and willingness of The Ensign Group, Inc. (Ensign) to meet and/or perform its other contractual arrangements that it entered into with us in connection with the Spin-Off (as defined herein) and any of its obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities;

- the ability of our tenants to comply with laws, rules and regulations in the operation of the properties we lease to them;

- the ability and willingness of our tenants, including Ensign, to renew their leases with us upon their expiration, and the ability to reposition our properties on the same or better terms in the event of nonrenewal or in the event we replace an existing tenant, and obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant;

- the availability of and the ability to identify suitable acquisition opportunities and the ability to acquire and lease the respective properties on favorable terms;

- the ability to generate sufficient cash flows to service our outstanding indebtedness;

access to debt and equity capital markets;

fluctuating interest rates;

the ability to retain our key management personnel;

the ability to maintain our status as a REIT;

changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs;

other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and

any additional factors included in this prospectus supplement, including in the section entitled *Risk Factors,* as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC, including our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

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

MARKET AND INDUSTRY DATA

This prospectus supplement includes information with respect to market share and industry conditions, which are based upon internal estimates and various third-party sources. While management believes that such data is reliable, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying assumptions relied upon therein. Similarly, our internal research is based upon management s understanding of industry conditions, and such information has not been verified by any independent sources. Accordingly, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under *Risk Factors* in this prospectus supplement and under *Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2016, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the SEC in the future, including any subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

TENANT INFORMATION

This prospectus supplement and the documents incorporated by reference include information regarding certain of our tenants that lease properties from us, some of which are not subject to SEC reporting requirements. Ensign is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. You are encouraged to review Ensign s publicly available filings, which can be found at the SEC s website at *http://www.sec.gov*.

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

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SUMMARY

The information below is a summary of the more detailed information included in or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read carefully the following summary together with the more detailed information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus we may provide you in connection with this offering, and the information incorporated by reference herein and therein, including the risk factors described on page S-16 of this prospectus supplement and on page 2 of the accompanying prospectus and the Risk Factors section in our Annual Report on Form 10-K for the year ended December 31, 2016. This summary is not complete and does not contain all of the information you should consider when making your investment decision. This prospectus supplement relates only to the offering of the Notes.

Our Company

CareTrust REIT is a self-administered, publicly-traded REIT engaged in the ownership, acquisition, development and leasing of seniors housing and healthcare-related properties. As of March 31, 2017, our real estate portfolio consisted of 158 skilled nursing facilities (SNFs), SNF Campuses, assisted living facilities (ALFs) and independent living facilities (ILFs). Of these properties, 93 are leased to Ensign on a triple-net basis under multiple long-term leases (each, an Ensign Master Lease and, collectively, the Ensign Master Leases) that have cross default provisions and are all guaranteed by Ensign, and the 65 remaining properties are leased to 16 other tenants on a triple-net basis. We also own and operate three ILFs. As of March 31, 2017, our properties had a total of 15,480 beds and are located in 21 states. As of March 31, 2017, the 93 facilities leased to Ensign had a total of 9,916 beds and units and are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington; and the 65 remaining leased properties had a total of 5,595 beds and units and are located in California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, North Carolina, Ohio, Texas, Virginia, Washington and Wisconsin. The three ILFs that we own and operate had a total of 264 units and are located in Texas and Utah. As of March 31, 2017, the Company also had three other real estate investments consisting of $14.0 million of preferred equity investments. For the year ended December 31, 2016, we had total revenues of $104.7 million, net income of $29.4 million and Normalized EBITDA of $86.5 million. For the three months ended March 31, 2017, we had total revenues of $30.6 million, net income of $10.3 million and Normalized EBITDA of $25.8 million. For a description of Normalized EBITDA, see note 2 to *Summary Consolidated Financial and Other Data*.

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

CareTrust REIT was formed on October 29, 2013, as a wholly owned subsidiary of Ensign with the intent to hold substantially all of Ensign s real estate business. On June 1, 2014, Ensign completed the separation of its real estate business into a separate and independent publicly traded company by distributing all of the outstanding shares of common stock of the Company to Ensign stockholders on a pro rata basis (the Spin-Off). The Spin-Off was effective from and after June 1, 2014, with shares of our common stock distributed to Ensign stockholders on June 2, 2014. We elected to be taxed as a REIT for U.S. federal income tax purposes beginning

with our taxable year ended December 31, 2014. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify for taxation as a REIT. We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held through the Operating Partnership. The Operating Partnership is managed by CareTrust REIT s wholly owned subsidiary, CareTrust GP, LLC, which is the sole general partner of the Operating Partnership. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

Our Portfolio Summary

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

Skilled Nursing Facilities. SNFs are licensed healthcare facilities that provide restorative, rehabilitative and nursing care for people not requiring the more extensive and sophisticated treatment available at acute care hospitals. Treatment programs include physical, occupational, speech, respiratory and other therapies, including sub-acute clinical protocols such as wound care and intravenous drug treatment. Charges for these services are generally paid from a combination of government reimbursement and private sources. As of March 31, 2017, our portfolio included 124 SNFs, 16 which include assisted or independent living operations, which we refer to as SNF Campuses.

Assisted Living Facilities. ALFs are licensed healthcare facilities that provide personal care services, support and housing for those who need help with activities of daily living, such as bathing, eating and dressing, yet require limited medical care. The programs and services may include transportation, social activities, exercise and fitness programs, beauty or barber shop access, hobby and craft activities, community excursions, meals in a dining room setting and other activities sought by residents. These facilities are often in apartment-like buildings with private residences ranging from single rooms to large apartments. Certain ALFs may offer higher levels of personal assistance for residents requiring memory care as a result of Alzheimer s disease or other forms of dementia. Levels of personal assistance are based in part on local regulations. As of March 31, 2017, our portfolio included 33 ALFs, some of which also contain independent living units.

Independent Living Facilities. ILFs, also known as retirement communities or senior apartments, are not healthcare facilities. The facilities typically consist of entirely self-contained apartments, complete with their own kitchens, baths and individual living spaces, as well as parking for tenant vehicles. They are most often rented unfurnished, and generally can be personalized by the tenants, typically an individual or a couple over the age of 55. These facilities offer various services and amenities such as laundry, housekeeping, dining options/meal plans, exercise and wellness programs, transportation, social, cultural and recreational activities, on-site security and emergency response programs. As of March 31, 2017, our portfolio of four ILFs includes one that is operated by Ensign and three that are operated by us.

Our portfolio of SNFs, ALFs and ILFs is broadly diversified by geographic location throughout the United States, with concentrations in Texas, California, and Ohio. Our properties are grouped into four categories: (1) SNFs - these are properties that are comprised exclusively of SNFs; (2) Skilled Nursing Campuses - these are properties that include a combination of SNFs and ALFs or ILFs or both; (3) ALFs and ILFs - these are properties that include ALFs or ILFs, or a combination of the two; and (4) ILFs operated by CareTrust REIT - these are ILFs operated by subsidiaries of CareTrust REIT, unlike the other properties, which are leased to third-party operators.

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Properties by Type:

The following table displays the geographic distribution of our facilities by property type and the related number of beds and units available for occupancy by asset class, as of March 31, 2017. The number of beds or units that are operational may be less than the official licensed capacity.

	Total(1)		SNFs		SNF Campuses		ALFs and ILFs(1)	
State	Properties	Beds/ Units	Facilities	Beds	Campuses	Beds/ Units	Facilities	Beds/ Units
TX	31	3,709	24	2,950	2	311	5	448
CA	22	2,443	16	1,673	3	495	3	275
OH	16	1,488	12	945	4	543		
IA	15	986	13	815	2	171		
UT	12	1,259	9	911	1	221	2	127
AZ	10	1,327	7	799	1	262	2	266
ID	10	646	6	475	1	69	3	102
WA	8	707	7	605			1	102
CO	6	633	4	380			2	253
IL	5	455	5	455				
NE	5	366	3	220	2	146		
MI	4	189					4	189
FL	3	291					3	291
NV	3	304	1	92			2	212
WI	3	206					3	206
VA	2	218					2	218
NC	2	100					2	100
GA	1	105	1	105				
MD	1	120					1	120
MN	1	30					1	30
IN	1	162					1	162
Total	161	15,744	108	10,425	16	2,218	37	3,101

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

Occupancy by Property Type:

The following table displays occupancy by property type for each of the years ended December 31, 2016, 2015 and 2014. Percentage occupancy in the below table is computed by dividing the average daily number of beds occupied by the total number of beds available for use during the periods indicated (beds of acquired facilities are included in the computation following the date of acquisition only).

Property Type	Year Ended December 31, 2016	2015	2014
Facilities Leased to Tenants:[1]			
SNFs	78%	77%	75%
SNF Campuses	77%	76%	75%
ALFs and ILFs	85%	85%	85%
Facilities Operated by CareTrust:			
ILFs	76%	76%	82%

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

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Property Type Rental Income:

The following tables display the annual rental income and total beds/units for each property type leased to third-party tenants for the years ended December 31, 2016 and 2015.

	For the Year Ended December 31, 2016		
Property Type	**Rental Income (in thousands)**	**Percent of Total**	**Total Beds/Units**
SNFs	$ 64,963	70%	9,960
SNF Campuses	14,584	16%	2,218
ALFs and ILFs	13,579	14%	2,741
Total	$ 93,126	100%	14,919

	For the Year Ended December 31, 2015		
Property Type	**Rental Income (in thousands)**	**Percent of Total**	**Total Beds/Units**
SNFs	$ 48,998	74%	8,782
SNF Campuses	8,090	12%	1,831
ALFs and ILFs	8,891	14%	1,531
Total	$ 65,979	100%	12,144

Geographic Concentration Rental Income:

The following table displays the geographic distribution of annual rental income for properties leased to third-party tenants for the years ended December 31, 2016 and 2015.

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
State	**Rental Income (in thousands)**	**Percent of Total**	**Rental Income (in thousands)**	**Percent of Total**
OH	$ 18,135	20%	$ 4,256	6%
CA	17,037	18%	15,384	23%
TX	15,183	16%	14,057	21%
AZ	8,679	9%	8,633	13%
UT	5,770	6%	5,738	9%
IA	4,909	5%	1,605	2%
WA	4,803	5%	4,282	6%

ID	4,414	5%	3,827	6%
CO	3,971	4%	3,819	6%
FL	1,638	2%	511	1%
MI	1,593	2%		
NE	1,334	1%	1,328	2%
VA	1,129	1%	562	1%
NV	988	1%	983	2%
GA	799	1%	400	1%
NC	685	1%		
IN	649	1%		
MN	595	1%	594	1%
WI	444	1%		
MD	371			
Total	$ 93,126	100%	$ 65,979	100%

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ILFs Operated by CareTrust:

The following table displays the geographic distribution of ILFs operated by CareTrust REIT and the related number of operational units available for occupancy as of December 31, 2016. The following table also displays the average monthly revenue per occupied unit for the years ended December 31, 2016 and 2015.

State	Facilities	Units	For the Year Ended December 31, 2016 Average Monthly Revenue Per Occupied Unit[(1)]	For the Year Ended December 31, 2015 Average Monthly Revenue Per Occupied Unit[(1)]
TX	2	207	$ 1,196	$ 1,176
UT	1	57	1,341	1,309
Total	3	264	1,236	1,213

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

We view our ownership and operation of the three ILFs as complementary to our real estate business. Our goal is to provide enhanced focus on their operations to improve their financial and operating performance. The three ILFs that we own and operate as of March 31, 2017 are:

- Lakeland Hills Independent Living, located in Dallas, Texas, with 168 units;
- The Cottages at Golden Acres, located in Dallas, Texas, with 39 units; and
- The Apartments at St. Joseph Villa, located in Salt Lake City, Utah, with 57 units.

Our Industry

We operate as a REIT that invests in income-producing healthcare-related properties. We expect to grow our portfolio by pursuing opportunities to acquire additional properties that will be leased to a diverse group of local, regional and national healthcare providers, as well as senior housing operators and related businesses. We also anticipate diversifying our portfolio over time, including by acquiring properties in different geographic markets and in different asset classes. Our portfolio primarily consists of SNFs, SNF Campuses, ALFs and ILFs.

The skilled nursing industry has evolved to meet the growing demand for post-acute and custodial healthcare services generated by an aging population, increasing life expectancies and the trend toward shifting of patient care to lower cost settings. The skilled nursing industry has evolved in recent years, which we believe has led to a number of favorable improvements in the industry, including, the shift of patient care to lower cost alternatives, significant acquisition and consolidation opportunities, widening of the supply and demand imbalance and increased demand driven by aging populations and increased life expectancy.

Shift of Patient Care to Lower Cost Alternatives. The growth of the senior population in the United States continues to increase healthcare costs. In response, federal and state governments have adopted cost-containment measures that encourage the treatment of patients in more cost-effective settings such as SNFs, for which the staffing requirements and associated costs are often significantly lower than acute care hospitals, inpatient rehabilitation facilities and other post-acute care settings. As a result, SNFs are generally serving a larger population of higher-acuity patients than in the past.

Significant Acquisition and Consolidation Opportunities. The skilled nursing industry is large and highly fragmented, characterized predominantly by numerous local and regional providers. We believe this fragmentation provides significant acquisition and consolidation opportunities for us.

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Widening Supply and Demand Imbalance. The number of SNFs has declined modestly over the past several years. According to the American Health Care Association, the nursing home industry was comprised of approximately 15,700 facilities as of December 2015, as compared with over 16,700 facilities as of December 2000. We expect that the supply and demand balance in the skilled nursing industry will continue to improve due to the shift of patient care to lower cost settings, an aging population and increasing life expectancies.

Increased Demand Driven by Aging Populations and Increased Life Expectancy. As life expectancy continues to increase in the United States and seniors account for a higher percentage of the total U.S. population, we believe the overall demand for skilled nursing services will increase. At present, the primary market demographic for skilled nursing services is individuals age 75 and older. According to the 2012 U.S. Census, there were over 41.5 million people in the United States in 2012 that were over 65 years old. The 2012 U.S. Census estimates this group is one of the fastest growing segments of the United States population and is expected to more than double between 2000 and 2030. According to the Centers for Medicare & Medicaid Services, nursing home expenditures are projected to grow from approximately $156 billion in 2014 to approximately $274 billion in 2024, representing a compounded annual growth rate of 5.3%. We believe that these trends will support an increasing demand for skilled nursing services, which in turn will likely support an increasing demand for our properties.

Our Competitive Strengths

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

Geographically Diverse Property Portfolio. Our properties are located in 21 different states, with concentrations in Texas, California and Ohio. The properties in any one state do not account for more than 24% of our total beds and units as of March 31, 2017. We believe this geographic diversification will limit the effect of changes in any one market on our overall performance.

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

Financially Secure Primary Tenant. Ensign is an established provider of healthcare services with strong financial performance and accounted for 58% of our 2016 revenues, exclusive of tenant reimbursements. Ensign had a 2.1x EBITDAR coverage ratio for the twelve months ended March 31, 2017. EBITDAR consists of net income before (a) interest expense, net, (b) provisions for income taxes, (c) depreciation and amortization and (d) rent-cost of services. Ensign is subject to the reporting requirements of the SEC and is required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited financial information. Ensign s publicly available filings can be found at the SEC s website at *http://www.sec.gov*.

Ability to Identify Talented Operators. We have purchased 65 properties since the Spin-Off and have increased revenues from $48.8 million for the year ended December 31, 2013, the last full fiscal year prior to the Spin-Off, to $104.7 million for the year ended December 31, 2016, which has resulted in a reduction in Ensign s share of our total revenues from approximately 100% for the year ended December 31, 2013 to approximately 58% for the year ended December 31, 2016, in each case exclusive of tenant reimbursements. As a result of our management team s operating experience and network of relationships and insight, we believe that we are able to identify and pursue working relationships with qualified local, regional and national healthcare providers and

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seniors housing operators. We expect to continue our disciplined focus on pursuing investment opportunities, primarily with respect to stabilized assets but also some strategic investment in new and/or improving properties, while seeking dedicated and engaged operators who possess local market knowledge, have solid operating records and emphasize quality services and outcomes. We intend to support these operators by providing strategic capital for facility acquisition, upkeep and modernization. Our management team s experience gives us a key competitive advantage in objectively evaluating an operator s financial position, care and service programs, operating efficiencies and likely business prospects.

Experienced Management Team. Gregory K. Stapley, our President and Chief Executive Officer, has extensive experience in the real estate and healthcare industries. Mr. Stapley has more than 30 years of experience in the acquisition, development and disposition of real estate including healthcare facilities and office, retail and industrial properties, including nearly 15 years at Ensign where he was instrumental in assembling the portfolio that we now lease back to Ensign. Our Chief Financial Officer, William M. Wagner, has more than 25 years of accounting and finance experience, primarily in real estate, including 12 years of experience working extensively for REITs. Most notably he worked for both Nationwide Health Properties, Inc., a healthcare REIT, and Sunstone Hotel Investors, Inc., a lodging REIT, serving as Senior Vice President and Chief Accounting Officer of each company. David M. Sedgwick, our Vice President of Operations, is a licensed nursing home administrator with more than 12 years of experience in skilled nursing operations, including turnaround operations, and trained over 100 Ensign nursing home administrators while he was Ensign s Chief Human Capital Officer. Our executives have years of public company experience, including experience accessing both debt and equity capital markets to fund growth and maintain a flexible capital structure.

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

Our Business Strategies

Our investment objectives are to increase cash flow, provide quarterly cash dividends, maximize the value of our properties and acquire properties with cash flow growth potential. To achieve these objectives, we intend to pursue a business strategy focused on opportunistic acquisitions and property diversification. We also intend to further develop our relationships with tenants and healthcare providers with a goal to progressively expand the mixture of tenants managing and operating our properties.

The key components of our business strategies include:

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

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

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

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

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

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

Recent Acquisitions

On December 1, 2016, we acquired three skilled nursing facilities and one skilled nursing campus, consisting of 540 skilled nursing beds and 28 assisted living units, located in the greater Dallas-Fort Worth area of Texas for a purchase price of $95.9 million, inclusive of transaction costs (the Texas Acquisitions). In connection with the acquisitions, we entered into a new tenant relationship with affiliates of Priority Management Group, LLC, which took over operations effective December 1, 2016. The Texas Acquisitions are expected to generate additional annual cash rent of $8.6 million, resulting in an initial cash yield of 8.9%. The Texas Acquisitions were funded by cash on hand and borrowings under our Revolving Facility.

On February 1, 2017, we acquired two seniors housing communities in Wisconsin for a purchase price of $26.1 million, inclusive of transaction costs (the Wisconsin Acquisitions). The two communities consist of a 48-unit assisting living and memory care facility and a 40-unit assisting living and memory care facility and were added to our existing master lease with Premier Senior Living, LLC, which took over operations effective February 1, 2017. The Wisconsin Acquisitions are expected to generate additional annual cash rent of $2.16 million, resulting in an initial cash yield of 8.3%. The Wisconsin Acquisitions were funded with borrowings under our Revolving Facility.

On March 1, 2017, we acquired a portfolio of five skilled nursing facilities, consisting of 455 skilled nursing beds, in Illinois for a purchase price of $29.2 million, inclusive of transaction costs (the Illinois Acquisitions). In connection with the acquisition, we entered into a new tenant relationship with affiliates of Illinois-based WLC Management Firm, LLC, which took over operations effective March 1, 2017. The Illinois Acquisitions are expected to generate additional annual cash rent of $2.9 million, resulting in an initial cash yield of 10.0%. The Illinois Acquisitions were funded with cash on hand.

Redemption of 2021 Notes

On May 8, 2017, we issued a conditional notice of optional redemption to redeem all $260.0 million aggregate principal amount outstanding of our 5.875% Senior Notes due 2021 (the 2021 Notes) on June 7, 2017 at a redemption price of 102.938% of the principal amount of the outstanding 2021 Notes, subject to the completion of this offering and the deposit of net proceeds from this offering with the trustee of the 2021 Notes in an amount sufficient to pay the redemption price and all accrued and unpaid interest on the 2021 Notes. We will satisfy and discharge our obligations under our 2021 Notes concurrently with the completion of this offering and the deposit of net proceeds from this offering with the trustee of the 2021 Notes in an amount sufficient to pay the redemption price and all accrued and unpaid interest on the 2021 Notes. See *Use of Proceeds*.

Our Corporate Information

CTR Partnership, L.P. is a Delaware limited partnership, and CareTrust Capital Corp. is a Delaware corporation. Our principal executive offices are located at 905 Calle Amanecer, Suite 300, San Clemente, CA 92673 and our telephone number is (949) 542-3130. We maintain a website at *http://www.caretrustreit.com*. The information contained on or that can be accessed through our website is not incorporated by reference in, and is not part of, this prospectus supplement or the accompanying prospectus, other than documents specifically incorporated by reference herein, and you should not rely on any such information in connection with your investment decision to purchase Notes.

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Corporate Structure

The charts below illustrate, in simplified form, the organizational structure of CareTrust REIT:

(1) The Notes will be guaranteed by CareTrust REIT and certain of CareTrust REIT s existing and future subsidiaries, other than the Issuers. On the issue date of the Notes, the Notes will be guaranteed by all of CareTrust REIT s existing subsidiaries, other than the Issuers.

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The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the Notes. In this section, we, our, and us refer only to the Issuers.

Issuers	CTR Partnership, L.P. and CareTrust Capital Corp.
Securities Offered	$300,000,000 principal amount of 5.25% Senior Notes due 2025.
Maturity	June 1, 2025.
Interest Rate	Interest will accrue at a rate of 5.25% per annum.
Interest Payment Dates	Each June 1 and December 1 after the date of the issuance of the Notes, beginning on December 1, 2017.
Ranking	The Notes and the guarantees thereof will be our and the guarantors senior unsecured obligations and will rank: senior to all existing and future indebtedness that by its terms is expressly subordinated to the Notes; equally in right of payment with all existing and future senior unsecured indebtedness, including our Credit Facility; effectively subordinated to all existing and future secured indebtedness to the extent of the value of the collateral securing such debt; and structurally subordinate to all of the existing and future liabilities of our subsidiaries that do not guarantee the Notes.
Guarantees	The Notes will be guaranteed by CareTrust REIT and certain of CareTrust REIT s existing and future subsidiaries, other than the Issuers,

	including subsidiaries that guarantee obligations under our Credit Facility. On the issue date of the Notes, the Notes will be guaranteed by all of CareTrust REIT s existing subsidiaries, other than the Issuers. In each instance, the Notes will be unconditionally (subject to the release provisions in certain circumstances) guaranteed, jointly and severally, on an unsecured basis by the applicable guarantors. If we do not make payments required by the Notes, the guarantors must make them. The subsidiary guarantees may be released under certain circumstances.
Use of Proceeds	We intend to use a portion of the net proceeds from this offering to redeem all of our outstanding 2021 Notes. We intend to use any remaining net proceeds to repay borrowings outstanding under our Revolving Facility and for general corporate purposes including acquisitions. See *Use of Proceeds*.

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Optional Redemption	We may redeem some or all of the Notes at any time prior to June 1, 2020 at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a make-whole premium. The make-whole premium will be based on a discount rate equal to the yield on a comparable United States Treasury security plus 50 basis points. We may also redeem some or all of the Notes at any time on or after June 1, 2020, at the redemption prices specified under the section *Description of Notes Optional Redemption* plus accrued and unpaid interest, if any, to, but not including, the redemption date.
	At any time prior to June 1, 2020, we may also redeem up to 40% of the aggregate principal amount of the Notes with the net proceeds of certain equity offerings at a redemption price equal to 105.25% of the aggregate principal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to, but not including, the redemption date. See *Description of Notes Optional Redemption.*
Change of Control Offer	If a change of control of CareTrust REIT occurs, holders of the Notes will have the right to require us to repurchase their Notes at 101% of their principal amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date.
Restrictive Covenants	The indenture governing the Notes will contain covenants that, among other things, limit CareTrust REIT s ability and the ability of CareTrust REIT s restricted subsidiaries to:
	incur or guarantee additional indebtedness;
	incur or guarantee secured indebtedness;
	pay dividends or distributions on, or redeem or repurchase, our capital stock;
	make certain investments or other restricted payments;
	sell assets;
	enter into transactions with affiliates;

- merge or consolidate or sell all or substantially all of our assets; and
- create restrictions on the ability of our restricted subsidiaries to pay dividends or other amounts to us.

In addition, we will be required to maintain at all times Total Unencumbered Assets (as defined in *Description of Notes*) of at least 150% of our unsecured indebtedness. These covenants are subject to a number of important limitations and exceptions. See *Description of Notes Covenants*.

Further Issuances	We may, so long as no Event of Default has occurred, without the consent of the holders of the Notes, issue additional notes with the

	same terms as the Notes in accordance with the corporate authority existing at the time of such additional issuance, and such additional notes shall be considered part of the same series under the indenture as the Notes and will vote together with the Notes as one class on all matters with respect to the Notes.
Book-Entry Form	The Notes will be issued in book-entry form and will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. See *Book-Entry; Delivery and Form.*
No Listing	The Notes will not be listed on any securities exchange or automated dealer quotation system. The Notes will be new securities for which there currently is no public market. See *Risk Factors Risks Related to the Notes and the Offering An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment.*
Risk Factors	See *Risk Factors* beginning on page S-16 of this prospectus supplement and the accompanying prospectus and the other information included or incorporated by reference in this prospectus supplement for a discussion of the factors you should carefully consider before deciding to invest in the Notes.
Governing Law	The indenture governing the Notes and the Notes provide that they will be governed by, and construed in accordance with, the laws of the State of New York.
Trustee, Paying Agent and Registrar	Wells Fargo Bank, National Association.

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Summary Consolidated Financial and Other Data

The following table sets forth summary financial data and other data for CareTrust REIT on a historical basis. The following data should be read in conjunction with *Management s Discussion and Analysis of Financial Condition and Results of Operations* and our financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017. Our historical operating results may not be comparable to our future operating results. The comparability of the selected financial data presented below is significantly affected by our acquisitions and new investments in 2017, 2016, 2015, and 2014.

The summary historical financial data as of December 31, 2016 and 2015 and for each of the years ended December 31, 2016, 2015 and 2014 has been derived from CareTrust REIT s audited consolidated and combined financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference into this prospectus supplement. The summary historical financial data as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 has been derived from our unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, which is incorporated by reference into this prospectus supplement. The summary historical financial data set forth below reflects, for the relevant periods presented, as applicable, the historical financial position, results of operations and cash flows of (i) SNFs, ALFs and ILFs that Ensign contributed to CareTrust REIT immediately prior to June 1, 2014, the effective date of the Spin-Off, (ii) the operations of the three ILFs that CareTrust REIT operated immediately following the Spin-Off, and (iii) the new investments and financings that we have made after the Spin-Off. Ensign Properties is the predecessor of the CareTrust REIT, and its historical financial statements have been prepared on a carve-out basis from Ensign s consolidated financial statements using the historical results of operations, cash flows, assets and liabilities attributable to such SNFs, ALFs and ILFs, and include allocations of income, expenses, assets and liabilities from Ensign. These allocations reflect significant assumptions. Although CareTrust REIT s management believes such assumptions are reasonable, the historical financial statements do not fully reflect what CareTrust REIT s financial position, results of operations and cash flows would have been had it been a stand-alone company during the periods presented prior to the Spin-Off.

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,		
	2017	2016	2016	2015	2014
	(dollars in thousands, except per share amounts)				
Income statement data:					
Total revenues	$ 30,608	$ 23,629	$ 104,679	$ 74,951	$ 58,897
Income (loss) before provision for income taxes	10,281	5,502	29,353	10,034	(8,143)
Net income (loss)	10,281	5,502	29,353	10,034	(8,143)
Income (loss) before provision for income taxes per share	0.15	0.11	0.52	0.26	(0.36)
Net income (loss) per share	0.15	0.11	0.52	0.26	(0.36)
Balance sheet data:					
Total assets	967,438	743,508	$ 925,358	$ 673,166	$ 475,140
Senior unsecured notes payable, net	255,561	254,495	255,294	254,229	253,165
Senior unsecured term loan, net	99,445	99,361	99,422		
	27,000	5,000	95,000	45,000	

Senior unsecured revolving credit facility					
Secured mortgage indebtedness, net				94,676	97,608
Total equity	557,947	36,411	452,430	262,288	113,462

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	As of or For the Three Months Ended March 31, 2017	2016	As of or For the Year Ended December 31, 2016	2015	2014
	(dollars in thousands, except per share amounts)				
Other financial data:					
Dividends declared per common share	$ 0.185	$ 0.17	$ 0.68	$ 0.64	$ 6.01
FFO(1)	19,331	12,772	61,483	34,109	14,853
FAD(1)	20,356	13,759	65,118	37,831	16,559
EBITDA(2)	25,772	19,413	86,063	60,945	36,633
Normalized EBITDA(2)	25,772	19,413	86,533	60,945	36,680

(1) For a description of Funds From Operations (FFO) and Funds Available for Distribution (FAD) and a reconciliation to net income, see *Selected Consolidated Financial and Other Data*.

(2) EBITDA represents net income before interest expense (including amortization of deferred financing costs) and amortization of stock-based compensation, and depreciation and amortization. Normalized EBITDA represents EBITDA as further adjusted to eliminate the impact of certain items that we do not consider indicative of our core operating performance, such as impairments, expensed acquisition costs, and gains or losses on the sale of real estate. EBITDA and Normalized EBITDA do not represent net income or cash flows from operations or net income as defined by generally accepted accounting principles in the United States of America (GAAP) and should not be considered an alternative to those measures in evaluating our liquidity or operating performance. EBITDA and Normalized EBITDA do not purport to be indicative of cash available to fund future cash requirements, including our ability to fund capital expenditures or make payments on our indebtedness. Further, our computation of EBITDA and Normalized EBITDA may not be comparable to EBITDA and Normalized EBITDA reported by other REITs.

The following table reconciles our calculations of EBITDA and Normalized EBITDA to net income, the most directly comparable financial measure according to GAAP:

	For the Three Months Ended March 31, 2017	2016	For the Year Ended December 31, 2016	2015	2014
	(in thousands)				
Net income (loss)	$10,281	$ 5,502	$ 29,353	$ 10,034	$ (8,143)
Depreciation and amortization	9,076	7,293	31,965	24,133	23,000
Interest expense	5,879	6,187	23,199	25,256	21,622
Amortization of stock-based compensation	536	431	1,546	1,522	154
EBITDA	25,772	19,413	86,063	60,945	36,633
Acquisition costs			205		47
Loss on sale of real estate			265		
Normalized EBITDA	$25,772	$19,413	$ 86,533	$ 60,945	$ 36,680

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RISK FACTORS

An investment in the Notes involves certain risks. You should carefully consider the risks described below and in the accompanying prospectus, as well as the risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before you make a decision to invest in the Notes. This prospectus supplement also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risks Related to the Notes and the Offering

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

Assuming that we had completed this offering on March 31, 2017, and, after giving effect to the issuance and sale of the Notes and the application of the net proceeds therefrom as set forth under *Use of Proceeds*, we would have had on that date $300.0 million of Notes outstanding, $100.0 million outstanding under our Term Loan, and $0.7 million outstanding under our Revolving Facility (with $399.3 million available for borrowing thereunder). Our high level of indebtedness may have the following important consequences to us:

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes;
- require us to maintain certain debt coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;
- make it more difficult for us to satisfy our financial obligations, including the Notes and borrowings under the Credit Facility;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- expose us to increases in interest rates for our variable rate debt;
- limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;

limit our ability to refinance all or a portion of our indebtedness on or before maturity on the same or more favorable terms or at all;

limit our flexibility in planning for, or reacting to, changes in our business and our industry;

place us at a competitive disadvantage relative to competitors that have less indebtedness;

increase our risk of property losses as the result of foreclosure actions initiated by lenders under our secured debt obligations;

require us to dispose of one or more of our properties at disadvantageous prices in order to service our indebtedness or to raise funds to pay such indebtedness at maturity; and

result in an event of default if we fail to satisfy our obligations under the Notes or our other debt or fail to comply with the financial and other restrictive covenants contained in the indenture governing the Notes, the Credit Facility or our other debt instruments, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

In addition, the Credit Facility and the indenture governing the Notes will permit us to incur substantial additional debt, including secured debt (to which the Notes will be effectively subordinated). If we incur additional debt, the related risks described above could intensify.

We may be unable to service our indebtedness, including the Notes.

Our ability to make scheduled payments on and to refinance our indebtedness, including the Notes, depends on and is subject to our future financial and operating performance, which in turn is affected by general and regional economic, financial, competitive, business and other factors beyond our control, including the availability of financing in the international banking and capital markets. Our business may fail to generate sufficient cash flow from operations or future borrowings may be unavailable to us under the Credit Facility or from other sources in an amount sufficient to enable us to service our debt, including the Notes, to refinance our debt, including the Notes, or to fund our other liquidity needs. If we are unable to meet our debt obligations or to fund our other liquidity needs, we will need to restructure or refinance all or a portion of our debt, including the Notes. We may be unable to refinance any of our debt, including the Credit Facility, on commercially reasonable terms or at all. In particular, the Credit Facility will mature prior to the maturity of the Notes. If we were unable to make payments or refinance our debt or obtain new financing under these circumstances, we would have to consider other options, such as asset sales, equity issuances and/or negotiations with our lenders to restructure the applicable debt. The Credit Facility and the indenture governing the Notes will restrict, and market or business conditions may limit, our ability to take some or all of these actions. Any restructuring or refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants that could further restrict our business operations. In addition, the Credit Facility and the indenture governing the Notes will permit us to incur substantial additional debt, including secured debt (to which the Notes will be effectively subordinated), and the amount of additional indebtedness incurred could be substantial. Furthermore, the indenture governing the Notes will not impose any limitation on our ability to incur liabilities that are not considered indebtedness under the indenture governing the Notes.

The Notes and the guarantees will be unsecured and will be effectively subordinated to our secured indebtedness to the extent of the value of the assets securing such indebtedness.

The Notes and the guarantees will be our and the guarantors unsecured obligations. The Notes and the guarantees will be effectively subordinated to all of our future secured indebtedness and that of the guarantors to the extent of the value of the assets securing such obligations. Subject to certain exceptions, the indenture governing the Notes will also permit us to incur additional secured indebtedness. Because the Notes will be unsecured obligations, your right of repayment may be compromised in the following situations:

- we enter into bankruptcy, liquidation, reorganization or other winding-up;
- there is a default in payment under any of our secured debt; or
- there is an acceleration of any of our secured debt.

If any of these events occurs, the secured lenders could foreclose on our assets in which they have been granted a security interest, in each case to your exclusion, even if an event of default exists under the indenture governing the Notes at such time. As a result, upon the occurrence of any of these events, it is possible that there would be insufficient assets remaining from which your claims could be satisfied and therefore you may not receive payment in full for your Notes.

The Notes will be structurally subordinated to all liabilities of our non-guarantor subsidiaries.

The Notes will be structurally subordinated to the indebtedness and other liabilities of our subsidiaries that do not guarantee the Notes. These non-guarantor subsidiaries are and would be separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes, or to make any

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funds available therefor, whether by dividends, loans, distributions or other payments. Any right that we have to receive any assets of any non-guarantor subsidiaries upon the bankruptcy, liquidation or reorganization of those subsidiaries, and the consequent rights of holders of Notes to realize proceeds from the sale of any of those subsidiaries assets, would be structurally subordinated to the claims of those subsidiaries creditors, including creditors (including mortgage holders) and holders of preferred equity interests of those subsidiaries. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before distributing any of their assets to us.

We will rely on our subsidiaries for our operating funds, and our non-guarantor subsidiaries have no obligation to supply us with any funds.

We plan to conduct our operations through subsidiaries and will depend on our subsidiaries for the funds necessary to operate and repay our debt obligations. We will depend on the transfer of funds from our subsidiaries to make the payments due under the Notes. Under certain circumstances, one or more of our subsidiaries may be released from its, or may not be required to provide, a guarantee of the Notes, and in such circumstances, will not be required to fund any of our obligations with respect to the Notes. Each of our subsidiaries will be a distinct legal entity and will have no obligation, contingent or otherwise, to transfer funds to us. In addition, our ability to make payments under the Notes, and the ability of our subsidiaries to transfer funds to us, could be restricted by the terms of subsequent financings.

CareTrust REIT has no material assets other than its ownership stake in the Operating Partnership and the general partner of the Operating Partnership.

CareTrust REIT will fully and unconditionally guarantee all payments due on the Notes. However, CareTrust REIT has no material assets other than its ownership stake in the Operating Partnership and the general partner of the Operating Partnership. CareTrust REIT s guarantee of the Notes will rank equally in right of payment with all of CareTrust REIT s existing and future senior unsecured indebtedness (including the Credit Facility), will rank senior in right of payment to all of CareTrust REIT s subordinated indebtedness, and will be effectively subordinated to all of CareTrust REIT s secured indebtedness to the extent of the value of the assets securing such indebtedness. Furthermore, CareTrust REIT s guarantee of the Notes will be structurally subordinated to all indebtedness of its subsidiaries that are not the Issuers or guarantors of the Notes. As a result, the guarantee by CareTrust REIT provides little, if any, additional credit support for the Notes.

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

Our debt agreements, including the indenture governing the Notes and the credit agreement governing the Credit Facility, will contain various covenants that limit our ability and the ability of our subsidiaries to engage in various transactions including, as applicable:

- incurring or guaranteeing additional secured and unsecured debt;
- creating liens on our assets;

paying dividends or making other distributions on, redeeming or repurchasing capital stock;

making investments or other restricted payments;

entering into transactions with affiliates;

issuing stock of or interests in subsidiaries;

engaging in non-healthcare related business activities;

creating restrictions on the ability of our subsidiaries to pay dividends or other amounts to us;

selling assets;

effecting a consolidation or merger or selling all or substantially all of our assets;

making acquisitions; and

amending certain material agreements, including material leases and debt agreements.

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

A breach of any of the covenants or other provisions in our debt agreements could result in an event of default, which if not cured or waived, could result in such debt becoming due and payable, either automatically or after an election to accelerate by the required percentage of the holders of such indebtedness. This, in turn, could cause our other debt, including the Notes and the Credit Facility, to become due and payable as a result of cross-default or cross-acceleration provisions contained in the agreements governing such other debt and permit certain of our lenders to foreclose on our assets, if any, that secure this debt. In the event that some or all of our debt is accelerated and becomes immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from guarantors.

If a bankruptcy case or lawsuit is initiated by unpaid creditors of any guarantor, the debt represented by the guarantees entered into by the guarantor may be reviewed under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws. Under these laws, a guarantee could be voided, or claims in respect of the guarantee could be subordinated to certain obligations of a guarantor if, among other things, the guarantor, at the time it entered into the guarantee, received less than reasonably equivalent value or fair consideration for entering into the guarantee and was one of the following:

insolvent or rendered insolvent by reason of entering into a guarantee;

engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or intended to incur, or believed that it would incur, debts or contingent liabilities beyond its ability to pay them as they became due.

In addition, any payment by a guarantor could be voided and required to be returned to the guarantor or to a fund for the benefit of the guarantor s creditors under those circumstances.

If a guarantee of a guarantor were voided as a fraudulent conveyance or held unenforceable for any other reason, holders of the Notes would be solely creditors of the Issuers and creditors of the guarantors that have validly guaranteed the Notes. The Notes then would be effectively subordinated to all liabilities of the guarantor whose guarantee was voided.

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The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets;

- the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

- it could not pay its debts or contingent liabilities as they become due.

The indenture requires that future domestic subsidiaries of CareTrust REIT (subject to certain exceptions) guarantee the Notes under certain circumstances. These considerations will also apply to those guarantees.

Certain exceptions under the indenture governing the Notes will permit CareTrust REIT and its restricted subsidiaries to make distributions to maintain the REIT status of CareTrust REIT, avoid any excise tax or avoid any income tax imposed on CareTrust REIT, even when they cannot otherwise make restricted payments under the indenture governing the Notes.

The indenture governing the Notes will limit the ability of CareTrust REIT and its restricted subsidiaries to make restricted payments. For a more complete discussion of the restricted payment and debt incurrence covenants of the indenture governing the Notes, see *Description of Notes Covenants Limitation on Restricted Payments* and *Description of Notes Covenants Limitation on Indebtedness*.

Even when CareTrust REIT and its restricted subsidiaries are unable to satisfy the provisions of the Limitations on Restricted Payments covenant, however, the indenture governing the Notes will permit CareTrust REIT and its restricted subsidiaries to declare or pay any dividend or make any distributions to declare or pay any dividend or make any distribution or take other action (that would have otherwise been a restricted payment) which the CareTrust REIT board of directors believes in good faith is necessary to maintain the REIT status of CareTrust REIT, avoid any excise tax or avoid any income tax imposed on CareTrust REIT. See *Description of Notes Covenants Limitation on Restricted Payments*.

We may not have the funds necessary to finance the repurchase of the Notes in connection with a change of control offer required by the indenture governing the Notes.

Upon the occurrence of specific kinds of change of control events, the indenture governing the Notes will require us to make an offer to repurchase all outstanding Notes at 101% of the principal amount thereof, plus accrued and unpaid interest on the Notes, if any, to, but not including, the date of repurchase. However, it is possible that we will not have sufficient funds, or the ability to raise sufficient funds, at the time of the change of control to make the required repurchase of the Notes. In addition, restrictions under future debt we may incur, may not allow us to repurchase the Notes upon a change of control, and we expect that a change in control will result in an event of default under the Credit Facility, which could result in such debt becoming immediately due and payable and the commitments thereunder terminated. If we could not refinance such senior debt or otherwise obtain a waiver from the holders of such debt, we would be prohibited from repurchasing the Notes, which would constitute an event of default under the indenture governing the Notes, which in turn would constitute a default under our Credit Facility. In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indenture governing the Notes although these types of transactions could affect our capital structure or credit ratings and the holders of the Notes. Further, courts interpreting change of control provisions under New York law (which will be the governing law of the indenture governing the Notes) have not provided clear and consistent meanings of such change of control provisions which leads to subjective judicial interpretation of what may constitute a Change of Control. See *Description of Notes Repurchase of Notes upon a Change of Control*.

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An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment.

The Notes are a new issue of securities for which there is currently no trading market. We do not intend to list the Notes or any exchange notes that may be issued under the exchange offer on any national securities exchange or seek the admission of the Notes or any exchange notes for quotation through any automated inter-dealer quotation system. As a result, an active trading market for the Notes may not develop or be sustained. The underwriters have advised us that they presently intend to make a market in the Notes after this offering is completed. The underwriters are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time at the sole discretion of the underwriters. If an active trading market for the Notes fails to develop or be sustained, the trading price of the Notes could be adversely affected.

Even if an active trading market for the Notes were to develop, the Notes could trade at prices that may be lower than the issue price. The liquidity of the trading market for the Notes or any exchange notes and the trading price quoted for the Notes or any exchange notes may be adversely affected by many factors, some of which are beyond our control, including:

- prevailing interest rates;
- demand for high yield debt securities generally;
- general economic conditions;
- our financial condition, performance and future prospects;
- our credit rating; and
- prospects for companies in our industry generally.

Historically, the market of non-investment grade debt like the Notes has been subject to disruptions that have caused substantial market price fluctuations in the price of securities that are similar to the Notes. Therefore, even if a trading market for the Notes develops, it may be subject to disruptions and price volatility.

Changes in our credit rating could adversely affect the market price or liquidity of the Notes.

Credit rating agencies continually revise their ratings for the companies that they follow, including us. The credit rating agencies also evaluate our industry as a whole and may change their credit ratings for us based on their overall view of our industry. We cannot be sure that credit rating agencies will maintain their ratings on the Notes. A negative change in our ratings could have an adverse effect on the price of the Notes.

If on any future date the Notes are rated investment grade by both Moody s and Standard & Poor s, many of the restrictive covenants contained in the indenture will be suspended.

If the Notes are rated investment grade by both Moody s and Standard & Poor s and at such time no default or event of default under the indenture governing the Notes has occurred and is continuing, many of the covenants in the indenture governing the Notes will be suspended and may not go back into effect. These covenants restrict, among other things, our ability to incur indebtedness, make restricted payments and to enter into certain other transactions as well as obligate us to offer to repurchase the Notes following certain asset sales. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, that the Notes will maintain such ratings. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. See *Description of Notes Suspension of Covenants*.

Affiliates of certain of the underwriters may receive benefits in connection with this offering.

Affiliates of certain of the underwriters are lenders under our Revolving Facility. We intend to use a portion of the net proceeds from this offering to repay outstanding borrowings under our Revolving Facility. See *Use of*

Proceeds. As a result, these affiliates will receive their proportionate share of any amount of our Revolving Facility that is repaid with net proceeds of this offering. These transactions create potential conflicts of interest because such underwriters have an interest in the successful completion of this offering beyond the underwriters discount. These interests may influence the decision regarding the terms and circumstances under which the offering is completed.

Risks Related to Our Business

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

Giving effect to the Texas Acquisitions, Wisconsin Acquisitions and Illinois Acquisitions as if each had occurred on January 1, 2016, Ensign represented $56.3 million, or 51%, and Pristine Senior Living (Pristine) represented $18.1 million, or 17%, of our revenues for the year ended December 31, 2016, in each case exclusive of tenant reimbursements, on an annualized run-rate basis. Additionally, because each master lease is a triple-net lease, we depend on our tenants to pay all insurance, taxes, utilities and maintenance and repair expenses in connection with these leased properties and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their business. There can be no assurance that Ensign, Pristine or our other tenants will have sufficient assets, income and access to financing to enable them to satisfy their payment or indemnification obligations under their leases with us. In addition, any failure by a tenant to effectively conduct its operations or to maintain and improve our properties could adversely affect its business reputation and its ability to attract and retain residents in our properties. The inability or unwillingness of Ensign or Pristine to meet their rent obligations under their leases could materially adversely affect our business, financial position or results of operations, including our ability to pay dividends to our stockholders as required to maintain our status as a REIT. The inability of Ensign or Pristine to satisfy their other obligations under their leases, such as the payment of insurance, taxes and utilities, could materially and adversely affect the condition of the leased properties as well as their business, financial position and results of operations. For these reasons, if Ensign or Pristine were to experience a material and adverse effect on their businesses, financial position or results of operations, our business, financial position or results of operations could also be materially and adversely affected.

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

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

Ensign, Pristine and other healthcare operators to which we lease properties are dependent on the healthcare industry and may be susceptible to the risks associated with healthcare reform. Because all of our properties are used as healthcare properties, we are impacted by the risks associated with healthcare reform. Legislative proposals are introduced or proposed in Congress and in some state legislatures each year that would effect major changes in the healthcare system, either nationally or at the state level. We cannot accurately predict whether any future legislative proposals will be adopted or, if adopted, what effect, if any, these proposals would have on our tenants and, thus, our business.

In March 2010, President Obama signed the Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act) into law. The passage of the Affordable

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Care Act has resulted in comprehensive reform legislation that has expanded healthcare coverage to millions of uninsured people and provided for significant changes to the U.S. healthcare system over several years. The Affordable Care Act includes a large number of health-related provisions, including expanding Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on health plans, establishing health insurance exchanges, and modifying certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste (e.g., the implementation of a voluntary bundled payment program and the creation of accountable care organizations), including through new tools to address fraud and abuse. To help fund this expansion, the Affordable Care Act outlines certain reductions in Medicare reimbursements for various healthcare providers, including long-term acute care hospitals and SNFs, as well as certain other changes to Medicare payment methodologies. This comprehensive healthcare legislation provides for extensive future rulemaking by regulatory authorities, and also may be altered or amended. While we can anticipate that some of the rulemaking that will be promulgated by regulatory authorities will affect our tenants and the manner in which they are reimbursed by the federal healthcare programs, we cannot accurately predict today the impact of those regulations on our tenants and, thus, on our business.

The Supreme Court s 2014 decision to uphold the constitutionality of the individual mandate while striking down the provisions linking federal funding of state Medicaid programs with a federally mandated expansion of those programs, which effectively made Medicaid expansion voluntary, leaving each state free to opt in or out, has not reduced the uncertain impact that the Affordable Care Act will have on healthcare delivery systems. However, given the results of the November 2016 presidential election, the future of the Affordable Care Act is uncertain and at this juncture there will be a period of uncertainty regarding the Affordable Care Act s repeal, modification or replacement, any of which would have long term financial impact on the delivery of and payment for healthcare.

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

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

However, the fate of the SNF VBP Program and CJR model are uncertain since the Affordable Care Act may be repealed, modified or replaced.

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

Ensign, Pristine and other healthcare operators to which we lease properties are subject to complex federal, state and local laws and regulations relating to governmental healthcare reimbursement programs. See *Business Government Regulation, Licensing and Enforcement Overview* in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein. As a result, Ensign, Pristine and other tenants are subject to the following risks, among others:

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

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

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

The False Claims Act provides that any person who knowingly presents, or causes to be presented a false or fraudulent claim for payment or approval to the U.S. government, or its agents and contractors, is liable for a civil penalty ranging from $5,500 to $11,000 per claim, plus three times the amount of damages sustained by the government. Under the False Claims Act s so-called reverse false claims, liability also could arise for using a false record or statement to conceal, avoid or decrease an obligation (which can include the retention of an overpayment) pay or transmit money or property to the Government. The False Claims Act also empowers and provides incentives to private citizens (commonly referred to as qui tam relator or whistleblower) to file suit on the government s behalf. The qui tam relator s share of the recovery can be between 15% and 25% in cases in which the government intervenes, and 25% to 30% in cases in which the government does not intervene. Notably, the Affordable Care Act amended certain jurisdictional bars to the False Claims Act, effectively narrowing the public disclosure bar (which generally requires that a whistleblower suit not be based on publicly disclosed information) and expanding the original source exception (which generally permits a whistleblower suit based on publicly disclosed information if the whistleblower is the original source of that publicly disclosed information), thus potentially broadening the field of potential whistleblowers.

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

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

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

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

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

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

Restrictions on Referrals. The federal physician self-referral law and its implementing regulations (commonly referred to as Stark Law) prohibits providers of designated health services from billing Medicare or Medicaid if the patient is referred by a physician (or his/her immediate family member) with a financial relationship with the entity, unless an exception applies. Designated health services include clinical laboratory services; physical therapy services; occupational therapy services; radiology services, including magnetic resonance imaging, computerized axial tomography scans, and ultrasound services; radiation therapy services and supplies; durable medical equipment and services; parenteral and enteral nutrients, equipment and supplies; prosthetics, orthotics, and prosthetic devices and supplies; home health services; outpatient prescription drugs; and inpatient and outpatient hospital services. The Stark Law also prohibits the furnishing entity from submitting a claim for reimbursement or otherwise billing Medicare or any other person or entity for improperly referred designated health services.

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

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

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

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

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

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

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

The healthcare operators to which we lease properties are subject to extensive federal, state, local and industry-related licensure, certification and inspection laws, regulations and standards. Our tenants failure to comply with any of these laws, regulations or standards could result in loss or restriction of license, loss of accreditation, denial of reimbursement, imposition of fines, suspension or decertification from federal and state healthcare programs, or closure of the facility. For example, operations at our properties may require a license, registration, certificate of need, provider agreement or certification. Failure of any tenant to obtain, or the loss or restrictions on any required license, registration, certificate of need, provider agreement or certification would prevent a facility from operating in the manner intended by such tenant. Additionally, failure of our tenants to generally comply with applicable laws and regulations could adversely affect facilities owned by us, result in adverse publicity and loss of reputation, and therefore could materially and adversely affect us. See *Business Government Regulation, Licensing and Enforcement Healthcare Licensure and Certificate of Need* in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein.

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

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

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

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

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

If tenants are unable to comply with the terms of the leases, we may be forced to modify the leases in ways that are unfavorable to us. Alternatively, the failure of a tenant to perform under a lease could require us to declare a default, repossess the property, find a suitable replacement tenant, hire third-party managers to operate the property or sell the property. There is no assurance that we would be able to lease a property on substantially equivalent or better terms than the prior lease, or at all, find another qualified tenant, successfully reposition the property for other uses or sell the property on terms that are favorable to us. It may be more difficult to find a replacement tenant for a healthcare property than it would be to find a replacement tenant for a general commercial property due to the specialized nature of the business. Even if we are able to find a suitable replacement tenant for a property, transfers of operations of healthcare facilities are subject to regulatory approvals not required for transfers of other types of commercial operations, resulting in delays in receiving reimbursement, or a potential loss of a facility s reimbursement for a period of time, which may affect our ability to successfully transition a property.

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

If one or more of our tenants files for bankruptcy relief, the U.S. Bankruptcy Code provides that a debtor has the option to assume or reject the unexpired lease within a certain period of time. Any bankruptcy filing by or relating to one of our tenants could bar all efforts by us to collect pre-bankruptcy debts from that tenant or seize its property. A tenant bankruptcy could also delay our efforts to collect past due balances under the leases and could ultimately preclude collection of all or a portion of these sums. It is possible that we may recover substantially less than the full value of any unsecured claims we hold, if any, which may have a material adverse effect on our business, financial condition and results of operations, and our ability to make distributions to our stockholders. Furthermore, dealing with a tenant s bankruptcy or other default may divert management s attention and cause us to incur substantial legal and other costs.

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

Our properties are located in 21 different states, with concentrations in Texas, California and Ohio. The properties in these three states accounted for approximately 24%, 16% and 9%, respectively, of the total beds and units in our portfolio, as of December 31, 2016 and approximately 16%, 18% and 20%, respectively, of our rental income for the year ended December 31, 2016. As a result of this concentration, the conditions of local economies and real estate markets, changes in governmental rules, regulations and reimbursement rates or criteria, changes in demographics, state funding, acts of nature and other factors that may result in a decrease in demand and/or reimbursement for skilled nursing services in these states could have a disproportionately adverse effect on our tenants revenue, costs and results of operations, which may affect their ability to meet their obligations to us.

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

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

We pursue acquisitions of additional properties and seek acquisitions and other strategic opportunities in the ordinary course of our business. Accordingly, we are often engaged in evaluating potential transactions and other strategic alternatives. In addition, from time to time, we engage in discussions that may result in one or more transactions. Although there is uncertainty that any of these discussions will result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management resources to such a transaction, which could negatively impact our operations. We may incur significant costs in connection with seeking acquisitions or other strategic opportunities regardless of whether the transaction is completed and in combining our operations if such a transaction is completed. In the event that we consummate an acquisition or strategic alternative in the future, there is no assurance that we would fully realize the potential benefits of such a transaction.

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

We operate in a highly competitive industry and face competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders and other investors, some of whom are significantly larger and have greater resources and lower costs of capital. Increased competition will make it more challenging to identify and successfully capitalize on acquisition opportunities that meet our investment objectives. If we cannot identify and purchase a sufficient quantity of suitable properties at favorable prices or if we are unable to finance acquisitions on commercially favorable terms, our business, financial position or results of operations could be materially and adversely affected. Additionally, the fact that we must distribute 90% of our REIT taxable income in order to maintain our qualification as a REIT may limit our ability to rely upon rental payments from our leased properties or subsequently acquired properties in order to finance acquisitions. As a result, if debt or equity financing is not available on acceptable terms, further acquisitions might be limited or curtailed. Transactions involving properties we might seek to acquire entail risks associated with real estate investments generally, including that the investment s performance will fail to meet expectations or that the tenant, operator or manager will underperform.

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

Our tenants which operate SNFs and other healthcare facilities must be licensed under applicable state law and, depending upon the type of facility, certified or approved as providers under the Medicare and/or Medicaid programs. Prior to the transfer of the operations of such healthcare properties to successor operators, the new operator generally must become licensed under state law and, in certain states, receive change of ownership approvals under certificate of need laws (which provide for a certification that the state has made a determination that a need exists for the beds located on the property) and, if applicable, file for a Medicare and Medicaid change of ownership (commonly referred to as a CHOW). If an existing lease is terminated or expires and a new tenant is found, then any delays in the new tenant receiving regulatory approvals from the applicable federal, state or local government agencies, or the inability to receive such approvals, may prolong the period during which we are unable to collect the applicable rent.

We may be required to incur substantial renovation costs to make certain that our healthcare properties are suitable for other operators and tenants.

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

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

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

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

If interest rates increase, so could our interest costs for any new debt and our variable rate debt obligations under our Credit Facility. This increased cost could make the financing of any acquisition more costly, as well as lower our current period earnings. Rising interest rates could limit our ability to refinance existing debt when it matures or cause us to pay higher interest rates upon refinancing. In addition, an increase in interest rates could decrease the access third parties have to credit, thereby decreasing the amount they are willing to pay for our assets and consequently limiting our ability to reposition our portfolio promptly in response to changes in economic or other conditions. Further, the dividend yield on our common stock, as a percentage of the price of such common stock, will influence the price of such common stock. Thus, an increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield, which could adversely affect the market price of our common stock.

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

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

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

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

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

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

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

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

If the Spin-Off were to fail to qualify as a tax-free transaction for U.S. federal income tax purposes, Ensign and CareTrust REIT could be subject to significant tax liabilities and, in certain circumstances, we could be required to indemnify Ensign for material taxes pursuant to indemnification obligations under the Tax Matters Agreement that we entered into with Ensign.

Ensign has received from the Internal Revenue Service (the IRS) a private letter ruling (the IRS Ruling), which provides substantially to the effect that, on the basis of certain facts presented and representations and assumptions set forth in the request submitted to the IRS, the Spin-Off will qualify as tax-free under Sections 368(a)(1)(D) and 355 of the Internal Revenue Code of 1986, as amended (the Code). The IRS Ruling does not address certain requirements for tax-free treatment of the Spin-Off under Section 355 of the Code, and Ensign received a tax opinion from its tax advisors, substantially to the effect that, with respect to such requirements on which the IRS will not rule, such requirements have been satisfied. The IRS Ruling, and the tax opinion that Ensign received from its tax advisors, rely on, among other things, certain facts, representations, assumptions and undertakings, including those relating to the past and future conduct of our and Ensign s businesses, and the IRS Ruling and the tax opinion would not be valid if such facts, representations, assumptions and undertakings were incorrect in any material respect. Notwithstanding the IRS Ruling and the tax opinion, the IRS could determine the Spin-Off should be treated as a taxable transaction for U.S. federal income tax purposes if it determines any of the facts, representations, assumptions or undertakings that were included in the request for the IRS Ruling are false or have been violated or if it disagrees with the conclusions in the opinions that are not covered by the IRS Ruling.

If the Spin-Off ultimately is determined to be taxable, Ensign would recognize taxable gain in an amount equal to the excess, if any, of the fair market value of the shares of our common stock held by Ensign on the distribution date over Ensign s tax basis in such shares. Such taxable gain and resulting tax liability would be substantial.

In addition, under the terms of the Tax Matters Agreement that we entered into with Ensign (the Tax Matters Agreement), we generally are responsible for any taxes imposed on Ensign that arise from the failure of the Spin-Off to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Sections 368(a)(1)(D) and 355 of the Code, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to our stock, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representation letter provided in connection with the tax opinion relating to the Spin-Off. Our indemnification obligations to Ensign and its subsidiaries, officers and directors are not limited by any maximum amount. If we are required to indemnify Ensign under the circumstance set forth in the Tax Matters Agreement, we may be subject to substantial tax liabilities.

We may not be able to engage in desirable strategic transactions and equity issuances because of certain restrictions relating to requirements for tax-free distributions for U.S. federal income tax purposes. In addition, we could be liable for adverse tax consequences resulting from engaging in significant strategic or capital-raising transactions.

Our ability to engage in significant strategic transactions and equity issuances may be limited or restricted in order to preserve, for U.S. federal income tax purposes, the tax-free nature of the Spin-Off.

Even if the Spin-Off otherwise qualifies for tax-free treatment under Sections 368(a)(1)(D) and 355 of the Code, it may result in corporate level taxable gain to Ensign under Section 355(e) of the Code if 50% or more, by vote or value, of shares of our stock or Ensign s stock are acquired or issued as part of a plan or series of related transactions that includes the Spin-Off. The process for determining whether an acquisition or issuance triggering these provisions has occurred is complex, inherently factual and subject to interpretation of the facts and circumstances of a particular case. Any acquisitions or issuances of our stock or Ensign stock within a two-year period after the Spin-Off generally are presumed to be part of such a plan, although we or Ensign, as applicable, may be able to rebut that presumption.

Under the Tax Matters Agreement that we entered into with Ensign, we also are generally responsible for any taxes imposed on Ensign that arise from the failure of the Spin-Off to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Sections 368(a)(1)(D) and 355 of the Code, to the extent such failure to qualify is attributable to actions, events or transactions relating to our stock, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representation letter provided to counsel in connection with the tax opinion.

Our agreements with Ensign may not reflect terms that would have resulted from arm s-length negotiations with unaffiliated third parties.

The agreements related to the Spin-Off, including the Separation and Distribution Agreement, the Ensign Master Leases, the Opportunities Agreement, the Tax Matters Agreement, the Transition Services Agreement and the Employee Matters Agreement we entered into with Ensign, were negotiated in the context of the Spin-Off while we were still a wholly owned subsidiary of Ensign. As a result, although those agreements are intended to reflect arm s-length terms, they may not reflect terms that would have resulted from arm s-length negotiations between unaffiliated third parties. Conversely, certain agreements related to the Spin-Off may include terms that are more favorable than those that would have resulted from arm s-length negotiations among unaffiliated third parties. Following expiration of those agreements, we may have to enter into new agreements with unaffiliated third parties, and such agreements may include terms that are less favorable to us. The terms of the agreements negotiated in the context of the Spin-Off concern, among other things, divisions and allocations of assets and liabilities and rights and obligations, between Ensign and us.

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

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

Our potential indemnification liabilities pursuant to the Separation and Distribution Agreement could materially and adversely affect us.

The Separation and Distribution Agreement between us and Ensign includes, among other things, provisions governing the relationship between us and Ensign after the Spin-Off. Among other things, the Separation and Distribution Agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to or arising out of our business. If we are required to indemnify Ensign under the circumstances set forth in the Separation and Distribution Agreement, we may be subject to substantial liabilities.

In connection with the Spin-Off, Ensign agreed to indemnify us for certain liabilities. However, there can be no assurance that these indemnities will be sufficient to insure us against the full amount of such liabilities, or that Ensign s ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation and Distribution Agreement, the Tax Matters Agreement and other agreements we entered into in connection with the Spin-Off, Ensign agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that Ensign agreed to retain pursuant to these agreements, and there can be no assurance that Ensign will be able to fully satisfy its indemnification obligations under these agreements. Moreover, even if we ultimately succeed in recovering from Ensign any amounts for which we are held liable, we may be temporarily required to bear these losses while seeking recovery from Ensign.

The Spin-Off may expose us to potential liabilities arising out of state and federal fraudulent conveyance laws.

The Spin-Off and related transactions, including the special dividend paid on December 10, 2014 (the Special Dividend), are subject to review under various state and federal fraudulent conveyance laws. Under U.S. federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which vary from state to state, the Spin-Off or any of the related transactions could be voided as a fraudulent transfer or conveyance if Ensign (a) distributed property with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for such distribution, and one of the following is also true at the time thereof: (1) Ensign was insolvent or rendered insolvent by reason of the Spin-Off or any related transaction, (2) the Spin-Off or any related transaction left Ensign with an unreasonably small amount of capital or assets to carry on the business, or (3) Ensign intended to, or believed that, it would incur debts beyond its ability to pay as they mature.

As a general matter, value is given under U.S. law for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value under U.S. law in connection with a distribution to its stockholders.

We cannot be certain as to the standards a U.S. court would use to determine whether or not Ensign was insolvent at the relevant time. In general, however, a U.S. court would deem an entity insolvent if: (1) the sum of its debts, including contingent and unliquidated liabilities, was greater than the value of its assets, at a fair valuation; (2) the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or (3) it could not pay its debts as they became due.

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If a U.S. court were to find that the Spin-Off was a fraudulent transfer or conveyance, a court could void the Spin-Off, require stockholders to return to Ensign some or all of the shares of common stock distributed in the Spin-Off or require stockholders to pay as money damages an equivalent of the value of the shares of common stock at the time of the Spin-Off. If a U.S. court were to find that the Special Dividend was a fraudulent transfer or conveyance, a court could void the Special Dividend, require stockholders to return to us some or all of the Special Dividend or require stockholders to pay as money damages an equivalent of the value of the Special Dividend. Moreover, stockholders could be required to return any dividends previously paid by us. With respect to any transfers from Ensign to us, if any such transfer was found to be a fraudulent transfer, a court could void the transaction or Ensign could be awarded monetary damages for the difference between the consideration received by Ensign and the fair market value of the transferred property at the time of the Spin-Off.

We are subject to certain continuing operational obligations pursuant to Ensign s 2013 Corporate Integrity Agreement.

As part of compliance with various requirements of federal and private healthcare programs, Ensign and its subsidiaries are required to maintain a corporate compliance program pursuant to a corporate integrity agreement (CIA) that Ensign entered into in October 2013 with the Office of the Inspector General of the U.S. Department of Health and Human Services. Although we are no longer a subsidiary of Ensign, we are subject to certain continuing operational obligations as part of Ensign s compliance program pursuant to the CIA, including certain training in Medicare and Medicaid laws for our employees. Failure to timely comply with the applicable terms of the CIA could result in substantial civil or criminal penalties, which could adversely affect our financial condition and results of operations.

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

We rely on information technology networks and systems, including the internet, to process, transmit and store electronic information, and to manage or support a variety of business processes, including financial transactions and records, and maintaining personal identifying information and tenant and lease data. We purchase some of our information technology from vendors, on whom our systems depend. We rely on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of confidential tenant and customer data, including individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of our information systems and the data maintained in those systems, it is possible that our safety and security measures will not prevent the systems improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. The risk of security breaches has generally increased as the number, intensity and sophistication of attacks have increased. In some cases, it may be difficult to anticipate or immediately detect such incidents and the damage they cause. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could have a materially adverse effect on our business, financial condition and results of operations.

Our assets may be subject to impairment charges.

At each reporting period, we evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based on factors such as market conditions, operator performance and legal structure. If we determine that a significant impairment has occurred, we are required to make an adjustment to the net carrying value of the asset, which could have a material adverse effect on our results of operations in the period in which the write-off occurs.

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

We receive revenue primarily by leasing our assets under leases that are long-term triple-net leases in which the rental rate is generally fixed with annual rent escalations, subject to certain limitations. Almost all of our leases contain escalators contingent on changes in the Consumer Price Index, subject to maximum fixed percentages. If the Consumer Price Index does not increase, our revenues may not increase.

Risks Related to Our Status as a REIT

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

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

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

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

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

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

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

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

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

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

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

The maximum U.S. federal income tax rate applicable to income from qualified dividends payable by U.S. corporations to U.S. stockholders that are individuals, trusts and estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock.

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

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify to be taxed as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code.

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

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

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

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

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

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

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

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Income from certain hedging transactions that we may enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. For taxable years beginning after December 31, 2015, income from new transactions entered into to hedge the income or loss from prior hedging transactions, where the indebtedness or property which was the subject of the prior hedging transaction was extinguished or disposed of, will not constitute gross income for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because the TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in the TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

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

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

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

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

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

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the issuance of the Notes of approximately $294.0 million after deducting the underwriters discounts and commissions and our estimated offering fees and expenses payable by us in connection with this offering of the Notes. We intend to use a portion of the net proceeds from this offering to redeem all of the outstanding 2021 Notes. On May 8, 2017, we issued a conditional notice of optional redemption to redeem all $260.0 million aggregate principal amount outstanding of our 2021 Notes on June 7, 2017 at a redemption price of 102.938% of the principal amount of the outstanding 2021 Notes, subject to the completion of this offering and the deposit of net proceeds from this offering with the trustee of the 2021 Notes in an amount sufficient to pay the redemption price and all accrued and unpaid interest on the 2021 Notes. We will satisfy and discharge our obligations under our 2021 Notes concurrently with the completion of this offering and the deposit of net proceeds from this offering with the trustee of the 2021 Notes in an amount sufficient to pay the redemption price and all accrued and unpaid interest on the 2021 Notes.

We intend to use any remaining net proceeds to repay borrowings outstanding under our Revolving Facility and for general corporate purposes, including acquisitions. We had $27.0 million outstanding under our Revolving Facility as of March 31, 2017. The interest rates applicable to borrowings outstanding under our Revolving Facility are, at our option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum based on the debt to asset value ratio of us and our subsidiaries (subject to decrease at our election if we obtain certain specified investment grade ratings on our senior long term unsecured debt). The Revolving Facility has a maturity date of August 5, 2019 and includes two six-month extension options. See *Description of Other Indebtedness Unsecured Revolving Credit Facility and Term Loan*.

Underwriters and/or their affiliates are lenders under our Revolving Facility and may receive a portion of the net proceeds of this offering pursuant to the repayment of a portion of borrowings outstanding thereunder. See *Underwriting* in this prospectus supplement.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2017:

- on an actual basis; and

- on an as-adjusted basis to reflect this offering and the use of net proceeds therefrom, as described in *Use of Proceeds*.

The following table should be reviewed in conjunction with *Use of Proceeds,* *Summary Summary Consolidated Financial and Other Data*, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, *Description of Other Indebtedness*, and our financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, which are incorporated herein by reference.

	March 31, 2017	
	Actual	As Adjusted[1]
	(in thousands)	
Cash and cash equivalents	$ 1,283	$ 1,283
Long-term debt, including amounts due within one year:		
Senior unsecured notes payable, net (2021 Notes)	$ 255,561	$
Senior unsecured term loan, net	99,445	99,445
Senior unsecured revolving credit facility[2]	27,000	664
Notes offered hereby, net		293,975
Total debt	382,006	394,084
Total equity	557,947	545,869
Total capitalization	$ 939,953	$ 939,953

(1) As adjusted reflects the redemption of all $260.0 million aggregate principal amount outstanding of our 2021 Notes on June 7, 2017 at a redemption price of 102.938% of the principal amount of the outstanding 2021 Notes, but does not give effect to the payment of accrued and unpaid interest on the 2021 Notes.

(2) Our Revolving Facility provides for total available borrowing capacity of up to $400.0 million, subject to a borrowing base calculation. See *Description of Other Indebtedness*.

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RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

The following table sets forth the ratio of earnings to combined fixed charges and preferred stock dividends for CareTrust REIT for each of the periods indicated. You should read this table in conjunction with the consolidated financial statements and notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,	Year Ended December 31,				
	2017	2016	2015	2014(1)	2013(1)	2012(1)
Ratio of earnings to combined fixed charges and preferred stock dividends(2)	2.75x	2.26x	1.40x			1.02x

(1) The ratios for the years ended December 31, 2012 and 2013 are based on the historical financial information of Ensign, the predecessor of CareTrust REIT. The ratio for the year ended December 31, 2014 is based, in part, on the historical financial information of Ensign prior to June 1, 2014, the effective date of the Spin-Off. Earnings were insufficient to cover fixed charges by $272,000 and $8,143,000 for the years ended December 31, 2013 and 2014, respectively.

(2) For the purpose of computing our ratio of earnings to combined fixed charges and preferred stock dividends, earnings is the amount resulting from adding: (a) pre-tax income from continuing operations; and (b) fixed charges. Fixed charges is the amount equal to the sum of: (i) interest expensed and capitalized; (ii) amortization of premiums, discounts and capitalized expenses related to indebtedness; and (iii) an estimate of the interest within rental expense. There were no preferred stock dividends in the years ended December 31, 2012 through December 31, 2016, or in the three months ended March 31, 2017.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth selected financial data and other data for CareTrust REIT on a historical basis. The following data should be read in conjunction with *Management s Discussion and Analysis of Financial Condition and Results of Operations* and our financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017. Our historical operating results may not be comparable to our future operating results. The comparability of the selected financial data presented below is significantly affected by our acquisitions and new investments in 2017, 2016, 2015, and 2014.

The selected historical financial data as of December 31, 2016 and 2015 and for each of the years ended December 31, 2016, 2015 and 2014 has been derived from our audited consolidated and combined financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference into this prospectus supplement. The selected historical financial data as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 has been derived from CareTrust REIT s unaudited condensed consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017, which is incorporated by reference into this prospectus supplement. The selected historical financial data set forth below reflects, for the relevant periods presented, as applicable, the historical financial position, results of operations and cash flows of (i) the SNFs, ALFs and ILFs that Ensign contributed to CareTrust REIT immediately prior to June 1, 2014, the effective date of the Spin-Off, (ii) the operations of the three ILFs that CareTrust REIT operated immediately following the Spin-Off, and (iii) the new investments and financings that we have made after the Spin-Off. Ensign Properties is the predecessor of the CareTrust REIT, and its historical financial statements have been prepared on a carve-out basis from Ensign s consolidated financial statements using the historical results of operations, cash flows, assets and liabilities attributable to such SNFs, ALFs and ILFs, and include allocations of income, expenses, assets and liabilities from Ensign. These allocations reflect significant assumptions. Although CareTrust REIT s management believes such assumptions are reasonable, the historical financial statements do not fully reflect what CareTrust REIT s financial position, results of operations and cash flows would have been had it been a stand-alone company during the periods presented prior to the Spin-Off.

	As of or For the Three Months Ended March 31,		As of or For the Year Ended December 31,		
	2017	2016	2016	2015	2014
	(dollars in thousands, except per share amounts)				
Income statement data:					
Total revenues	$ 30,608	$ 23,629	$ 104,679	$ 74,951	$ 58,897
Income (loss) before provision for income taxes	10,281	5,502	29,353	10,034	(8,143)
Net income (loss)	10,281	5,502	29,353	10,034	(8,143)
Income (loss) before provision for income taxes per share	0.15	0.11	0.52	0.26	(0.36)
Net income (loss) per share	0.15	0.11	0.52	0.26	(0.36)
Balance sheet data:					
Total assets	$ 967,438	$ 743,508	$ 925,358	$ 673,166	$ 475,140
Senior unsecured notes payable, net	255,561	254,495	255,294	254,229	253,165
Senior unsecured term loan, net	99,445	99,361	99,422		
Senior unsecured revolving credit facility	27,000	5,000	95,000	45,000	

Secured mortgage indebtedness, net				94,676	97,608
Total equity	557,947	364,111	452,430	262,288	113,462
Other financial data:					
Dividends declared per common share	$ 0.185	$ 0.17	$ 0.68	$ 0.64	$ 6.01
FFO[(1)]	19,331	12,772	61,483	34,109	14,853
FAD[(1)]	20,356	13,759	65,118	37,831	16,559

(1) We believe that net income, as defined by GAAP, is the most appropriate earnings measure. We also believe that FFO, as defined by the National Association of Real Estate Investment Trusts (NAREIT), and FAD are important non-GAAP supplemental measures of operating performance for a REIT. FFO is defined as

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net income (loss) computed in accordance with GAAP, excluding gains or losses from real estate dispositions, plus real estate related depreciation and amortization and impairment charges. FAD is defined as FFO excluding noncash income and expenses such as amortization of stock-based compensation, amortization of deferred financing costs and the effect of straight-line rent. We believe that the use of FFO and FAD, combined with the required GAAP presentations, improves the understanding of operating results of REITs among investors and makes comparisons of operating results among such companies more meaningful. We consider FFO and FAD to be useful measures for reviewing comparative operating and financial performance because, by excluding gains or losses from real estate dispositions, impairment charges and real estate depreciation and amortization, and, for FAD, by excluding noncash income and expenses such as amortization of stock-based compensation, amortization of deferred financing costs, and the effect of straight line rent, FFO and FAD can help investors compare our operating performance between periods and to other REITs. However, our computation of FFO and FAD may not be comparable to FFO and FAD reported by other REITs that do not define FFO in accordance with the current NAREIT definition or that interpret the current NAREIT definition or define FAD differently than we do. Further, FFO and FAD do not represent cash flows from operations or net income as defined by GAAP and should not be considered an alternative to those measures in evaluating our liquidity or operating performance.

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

	For the Three Months Ended March 31,		For the Year Ended December 31,		
	2017	2016	2016	2015	2014
	(dollars in thousands)				
Net income (loss)	$ 10,281	$ 5,502	$ 29,353	$ 10,034	$ (8,143)
Real estate related depreciation and amortization	9,050	7,270	31,865	24,075	22,996
Loss on sale of real estate			265		
FFO	19,331	12,772	61,483	34,109	14,853
Amortization of deferred financing costs	561	556	2,239	2,200	1,552
Amortization of stock-based compensation	536	431	1,546	1,522	154
Straight-line rental income	(72)		(150)		
FAD	$ 20,356	$ 13,759	$ 65,118	$ 37,831	$ 16,559

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Selected Consolidated Financial and Other Data above and our consolidated and combined financial statements and the notes incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017.

Overview

CareTrust REIT is a self-administered, publicly-traded REIT engaged in the ownership, acquisition and leasing of seniors housing and healthcare-related properties. CareTrust REIT was formed on October 29, 2013, as a wholly owned subsidiary of Ensign with the intent to hold substantially all of Ensign s real estate business. On June 1, 2014, Ensign completed the separation of its real estate business into a separate and independent publicly-traded company by distributing all the outstanding shares of common stock of the Company to Ensign stockholders on a pro rata basis. The Spin-Off was effective from and after June 1, 2014, with shares of our common stock distributed to Ensign stockholders on June 2, 2014. As of March 31, 2017, we owned and leased to independent operators, including Ensign, 158 SNFs, SNF Campuses, ALFs and ILFs which had a total of 15,480 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Nebraska, Nevada, North Carolina, Ohio, Texas, Utah, Virginia, Washington and Wisconsin. We also own and operate three independent living facilities which had a total of 264 units located in Texas and Utah. As of March 31, 2017, we also had three other real estate investments, consisting of $14.0 million of preferred equity investments.

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

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2014. We believe that we have been organized and have operated, and we intend to continue to operate, in a manner to qualify for taxation as a REIT. We operate through an umbrella partnership, commonly referred to as an UPREIT structure, in which substantially all of our properties and assets are held through Operating Partnership. The Operating Partnership is managed by CareTrust REIT s wholly-owned subsidiary, CareTrust GP, LLC, which is the sole general partner of the Operating Partnership. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

Recent Developments

Offerings of Common Stock

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

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

At-The-Market Offering of Common Stock

During 2016, we entered into an equity distribution agreement to issue and sell, from time to time, up to $125.0 million in aggregate offering price of our common stock through an at-the-market equity offering program (the ATM Program). From January 1, 2017 through April 30, 2017, we sold approximately 7.2 million shares of common stock under the ATM Program at an average price of $15.31 per share, resulting in gross proceeds of $109.8 million, before $1.6 million of commissions paid to the sales agents. We used the net proceeds from the sales to repay outstanding borrowings under the Revolving Facility and to finance the Illinois Acquisitions.

Unsecured Revolving Credit Facility and Term Loan

See *Description of Other Indebtedness* below for a description of our unsecured credit facility, which we entered into in August 2015 and amended in February 2016. We used approximately $95.0 million of proceeds from the $100.0 million non-amortizing unsecured term loan funded in February 2016 to pay off and terminate our secured mortgage indebtedness with General Electric Capital Corporation (the GECC Loan).

Recent Acquisitions

On December 1, 2016, we acquired three skilled nursing facilities and one skilled nursing campus, consisting of 540 skilled nursing beds and 28 assisted living units, located in the greater Dallas-Fort Worth area of Texas for a purchase price of $95.9 million, inclusive of transaction costs. In connection with the acquisitions, we entered into a new tenant relationship with affiliates of Priority Management Group, LLC, which took over operations effective December 1, 2016. The Texas Acquisitions are expected to generate additional annual cash rent of $8.6 million, resulting in an initial cash yield of 8.9%. The Texas Acquisitions were funded by cash on hand and borrowings under our Revolving Facility.

From January 1, 2017 through April 30, 2017, we acquired seven properties, comprising two ALFs and five SNFs for approximately $55.3 million inclusive of capitalized transaction costs.

Recent Disposition

In December 2016, we sold one non-operating skilled nursing facility in Texas for $2.9 million, resulting in net sales proceeds of $2.9 million and a loss on sale of real estate of $0.3 million. The sold facility was previously subject to one of the Ensign Master Leases, and the master rent thereunder remained unchanged after the sale.

Lease Amendment

On March 21, 2017, we entered into a third lease amendment with affiliates of Pristine and a second guaranty amendment with Pristine, its sole principal and one of its subsidiaries. Under the third lease

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amendment, we initiated, and partially pre-fund from time to time, a landlord-managed impound account from which we pay certain property taxes and franchise permit fees related to the properties Pristine net leases from us, and into which Pristine makes scheduled deposits. We were also granted security interests in the membership interests of Pristine and its subsidiaries as additional collateral securing the performance of the tenant s obligations under the Pristine Master Lease. As of March 31, 2017, approximately $2.2 million of property taxes and franchise permit fees related to our properties net-leased to Pristine had been paid from the impound account. Under the second guaranty amendment, a subsidiary of Pristine was added as an additional guarantor (together with Pristine and its sole principal) of the tenants obligations under the Pristine Master Lease. Consistent with our practices, we obtain monthly financial and operational information from Pristine that we review to monitor the ability of Pristine and its affiliates to meet their obligations to us under the Pristine Master Lease and related guaranties. Based on information we have received, we expect that Pristine and its affiliates will be able to satisfy their rental obligations to us under the Pristine Master Lease.

Results of Operations

Basis of Presentation

Prior to the Spin-Off, the combined financial statements were prepared on a stand-alone basis and were derived from the accounting records of Ensign (which are not included in this report). These statements reflect the combined historical financial condition and results of operations of the carve-out business of the entities that own the SNFs, ALFs and ILFs that we own, and the operations of the three ILFs that we operate, in accordance with GAAP. Subsequent to the Spin-Off, the financial statements were prepared on a consolidated basis as the entities that own the properties are now wholly owned subsidiaries of the CareTrust REIT. All intercompany transactions and accounts have been eliminated.

Operating Results

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

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016:

	Three Months Ended March 31, 2017	2016	Increase (Decrease)	Percentage Difference
	(dollars in thousands)			
Revenues:				
Rental income	$ 27,339	$ 20,897	$ 6,442	31%
Tenant reimbursements	2,321	1,797	524	29%
Independent living facilities	793	681	112	16%
Interest and other income	155	254	(99)	(39)%
Expenses:				
Depreciation and amortization	9,076	7,293	1,783	24%
Interest expense	5,879	6,187	(308)	(5)%
Property taxes	2,321	1,797	524	29%
Independent living facilities	661	620	41	7%
General and administrative	2,390	2,230	160	7%

Rental income. Rental income was $27.3 million for the three months ended March 31, 2017 compared to $20.9 million for the three months ended March 31, 2016. The $6.4 million or 31% increase in rental income is primarily due to $6.3 million from investments made after January 1, 2016 and $0.1 million from increases in rental rates for our existing tenants.

Independent living facilities. Revenues from our three ILFs that we own and operate were $793,000 for the three months ended March 31, 2017 compared to $681,000 for the three months ended March 31, 2016. The $112,000 or 16% increase was primarily due to increased occupancy at the facilities and a higher average rental rate per unit. Expenses were $661,000 for the three months ended March 31, 2017 compared to $620,000 for the three months ended March 31, 2016. The $41,000 or 7% increase was primarily due to the increased occupancy.

Interest and other income. Interest and other income decreased $99,000 for the three months ended March 31, 2017 to $155,000 compared to $254,000 for the three months ended March 31, 2016. The net decrease was due to the cessation of accruing interest on one preferred equity investment after April 1, 2016 slightly offset by two new preferred equity investments that closed in September 2016.

Depreciation and amortization. Depreciation and amortization expense increased $1.8 million or 24% for the three months ended March 31, 2017 to $9.1 million compared to $7.3 million for the three months ended March 31, 2016. The $1.8 million increase in depreciation and amortization was due to new investments made after April 1, 2016.

Interest expense. Interest expense decreased $0.3 million or 5% for the three months ended March 31, 2017 to $5.9 million compared to $6.2 million for the three months ended March 31, 2016. The decrease was due primarily to lower interest expense of $0.2 million resulting from the pay off in 2016 of the GECC Loan with the Term Loan and a $0.3 million write-off of deferred financing fees in 2016 associated with the payoff and termination of the GECC Loan, partially offset by an increase of $0.2 million from greater borrowings under our Credit Facility.

General and administrative expense. General and administrative expense increased $0.2 million for the three months ended March 31, 2017 to $2.4 million compared to $2.2 million for the three months ended March 31, 2016. The $0.2 million increase is primarily related to higher amortization of stock-based compensation and professional fees.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

	Year Ended December 31,		**Increase**	**Percentage**
	2016	**2015**	**(Decrease)**	**Difference**
	(dollars in thousands)			
Revenues:				
Rental income	$ 93,126	$ 65,979	$ 27,147	41%
Tenant reimbursements	7,846	5,497	2,349	43%
Independent living facilities	2,970	2,510	460	18%
Interest and other income	737	965	(228)	(24)%
Expenses:				
Depreciation and amortization	31,965	24,133	7,832	32%
Interest expense	23,199	25,256	(2,057)	(8)%
Property taxes	7,846	5,497	2,349	43%
Acquisition costs	205		205	*
Independent living facilities	2,549	2,376	173	7%
General and administrative	9,297	7,655	1,642	21%

* Not meaningful

Rental income. Rental income was $93.1 million for the year ended December 31, 2016 compared to $66.0 million for the year ended December 31, 2015. The $27.1 million increase in rental income is due primarily to $26.9 million from new investments made after January 1, 2015, and $0.3 million from increases in rental rates on existing tenants.

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Independent living facilities. Revenues from our three ILFs that we own and operate were $3.0 million for the year ended December 31, 2016 compared to $2.5 million for the year ended December 31, 2015. The $0.5 million increase was due primarily to more units being available for lease and rented in 2016. Expenses were $2.5 million for the year ended December 31, 2016 compared to $2.4 million for the year ended December 31, 2015. The $0.1 million increase was due to higher costs associated with the incremental newly leased units.

Interest and other income. Interest and other income decreased $0.2 million for the year ended December 31, 2016 to $0.7 million compared to $1.0 million for the year ended December 31, 2015. The net decrease was due to the cessation of accruing interest on one preferred equity investment slightly offset by two new preferred equity investments that closed during the three months ended September 30, 2016.

Depreciation and amortization. Depreciation and amortization expense increased $7.8 million, or 32%, for the year ended December 31, 2016 to $32.0 million compared to $24.1 million for the year ended December 31, 2015. The $7.8 million increase was primarily due to new investments made after January 1, 2015.

Interest expense. Interest expense decreased $2.1 million, or 8%, for the year ended December 31, 2016 to $23.2 million compared to $25.3 million for the year ended December 31, 2015. The decrease was due primarily to lower interest expense of $4.9 million resulting from the pay off of the GECC Loan with the unsecured term loan, a $1.2 million write-off of deferred financing fees associated with the payoff and termination of our senior secured revolving credit facility and $0.7 million related to our former secured revolving credit facility, partially offset by an increase in interest expense of $2.3 million from our unsecured term loan, $1.4 million from greater borrowings under our unsecured revolving credit facility, $0.8 million related to amortization of deferred financing fees and a $0.3 million write-off of deferred financing fees associated with the payoff and termination of the GECC Loan.

General and administrative expense. General and administrative expense increased $1.6 million for the year ended December 31, 2016 to $9.3 million compared to $7.7 million for the year ended December 31, 2015. The $1.6 million increase is primarily related to higher cash wages including increased staffing of $0.9 million, higher professional fees of $0.4 million and higher state and local taxes of $0.4 million.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

	Year Ended December 31, 2015	2014	Increase (Decrease)	Percentage Difference
		(dollars in thousands)		
Revenues:				
Rental income	$ 65,979	$ 51,367	$ 14,612	28%
Tenant reimbursements	5,497	4,956	541	11%
Independent living facilities	2,510	2,519	(9)	%
Interest and other income	965	55	910	1,655%
Expenses:				
Depreciation and amortization	24,133	23,000	1,133	5%
Interest expense	25,256	21,622	3,634	17%
Loss on extinguishment of debt		4,067	(4,067)	(100)%
Property taxes	5,497	4,956	541	11%
Acquisition costs		47	(47	(100)%
Independent living facilities	2,376	2,243	133	6%

General and administrative	7,655	11,105	(3,450)	(31)%

Rental income. Rental income was $66.0 million for the year ended December 31, 2015 compared to $51.4 million for the year ended December 31, 2014. The $14.6 million increase in rental income is due primarily to $4.8 million of new incremental rent in place after the Spin-Off and $9.8 million from new investments made after October 1, 2014.

Independent living facilities. Revenues from our three ILFs that we own and operate were $2.5 million for the year ended December 31, 2015 compared to $2.5 million for the year ended December 31, 2014. Occupancy and average monthly rates stayed constant. Expenses were $2.4 million for the year ended December 31, 2015 compared to $2.2 million for the year ended December 31, 2014. The $0.1 million increase was due to higher costs associated with operating the facilities.

Interest and other income. Interest and other income increased $0.9 million for the year ended December 31, 2015 to $1.0 million compared to $0.1 million for the year ended December 31, 2014. The increase was due to the preferred equity investment made in December 2014.

Depreciation and amortization. Depreciation and amortization expense increased $1.1 million or 5% for the year ended December 31, 2015 to $24.1 million compared to $23.0 million for the year ended December 31, 2014. The $1.1 million increase was primarily due to new investments made after October 1, 2014 offset by certain assets which were not transferred to the CareTrust REIT in connection with the Spin-Off.

Interest expense. Interest expense increased $3.6 million or 17% for the year ended December 31, 2015 to $25.3 million compared to $21.6 million for the year ended December 31, 2014. The increase was due to higher net borrowings after the Spin-Off and a $1.2 million write-off of deferred financing fees associated with the payoff and termination of our senior secured revolving credit facility, offset by a $1.7 million loss on the settlement of an interest rate swap in 2014.

General and administrative expense. General and administrative expense decreased $3.5 million for the year ended December 31, 2015 to $7.7 million compared to $11.1 million for the year ended December 31, 2014. The $3.5 million decrease is primarily related to decreases in legal and other costs related to the Spin-Off, offset by higher wages and amortization of stock-based compensation.

Liquidity and Capital Resources

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

During the year ended December 31, 2016, we issued 16.11 million shares of our common stock for net proceeds of $186.7 million and refinanced our Credit Agreement (as defined below), including entering into a new $100.0 million term loan and using approximately $95.0 million of the proceeds to pay off and terminate our then-existing mortgage notes payable. As of March 31, 2017, there was $27.0 million outstanding under the Credit Facility. See Note 7, *Debt*, and Note 8, *Equity*, in the Notes to Consolidated and Combined Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 incorporated by reference herein for additional information. We believe that our available cash, expected operating cash flows and the availability under our Credit Facility will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend requirements for at least the next twelve months.

On May 13, 2016, we commenced the ATM Program. Pursuant to the ATM Program, sales of shares of our common stock, if any, will be made through the sales agents acting as agent and, subject to certain conditions, may be made through the sales agents acting as principal, and will be made by means of ordinary brokers transactions on the NASDAQ Global Select Market or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. Prior to July 1, 2016, we had not sold any common stock under the ATM Program. During the year ended December 31, 2016, we sold 0.9 million shares of our common stock under the ATM Program at an average price of $15.31 per share resulting in gross proceeds of $14.1 million, before $0.2 million of commissions paid to the sales agents. During the three months ended

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March 31, 2017, we sold 7,174,587 shares of common stock at an average price of $15.31 per share for $109.8 million in gross proceeds before $1.6 million of commissions paid to the sales agents. At March 31, 2017, we had approximately $1.0 million available for future issuances under the ATM Program.

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

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

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

Cash Flows

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
	(dollars in thousands)	
Net cash provided by operating activities	$ 20,166	$ 14,994
Net cash used in investing activities	(55,474)	(83,774)
Net cash provided by financing activities	29,091	61,976
Net decrease in cash and cash equivalents	(6,217)	(6,804)
Cash and cash equivalents at beginning of period	7,500	11,467
Cash and cash equivalents at end of period	$ 1,283	$ 4,663

Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

Net cash provided by operating activities for the three months ended March 31, 2017 was $20.2 million compared to $15.0 million for the three months ended March 31, 2016, an increase of $5.2 million. The increase was primarily due to an increase in net income of $4.8 million and noncash income and expenses of $1.6 million, partially offset by a

$1.2 million change in operating assets and liabilities.

Net cash used in investing activities for the three months ended March 31, 2017 was $55.5 million compared to $83.8 million for the three months ended March 31, 2016, a decrease of $28.3 million. The decrease was primarily the result of a $13.4 million decrease in acquisitions and a $15.0 million decrease in escrow deposits, partially offset by an increase of $0.1 million of purchases of furniture, fixtures and equipment.

Net cash provided by financing activities for the three months ended March 31, 2017 was $29.1 million compared to $62.0 million for the three months ended March 31, 2016, a decrease of $32.9 million. This decrease was due to lower borrowings of $107.0 million under the Credit Facility and an increase in dividends paid of $3.4 million, partially offset by lower payments of debt of $74.0 million, greater net proceeds of $2.1 million from common stock offerings and lower deferred financing costs of $1.3 million.

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

	Year Ended December 31,		
	2016	2015	2014
	(dollars in thousands)		
Net cash provided by operating activities	$ 64,431	$ 40,254	$ 21,906
Net cash used in investing activities	(284,642)	(234,649)	(53,596)
Net cash provided by financing activities	216,244	180,542	56,115
Net (decrease) increase in cash and cash equivalents	(3,967	(13,853	24,425
Cash and cash equivalents at beginning of period	11,467	25,320	895
Cash and cash equivalents at end of period	$ 7,500	$ 11,467	$ 25,320

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Net cash provided by operating activities for the year ended December 31, 2016 was $64.4 million compared to $40.3 million for the year ended December 31, 2015, an increase of $24.2 million. The increase was primarily due to an increase in net income of $19.3 million and noncash income and expenses of $7.4 million partially offset by a $2.5 million change in operating assets and liabilities.

Net cash used in investing activities for the year ended December 31, 2016 was $284.6 million compared to $234.6 million for the year ended December 31, 2015, an increase of $50.0 million. The increase was primarily due to greater investments in real estate, preferred equity investments and improvements to our real estate partially offset by greater net proceeds from the disposition of real estate, lower purchases of furniture, fixtures and equipment and lower escrow deposits in connection with acquisitions.

Net cash provided by financing activities for the year ended December 31, 2016 was $216.2 million compared to $180.5 million for the year ended December 31, 2015, an increase of $35.7 million. This increase was primarily due to greater net proceeds of $37.4 million from our offerings of common stock in 2016, $13.2 million in greater net debt issuances, and $1.0 million in lower deferred financing fees partially offset by $15.5 million in higher dividends paid and $0.4 million in higher net settlements of restricted stock.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Net cash provided by operating activities for the year ended December 31, 2015 was $40.3 million compared to $21.9 million for the year ended December 31, 2014, an increase of $18.3 million. The increase was primarily due to net income in 2015 compared to a net loss in 2014 totaling $17.9 million, including noncash charges, and a net increase in operating assets and liabilities of $0.4 million.

Net cash used in investing activities for the year ended December 31, 2015 was $234.6 million compared to $53.6 million for the year ended December 31, 2014, an increase of $181.1 million. The increase was primarily due to greater investments in real estate in 2015 compared to 2014 offset by lesser purchases of furniture, fixtures and equipment in 2015 compared to 2014 and no preferred equity investments made in 2015.

Net cash provided by financing activities for the year ended December 31, 2015 was $180.5 million compared to $56.1 million for the year ended December 31, 2014, an increase of $124.4 million. This increase was primarily due to net proceeds of $163.0 million from our offering of common stock, $184.3 million in lower payments on debt, $11.2 million in lower dividends paid, and $11.1 million in lower deferred financing fees, offset by lower net borrowings in 2015 of $240.7 million and no net contributions from Ensign in 2015.

Indebtedness

Credit Facility

For a description of our Credit Facility, see *Description of Other Indebtedness*.

Senior Unsecured Notes

On May 30, 2014, the Issuers completed a private offering of $260.0 million aggregate principal amount of 2021 Notes. The 2021 Notes were issued at par, resulting in gross proceeds of $260.0 million and net proceeds of approximately $253.0 million after deducting underwriting fees and other offering expenses. We transferred approximately $220.8 million of the net proceeds of the offering of the 2021 Notes to Ensign, and used the remaining net proceeds of the offering to pay the cash portion of the Special Dividend. The 2021 Notes mature on June 1, 2021 and bear interest at a rate of 5.875% per year. Interest on the 2021 Notes is payable on June 1 and December 1 of each year, beginning on December 1, 2014. The Issuers subsequently exchanged the 2021 Notes for substantially identical notes registered under the Securities Act of 1933.

The Issuers may redeem the 2021 Notes any time before June 1, 2017 at a redemption price of 100% of the principal amount of the 2021 Notes redeemed plus accrued and unpaid interest on the 2021 Notes, if any, to, but not including, the redemption date, plus a make whole premium described in the indenture governing the 2021 Notes and, at any time on or after June 1, 2017, at the redemption prices set forth in the indenture. At any time on or before June 1, 2017, up to 35% of the aggregate principal amount of the 2021 Notes may be redeemed with the net proceeds of certain equity offerings if at least 65% of the originally issued aggregate principal amount of the 2021 Notes remains outstanding. If certain changes of control of CareTrust REIT occur, holders of the 2021 Notes will have the right to require the Issuers to repurchase their 2021 Notes at 101% of the principal amount plus accrued and unpaid interest, if any, to, but not including, the repurchase date.

The obligations under the 2021 Notes are fully and unconditionally guaranteed, jointly and severally, on an unsecured basis, by CareTrust REIT and certain of CareTrust REIT s wholly owned existing and, subject to certain exceptions, future material subsidiaries (other than the 2021 Notes Issuers); provided, however, that such guarantees are subject to automatic release under certain customary circumstances, including if the subsidiary guarantor is sold or sells all or substantially all of its assets, the subsidiary guarantor is designated unrestricted for covenant purposes under the indenture, the subsidiary guarantor s guarantee of other indebtedness which resulted in the creation of the guarantee of the 2021 Notes is terminated or released, or the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied.

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

As of March 31, 2017, we were in compliance with all applicable financial covenants under the indenture. On May 8, 2017, we issued a conditional notice of optional redemption to redeem all $260.0 million aggregate principal amount outstanding of our 2021 Notes on June 7, 2017 at a redemption price of 102.938% of the

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principal amount of the outstanding 2021 Notes, subject to the completion of this offering and the deposit of proceeds from this offering with the trustee of the 2021 Notes in an amount sufficient to pay the redemption price and all accrued and unpaid interest on the 2021 Notes.

General Electric Capital Corporation Loan

Ten of our properties were subject to secured mortgage indebtedness under the GECC Loan, which we assumed in connection with the Spin-Off. As of February 1, 2016, in connection with the Amendment, the GECC Loan was paid off and terminated as part of the GECC Refinancing.

Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of March 31, 2017 (in thousands):

		Payments Due by Period			
	Total	Less than 1 Year	1 Year to Less than 3 Years	3 Years to Less than 5 Years	More than 5 years
Senior unsecured notes payable[(1)]	$ 328,738	$ 15,275	$ 30,550	$ 282,913	$
Senior unsecured term loan[(2)]	117,365	2,973	5,954	5,946	102,492
Unsecured revolving credit facility[(3)]	30,971	1,693	29,278		
Operating lease	397	134	263		
Total	$ 477,471	$ 20,075	$ 66,045	$ 288,859	$ 102,492

(1) Amounts include interest payments of $68.7 million.
(2) Amounts include interest payments of $17.4 million.
(3) The unsecured revolving credit facility includes payments related to the unused credit facility fee due on the amount of unused borrowings and assumes principal outstanding and interest rates in effect as of March 31, 2017.

Capital Expenditures

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

Critical Accounting Policies

Basis of Presentation. The accompanying consolidated and combined financial statements of the Company reflect, for all periods presented, the historical financial position, results of operations and cash flows of (i) the SNFs, SNF Campuses, ALFs and ILFs that Ensign contributed to us immediately prior to the Spin-Off, (ii) the operations of the three ILFs that we operated immediately following the Spin-Off, and (iii) the new investments that we have made after the Spin-Off. Our financial statements, prior to the Spin-Off, have been prepared on a carve-out basis from Ensign s consolidated financial statements using the historical results of operations, cash flows, assets and liabilities attributable to such SNFs, SNF Campuses, ALFs and ILFs.

The combined statements of operations, prior to the Spin-Off, reflect allocations of general corporate expenses from Ensign including, but not limited to, executive management, finance, legal, information technology, human resources, employee benefits administration, treasury, risk management, procurement, and other shared services. See Note 6, *Related Party Transactions* in the Notes to Consolidated and Combined Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 incorporated by reference herein for additional information.

However, the consolidated and combined financial statements herein do not necessarily reflect what our financial position, results of operations or cash flows would have been if the Company had been a stand-alone company during the pre-Spin-Off periods presented. As a result, historical financial information is not necessarily indicative of our future results of operations, financial position or cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

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

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payable, deferred financing costs are netted against the outstanding debt amounts on the balance sheet. For our Credit Facility, deferred financing costs are included in assets on our balance sheet.

Revenue Recognition. We recognize rental revenue, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, if any, from tenants under lease arrangements with minimum fixed and determinable increases on a straight-line basis over the non-cancellable term of the related leases when collectability is reasonably assured. Tenant recoveries related to the reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the expenses are incurred and presented gross if we are the primary obligor and, with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and bear the associated credit risk. For the years ended December 31, 2016, 2015 and 2014, such tenant reimbursement revenues consist of real estate taxes. Contingent revenue, if any, is not recognized until all possible contingencies have been eliminated.

We evaluate the collectability of rents and other receivables on a regular basis based on factors including, among others, payment history, the operations, the asset type and current economic conditions. If our evaluation of these factors indicates we may not recover the full value of the receivable, we provide a reserve against the portion of the receivable that we estimate may not be recovered. This analysis requires us to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. We did not reserve any receivables as of December 31, 2016 and 2015.

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

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

In connection with our intention to qualify as a REIT in 2014, on October 17, 2014, our board of directors declared a special dividend of $132.0 million, or approximately $5.88 per common share, which represented the amount of accumulated E&P allocated to us as a result of the Spin-Off. The Special Dividend was intended to purge us of accumulated E&P attributable to the period prior to our first taxable year as a REIT. The Special Dividend was paid on December 10, 2014, to stockholders of record as of October 31, 2014, in a combination of both cash and stock. The cash portion totaled $33.0 million and the stock portion totaled $99.0 million. We issued 8,974,249 shares of common stock in connection with the stock portion of the Special Dividend.

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

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See Note 2, *Summary of Significant Accounting Policies* in the Notes to Consolidated and Combined Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 incorporated by reference herein for information concerning recently issued accounting standards.

Impact of Inflation

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

Off-Balance Sheet Arrangements

None.

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MANAGEMENT

Directors

The following table sets forth information concerning our directors as of March 15, 2017:

Name	Position with the Company	Age	Director Since
Allen C. Barbieri	Director, Nominating and Corporate Governance Committee Chairman	58	2015
Jon D. Kline	Director, Audit Committee Chairman	50	2014
David G. Lindahl	Director, Compensation Committee Chairman	57	2014
Spencer G. Plumb	Director	42	2017
Gregory K. Stapley	Chairman, President and Chief Executive Officer	57	2013

Allen C. Barbieri has served as a member of our Board of Directors since his appointment to the Board in 2015. Mr. Barbieri currently serves as the Chairman and Chief Executive Officer of Biosynthetic Technologies, LLC, and has served in this role since December 2009. Prior to this, Mr. Barbieri served on the Board of Directors and as Chief Executive Officer of Lancer Orthodontics, Inc. from April 2004 to June 2008. From 1999 to April 2004, Mr. Barbieri was semi-retired while serving as a director on several boards of directors of private companies. Mr. Barbieri has been a director of Biomerica, Inc. since 1999. From 1998 to 1999, Mr. Barbieri served as President and Chief Financial Officer of BUY.COM, a large internet retailer financed with over $200 million in venture capital. From 1994 to 1998, Mr. Barbieri served as the President and Chief Executive Officer of Pacific National Bank, a commercial bank that was sold to US Bank in 1998. While at Pacific National Bank, Mr. Barbieri served as the Chief Executive Officer of Alta Residential Mortgage Trust, a mortgage REIT, whose largest stockholder and cofounder was Lehman Brothers. Prior to that, Mr. Barbieri served as President of Capital Bancorp, a commercial bank holding company, Chief Financial Officer of First Federal Bank, and as an Investment Banking Associate of Merrill Lynch Capital Markets in New York. Mr. Barbieri holds a Bachelor s Degree in Business Management from Brigham Young University and an MBA from the Massachusetts Institute of Technology, Sloan School of Management. Mr. Barbieri s leadership experience, his extensive management experience, financial markets experience, general financial knowledge and his executive leadership experience in a REIT qualify him to serve on our Board of Directors.

Jon D. Kline has served as a member of our Board of Directors since his appointment to the Board in 2014. Mr. Kline is the Founder and Chief Executive Officer of Clearview Hotel Capital, LLC, a privately-held hotel investment and advisory company focused on acquiring and asset-managing hotels in urban and unique locations. Mr. Kline founded Clearview Hotel Capital in 2007. He previously served as President and Chief Financial Officer of Sunstone Hotel Investors, Inc. (NYSE:SHO). Prior to Sunstone, Mr. Kline oversaw the U.S. hospitality and leisure investment banking practice at Merrill Lynch & Co., with responsibility for lodging, gaming, restaurants and other leisure industries. Prior to Merrill Lynch, Mr. Kline was a real estate investment banker at Smith Barney, focused on lodging and other real estate asset classes. Prior to Smith Barney, Mr. Kline was an attorney with Sullivan & Cromwell LLP. Mr. Kline holds a B.A. in Economics from Emory University and a J.D. from New York University School of Law. Mr. Kline s executive leadership experience in a publicly-traded REIT, his professional and educational background, his network of relationships with real estate professionals and his extensive background and experience in public markets and in real estate and finance transactions qualify him to serve on the Board.

David G. Lindahl has served as a member of our Board of Directors since his appointment to the Board in 2014. Mr. Lindahl is a partner and Managing Director of HPSI, Inc. (HPSI), a nationwide Group Purchasing Organization with operations serving over 10,000 hospitals, post-acute care providers, educational, hospitality and institutional clients, which collectively purchase over $1 billion of goods and services through HPSI each year. He has been affiliated with HPSI in various capacities since 1981. During a portion of that time, he also served as President of HPSI affiliate The Home Place, an operating pediatric sub-acute facility. Mr. Lindahl s

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executive leadership experience in the healthcare industry, his entrepreneurship and creativity, and his network of relationships with healthcare operators and their trade associations across the United States, particularly the many smaller hospital systems and post-acute providers which constitute much of our target client base, qualify him to serve on the Board.

Spencer G. Plumb has served as a member of our Board of Directors since his appointment to the Board in 2017. Mr. Plumb serves as President and Chief Executive Officer of Sabin Holdings, LLC, a global real estate platform launched in 2016. Prior to Sabin Holdings, LLC, Mr. Plumb co-founded Excel Trust, Inc. (formerly NYSE:EXL) in 2009 and served as its President and Chief Operating Officer and as a member of its Board of Directors. Excel Trust, Inc. was acquired and taken private by Blackstone Property Partners in July 2015. In addition, Mr. Plumb has held various positions over his career with other public and private companies, including Excel Realty Holdings, Price Legacy Corporation, Excel Legacy Corporation, New Plan Excel Realty Trust, Excel Realty Trust, and Excel Interfinancial Corporation. Mr. Plumb also serves on the investment committee of The Sabin Children s Foundation, whose mission is to relieve the distress of children around the world. Mr. Plumb received a Bachelor of Arts in Economics from Brigham Young University. Mr. Plumb s leadership experience, his executive leadership experience in a REIT, and general real estate and REIT background qualify him to serve on our Board of Directors.

Gregory K. Stapley has served as a member of our Board of Directors since the formation of CareTrust REIT in 2013. Mr. Stapley is our Chairman, President and Chief Executive Officer. He has served as President and Chief Executive Officer since our inception in 2013 and was elected Chairman following the Spin-Off. Prior to joining CareTrust REIT, he served as Executive Vice President and Secretary of Ensign, the company from which CareTrust REIT was spun off in 2014, where he was instrumental in assembling the real estate portfolio that was transferred to CareTrust REIT in the Spin-Off. A co-founder of Ensign, he also served as Ensign s Vice President, General Counsel and Assistant Secretary beginning shortly after Ensign s founding in 1999. Mr. Stapley previously served as General Counsel for the Sedgwick Companies, an Orange County-based manufacturer, wholesaler and retailer with 192 retail outlets across the United States. Prior to that, Mr. Stapley was a member of the Phoenix law firm of Jennings, Strouss & Salmon PLC, where his practice emphasized real estate and business transactions and government relations. Having served as Executive Vice President of Ensign since 2009 and as Vice President and General Counsel of Ensign from 1999 to 2009, Mr. Stapley brings to the Board extensive management experience, critical knowledge of our properties, substantial industry contacts and knowledge and understanding of the healthcare business in general.

Executive Officers

The following table presents information regarding our current executive officers. The information is current as of March 15, 2017:

Name	Age	Position
Gregory K. Stapley	57	Chairman, President and Chief Executive Officer
William M. Wagner	51	Chief Financial Officer and Treasurer
David M. Sedgwick	41	Vice President of Operations

Information on the business background of Gregory K. Stapley is set forth above under *Directors*.

William M. Wagner has served as our Chief Financial Officer and Treasurer since December 2013 and also serves as our principal accounting officer. Mr. Wagner previously served as our Secretary from December 2013 to October 2016. Mr. Wagner served as Chief Financial Officer of First Team Real Estate, a private real estate brokerage company, from 2012 to 2013. From 2008 to 2012, Mr. Wagner served as Senior Vice President and Chief Accounting

Officer of Nationwide Health Properties, Inc., a healthcare REIT. From 2004 to 2008, Mr. Wagner served as Senior Vice President and Chief Accounting Officer of Sunstone Hotel Investors, Inc., a lodging REIT. From 2001 to 2004, Mr. Wagner served as Vice President, Financial Reporting of The TriZetto

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Group, Inc. From 1999 to 2001, Mr. Wagner worked for two internet start-up ventures. From 1997 to 1999, Mr. Wagner served as Director, Financial Reporting of Irvine Apartment Communities, Inc., a multifamily REIT. From 1990 to 1997, Mr. Wagner worked for EY Kenneth Leventhal Real Estate Group and served real estate clients including several REITs. Mr. Wagner received a B.A. degree in Business Administration from the University of Washington and is a Certified Public Accountant (inactive) in the State of California.

David M. Sedgwick has served as our Vice President of Operations since May 2014. He is a licensed nursing home administrator and, prior to joining CareTrust REIT, served in several key leadership roles at Ensign since 2001. During 2013, he operated Ensign s newly-built Medicare-only SNF in Denver, Colorado, and simultaneously supported all of Ensign s skilled nursing operations in Colorado. During 2012, he served as President of Ensign s Maryland-based urgent care franchise venture, Doctors Express. From 2007 to 2012, Mr. Sedgwick served as Ensign s Chief Human Capital Officer, with responsibility for recruiting and training more than 100 licensed nursing home administrators and directing Ensign University, which included Ensign s administrator training program. From 2002 to 2007, he operated three Ensign SNFs in two states. Mr. Sedgwick holds a B.S. in Accounting from Brigham Young University and an M.B.A. from the University of Southern California. Mr. Sedgwick is Mr. Stapley s brother-in-law.

DESCRIPTION OF OTHER INDEBTEDNESS

Unsecured Revolving Credit Facility and Term Loan

On August 5, 2015, CareTrust REIT, CareTrust GP, LLC, the Operating Partnership, as the borrower, and certain of its wholly owned subsidiaries entered into a credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the Credit Agreement). The Credit Agreement initially provided for an unsecured asset-based revolving credit facility with commitments in an aggregate principal amount of $300.0 million from a syndicate of banks and other financial institutions, and an accordion feature that allows the Operating Partnership to increase the borrowing availability by up to an additional $200.0 million. A portion of the proceeds of the Revolving Facility were used to pay off and terminate our prior secured asset-based revolving credit facility under a credit agreement dated May 30, 2014, with SunTrust Bank, as administrative agent, and the lenders party thereto.

On February 1, 2016, CareTrust REIT, CareTrust GP, LLC, the Operating Partnership, as the borrower, and certain of its wholly owned subsidiaries entered into the First Amendment (the Amendment) to the Credit Agreement. Pursuant to the Amendment, (i) commitments in respect of the Credit Facility were increased by $100.0 million to $400.0 million total, (ii) a new $100.0 million non-amortizing unsecured term loan was funded and (iii) the uncommitted incremental facility was increased by $50.0 million to $250.0 million. Approximately $95.0 million of the proceeds of the Term Loan were used to pay off and terminate the GECC Loan.

As of December 31, 2016 and March 31, 2017, there was $95.0 million and $27.0 million, respectively, outstanding under the Revolving Facility.

The Revolving Facility has a maturity date of August 5, 2019 and includes two six-month extension options. The Term Loan, which matures on February 1, 2023, may be prepaid at any time subject to a 1% premium if prepaid on or before February 1, 2018.

The Credit Agreement initially provided that, subject to customary conditions, including obtaining lender commitments and pro forma compliance with financial maintenance covenants under the Credit Agreement, the Operating Partnership may seek to increase the aggregate principal amount of the revolving commitments and/or establish one or more new tranches of incremental revolving or term loans under the Credit Facility in an aggregate amount not to exceed $200.0 million. Pursuant to the Amendment, the uncommitted incremental facility was increased by $50.0 million to $250.0 million effective February 1, 2016. We do not currently have any commitments for such increased loans.

The interest rates applicable to loans under the Revolving Facility are, at our option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum based on the debt to asset value ratio of CareTrust REIT and its subsidiaries (subject to decrease at our election if we obtain certain specified investment grade ratings on our senior long term unsecured debt). Pursuant to the Amendment, the interest rates applicable to the Term Loan are, at our option, equal to a base rate plus a margin ranging from 0.95% to 1.60% per annum or applicable LIBOR plus a margin ranging from 1.95% to 2.60% per annum based on the debt to asset value ratio of CareTrust REIT and its subsidiaries (subject to decrease at our election if we obtain certain specified investment grade ratings on our senior long term unsecured debt).

In addition, we pay a commitment fee on the unused portion of the commitments under the Revolving Facility of 0.15% or 0.25% per annum, based upon usage of the Revolving Facility (unless we obtain certain specified investment grade ratings on our senior long term unsecured debt and elect to decrease the applicable margin as described above, in which case we will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based upon the credit ratings of our senior long term unsecured debt).

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The Credit Facility is guaranteed, jointly and severally, by CareTrust REIT and its wholly owned subsidiaries that are party to the Credit Agreement (other than the Operating Partnership). The Credit Agreement contains customary covenants that, among other things, restrict, subject to certain exceptions, the ability of CareTrust REIT and its subsidiaries to grant liens on their assets, incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, amend certain material agreements and pay certain dividends and other restricted payments. The Credit Agreement requires the us to comply with financial maintenance covenants to be tested quarterly, consisting of a maximum debt to asset value ratio, a minimum fixed charge coverage ratio, a minimum tangible net worth, a maximum cash distributions to operating income ratio, a maximum secured debt to asset value ratio and a maximum secured recourse debt to asset value ratio. The Credit Agreement also contains certain customary events of default, including that CareTrust REIT is required to operate in conformity with the requirements for qualification and taxation as a REIT.

As of March 31, 2017, we were in compliance with all applicable financial covenants under the Credit Agreement.

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DESCRIPTION OF NOTES

The Notes will be issued under an indenture to be entered into among CareTrust REIT, Inc., CTR Partnership, L.P., CareTrust Capital Corp., CareTrust GP, LLC, the Subsidiary Guarantors and Wells Fargo Bank, National Association, as trustee. The terms of the Notes are stated in the indenture and also include those terms made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the *Trust Indenture Act*). The following description is a summary of the material provisions of the indenture and it does not restate the indenture. This description therefore may not contain all of the information that is important to you, and we urge you to read the indenture in its entirety, which, when available, can be obtained upon request to CareTrust REIT, Inc. at the address indicated under Where You Can Find More Information elsewhere in this prospectus supplement, because it, and not this description, defines your rights as a holder of Notes.

You can find the definitions of certain capitalized terms used in this description under the subheading Certain Definitions. The term Partnership as used in this section refers only to CTR Partnership, L.P. and not to any of its subsidiaries, the term Capital Corp. as used in this section refers only to CareTrust Capital Corp. and not to any of its subsidiaries, the term Issuers as used in this section refers only to the Partnership and Capital Corp. and not to any of their respective subsidiaries, the term Parent as used in this section refers only to CareTrust REIT, Inc. and not to any of its subsidiaries and the term General Partner as used in this section refers only to CareTrust GP, LLC and not to any of its subsidiaries.

General

The Notes will be issued in an aggregate principal amount of $300.0 million. The Notes are unsecured senior obligations of the Issuers and will mature on June 1, 2025. The Notes will bear interest at a rate of 5.25% per annum, payable semiannually to holders of record at the close of business on the May 15 or the November 15 immediately preceding the interest payment date on June 1 and December 1 of each year, commencing December 1, 2017.

Principal of, premium, if any, and interest on the Notes will be payable, and the Notes may be exchanged or transferred, in accordance with the terms of the indenture.

Interest on the Notes will accrue from the date of original issuance. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of $2,000 of principal amount and any integral multiple of $1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuers are entitled to require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection with a registration of transfer or exchange of Notes.

Subject to the covenant described below under Covenants Limitation on Indebtedness, the Issuers are entitled to issue additional notes under the indenture without the consent of holders. The Notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase (other than special redemptions or offers to purchase related to a particular transaction or an escrow funding and specific to an is