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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from _________ to _________

Commission File Number: 001-36181

CareTrust REIT, Inc.
(Exact name of registrant as specified in its charter)

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

(949) 542-3130
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of November 7, 2017, there were 75,922,760 shares of common stock outstanding.

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PART I—FINANCIAL INFORMATION

PART II—OTHER INFORMATION

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CARETRUST REIT, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

	September 30, 2017	December 31, 2016
Assets:		
Real estate investments, net	$ 1,089,089	$ 893,918
Other real estate investments	5,368	13,872
Cash and cash equivalents	14,808	7,500
Accounts and other receivables	12,961	5,896
Prepaid expenses and other assets	1,803	1,369
Deferred financing costs, net	1,989	2,803
Total assets	$ 1,126,018	$ 925,358
Liabilities and Equity:		
Senior unsecured notes payable, net	$ 294,221	$ 255,294
Senior unsecured term loan, net	99,493	99,422
Unsecured revolving credit facility	95,000	95,000
Accounts payable and accrued liabilities	17,382	12,137
Dividends payable	14,046	11,075
Total liabilities	520,142	472,928
Commitments and contingencies (Note 10)		
Equity:		
Preferred stock, $0.01 par value; 100,000,000 shares authorized, no shares issued and outstanding as of September 30, 2017 and December 31, 2016	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized, 75,472,682 and 64,816,350 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	755	648
Additional paid-in capital	782,707	611,475
Cumulative distributions in excess of earnings	(177,586)	(159,693)
Total equity	605,876	452,430
Total liabilities and equity	$ 1,126,018	$ 925,358

See accompanying notes to condensed consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues:				
Rental income	$ 29,404	$ 24,179	$ 85,254	$ 67,857
Tenant reimbursements	2,543	2,089	7,253	5,815
Independent living facilities	825	766	2,407	2,177
Interest and other income	176	72	1,471	587
Total revenues	32,948	27,106	96,385	76,436
Expenses:				
Depreciation and amortization	9,745	8,248	28,156	23,433
Interest expense	5,592	5,743	17,690	17,044
Loss on the extinguishment of debt	—	—	11,883	326
Property taxes	2,543	2,089	7,253	5,815
Independent living facilities	698	708	2,003	1,926
Impairment of real estate investment	—	—	890	—
Acquisition costs	—	203	—	203
General and administrative	3,059	2,283	8,426	6,724
Total expenses	21,637	19,274	76,301	55,471
Other income:				
Gain on disposition of other real estate investment	—	—	3,538	—
Net income	$ 11,311	$ 7,832	$ 23,622	$ 20,965
Earnings per common share:				
Basic	$ 0.15	$ 0.13	$ 0.33	$ 0.38
Diluted	$ 0.15	$ 0.13	$ 0.33	$ 0.38
Weighted-average number of common shares:				
Basic	75,471	57,595	71,693	54,403
Diluted	75,471	57,595	71,693	54,403
Dividends declared per common share	$ 0.185	$ 0.17	$ 0.555	$ 0.51

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Total Equity
	Shares	Amount			
Balance at December 31, 2015	47,664,742	$ 477	$ 410,217	$ (148,406)	$ 262,288
Issuance of common stock, net	17,023,824	170	200,228	—	200,398
Vesting of restricted common stock, net of shares withheld for employee taxes	127,784	1	(516)	—	(515)
Amortization of stock-based compensation	—	—	1,546	—	1,546
Common dividends ($0.68 per share)	—	—	—	(40,640)	(40,640)
Net income	—	—	—	29,353	29,353
Balance at December 31, 2016	64,816,350	648	611,475	(159,693)	452,430
Issuance of common stock, net	10,573,089	106	170,308	—	170,414
Vesting of restricted common stock, net of shares withheld for employee taxes	83,243	1	(868)	—	(867)
Amortization of stock-based compensation	—	—	1,792	—	1,792
Common dividends ($0.555 per share)	—	—	—	(41,515)	(41,515)
Net income	—	—	—	23,622	23,622
Balance at September 30, 2017	75,472,682	$ 755	$ 782,707	$ (177,586)	$ 605,876

See accompanying notes to condensed consolidated financial statements.

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

	For the Nine Months Ended September 30, 2017	2016
Cash flows from operating activities:		
Net income	$ 23,622	$ 20,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including a below-market ground lease)	28,168	23,444
Amortization of deferred financing costs	1,615	1,678
Loss on extinguishment of debt	11,883	326
Amortization of stock-based compensation	1,792	1,207
Straight-line rental income	(117)	(78)
Non-cash interest income	(496)	(587)
Interest income distribution from other real estate investment	1,500	—
Impairment of real estate investment	890	—
Change in operating assets and liabilities:		
Accounts and other receivables	(6,948)	(3,246)
Prepaid expenses and other assets	(182)	3
Accounts payable and accrued liabilities	5,206	5,801
Net cash provided by operating activities	66,933	49,513
Cash flows from investing activities:		
Acquisitions of real estate	(222,463)	(185,284)
Improvements to real estate	(621)	(258)
Purchases of equipment, furniture and fixtures	(359)	(139)
Preferred equity investments	—	(4,531)
Sale of other real estate investment	7,500	—
Escrow deposits for acquisition of real estate	(1,000)	(1,000)
Net cash used in investing activities	(216,943)	(191,212)
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net	170,414	108,395
Proceeds from the issuance of senior unsecured notes payable	300,000	—
Proceeds from the issuance of senior unsecured term loan	—	100,000
Borrowings under unsecured revolving credit facility	158,000	150,000
Payments on senior unsecured notes payable	(267,639)	—
Payments on unsecured revolving credit facility	(158,000)	(92,000)
Payments on the mortgage notes payable	—	(95,022)
Payments of deferred financing costs	(6,047)	(1,352)
Net-settle adjustment on restricted stock	(866)	(515)
Dividends paid on common stock	(38,544)	(27,396)
Net cash provided by financing activities	157,318	142,110
Net increase in cash and cash equivalents	7,308	411
Cash and cash equivalents, beginning of period	7,500	11,467
Cash and cash equivalents, end of period	$ 14,808	$ 11,878
Supplemental disclosures of cash flow information:		
Interest paid	$ 19,349	$ 12,173
Supplemental schedule of noncash operating, investing and financing activities:		
Increase in dividends payable	$ 2,971	$ 2,169
Application of escrow deposit to acquisition of real estate	$ 700	$ 1,250

See accompanying notes to condensed consolidated financial statements.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

1. ORGANIZATION

Description of Business—CareTrust REIT, Inc.'s ("CareTrust REIT" or the "Company") primary business consists of acquiring, financing and owning real property to be leased to third-party tenants in the healthcare sector. As of September 30, 2017, the Company owned and leased to independent operators, including The Ensign Group, Inc. ("Ensign"), 171 skilled nursing, skilled nursing campuses, assisted living and independent living facilities consisting of 16,795 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oregon, Texas, Utah, Virginia, Washington and Wisconsin. The Company also owns and operates three independent living facilities consisting of 264 units located in Texas and Utah. As of September 30, 2017, the Company also had two other real estate investments, consisting of $5.4 million of preferred equity investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying condensed consolidated financial statements of the Company were prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and Article 10 of Regulation S-X. Accordingly, the condensed consolidated financial statements do not include all of the disclosures required by GAAP for a complete set of annual audited financial statements. The condensed consolidated financial statements should be read in conjunction with the audited consolidated and combined financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016. In the opinion of management, all adjustments which are of a normal and recurring nature and considered necessary for a fair presentation of the results of the interim periods presented have been included. The results of operations for the interim periods are not necessarily indicative of results for the full year. All intercompany transactions and account balances within the Company have been eliminated.

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

Reclassifications—Prior period results reflect reclassifications, for comparative purposes, in the Company's condensed consolidated financial statements, including a $0.3 million write-off of deferred financing costs reclassified from interest expense to loss on extinguishment of debt in the condensed consolidated income statement for the nine months ended September 30, 2016. These reclassifications have not changed the results of operations of prior periods.

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 expensed as incurred and significant replacements and betterments are capitalized. Repair and maintenance costs include all costs that do not extend the useful life of the real estate asset. The Company considers the period of future benefit of an asset to determine its appropriate useful life. Expenditures for tenant improvements are capitalized and amortized over the shorter of the tenant's lease term or expected useful life. The Company anticipates the estimated useful lives of its assets by class to be generally as follows:

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") Topic 805, *Business Combinations*, the Company records the acquisition of income-producing real estate as an asset acquisition. If the acquired assets meet the definition of a business, the Company records the acquisition as a business combination. Under both methods, all assets acquired and liabilities assumed are measured at their acquisition date fair values. For transactions accounted for as 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 accounted for as asset acquisitions, acquisition costs are capitalized as incurred.

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

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

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

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

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

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

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

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

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

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

Deferred Financing Costs—External costs incurred from placement of the Company's debt are capitalized and amortized on a straight-line basis over the terms of the related borrowings, which approximates the effective interest method. Amortization of deferred financing costs is classified as interest expense in the Company's condensed consolidated income statements. Accumulated amortization of deferred financing costs was $2.7 million and $4.2 million as of September 30, 2017 and December 31, 2016, respectively.

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

Revenue Recognition —The Company recognizes rental revenue, including rental abatements, lease incentives and contractual fixed increases attributable to operating leases, if any, from tenants under lease arrangements with minimum fixed and determinable increases on a straight-line basis over the non-cancellable term of the related leases when collectability is reasonably assured. Tenant reimbursements of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the expenses are incurred and presented gross if the Company is the primary obligor and, with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated credit risk. For each of the three and nine months ended September 30, 2017 and 2016, such tenant reimbursement revenues consisted of real estate taxes. Contingent revenue, if any, is not recognized until all possible contingencies have been eliminated.

The Company evaluates the collectability of rents and other receivables on a regular basis based on factors including payment history, the operations, the asset type and current economic conditions. If the Company's evaluation of these factors indicates it may not recover the full value of the receivable, it provides a reserve against the portion of the receivable that it estimates may not be recovered. This analysis requires the Company to determine whether there are factors indicating a receivable may not be fully collectible and to estimate the amount of the receivable that may not be collected. The Company reserved contractual cash rent of $0.5 million as of September 30, 2017 and had no reserves at December 31, 2016.

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

Stock-Based Compensation—The Company accounts for share-based payment awards in accordance with ASC Topic 718, *Compensation – Stock Compensation* ("ASC 718"). ASC 718 requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. ASC 718 requires all entities to apply a fair value-based measurement method in accounting for share-based payment transactions with directors, officers and employees except for equity instruments held by employee share ownership plans. Net income reflects stock-based compensation expense of $0.7 million and $0.3 million for the three months ended September 30, 2017 and 2016, respectively, and $1.8 million and $1.2 million for the nine months ended September 30, 2017 and 2016, respectively.

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

On March 21, 2017, the Company entered into a third lease amendment with affiliates of Pristine Senior Living, LLC ("Pristine"). Under the third lease amendment, the Company partially pre-funded a landlord-managed impound account into which Pristine would deposit, as additional rent, and from which the Company would pay to the appropriate taxing authorities and agencies, certain property taxes and franchise permit fees related to the properties that Pristine net leases from the Company. At June 30, 2017, the net pre-fundings by the Company totaled $3.0 million. During the three months ended September 30, 2017, Pristine was allowed to defer a portion of the contractual additional rent amounts required under the third lease amendment, as well as a portion of September's base rent. At September 30, 2017, accounts and other receivables included deferred rent related to the Company's net pre-fundings for property and franchise permit fees of approximately $5.3 million and deferred September 2017 rent of $0.8 million. On November 2, 2017, the Company entered into a fourth amendment to the master lease ("Pristine Amendment") with Pristine. Under the Pristine Amendment, Pristine has agreed to repay all of these deferred rent amounts over time with interest. See Note 13, *Subsequent Events* for further discussion.

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

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

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASC 606"). ASC 606 requires an entity to recognize the revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASC 606 supersedes the revenue requirements in *Revenue Recognition* (Topic 605) and most industry-specific guidance throughout the Industry Topics of the ASC. ASC 606 does not apply to lease contracts within the scope of *Leases* (Topic 840). In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of its new revenue recognition standard by one year. The standard will be effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. Entities can use either a full retrospective or modified retrospective method to adopt the ASU. Under the full retrospective method, all periods presented will be restated upon adoption to conform to the new standard and a cumulative adjustment for effects on periods prior to 2016 will be recorded to retained earnings as of January 1, 2016. Under the modified retrospective approach, prior periods are not restated to conform to the new standard. Instead, a cumulative adjustment for effects of applying the new standard to periods prior to 2018 is recorded to retained earnings as of January 1, 2018. The Company has elected the modified retrospective approach.

The Company continues to evaluate the potential effect that the adoption of ASC 606 will have on the Company's consolidated financial statements and disclosures. Based on review of the Company's revenue streams from independent living facilities, the Company's consolidated financial statements include revenues generated through services provided to residents of independent living facilities that are ancillary to the residents' contractual rights to occupy living and common-area space at the communities, such as meals, transportation and activities. While these revenue streams are subject to the application of Topic 606, the revenues associated with these services are generally recognized on a monthly basis, the period in which the related services are performed. Therefore, revenue recognition under the new revenue recognition ASU is expected to be similar to the recognition pattern under existing accounting standards. During the nine months ended September 30, 2017, the Company recognized $2.4 million of revenue from its independent living facilities. In addition, the Company is monitoring specific developments for the senior living industry and evaluating potential changes to its business processes, systems, and controls to support the recognition and disclosure under the new standard.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall* (Subtopic 825-10) ("ASU 2016-01"). ASU 2016-01 updates guidance related to recognition and measurement of financial assets and financial liabilities. ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in ASU 2016-01 also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in ASU 2016-01 eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. ASU 2016-01 is effective for fiscal years and interim periods within those years beginning after December 15, 2017, with early adoption permitted. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASC 842") that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASC 842 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 is expected to result in the recognition of a right-to-use asset and related liability to account for the Company's future obligations for which it is the lessee. As of September 30, 2017, the remaining contractual payments under the Company's lease agreements aggregated $0.3 million. Additionally, ASC 842 will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under ASC 842, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. During the nine months ended September 30, 2017, the Company did not capitalize any allocated payroll costs. Lessors will continue to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. ASC 842 is effective for reporting periods beginning after December 15, 2018, with early adoption permitted. The standard permits the use of the modified retrospective transition method. The Company continues to assess the potential effect that the adoption of ASC 842 will have on the Company's consolidated financial statements; however, the Company expects that its tenant recoveries will be separated into lease and non-lease components. Tenant recoveries that qualify as lease components, which relate to the right to use the leased asset (e.g., property taxes, insurance), will be accounted for under ASC 842. Tenant recoveries that qualify as non-lease components, which relate to payments for goods or services that are transferred separately from the right to use the underlying asset, including tenant recoveries related to payments for maintenance activities and common area expenses, will be accounted for under the new revenue recognition ASC 606 upon adoption of the new lease ASC 842 on January 1, 2019 for any new lease or any modified lease.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) ("ASU 2016-13") that changes the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. ASU 2016-13 will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures (e.g., loan commitments). ASU 2016-13 is effective for reporting periods beginning after December 15, 2019, with early adoption permitted, and will be applied as a cumulative adjustment to retained earnings as of the effective date. The Company is currently assessing the potential effect the adoption of ASU 2016-13 will have on the Company's consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provided guidance on certain specific cash flow issues, including, but not limited to, debt prepayment or extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. ASU 2016-15 is effective for periods beginning after December 15, 2017, with early adoption permitted and shall be applied retrospectively where practicable. The Company does not believe that there will be an impact upon its consolidated financial statements upon adoption.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230) ("ASU 2016-18") that will require companies to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will require a disclosure of a reconciliation between the statement of financial position and the statement of cash flows when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. Entities with material restricted cash and restricted cash equivalents balances will be required to disclose the nature of the restrictions. ASU 2016-18 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted, and will be applied retrospectively to all periods presented. As of September 30, 2017 and December 31, 2016, the Company did not have any restricted cash. The Company does not believe that there will be an impact upon its consolidated financial statements upon adoption.

Recent Accounting Standards Adopted by the Company

On January 1, 2017, the Company early adopted ASU No. 2017-01, *Business Combinations: Clarifying the Definition of a Business* (Topic 805) ("ASU 2017-01") that clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update will be applied on a prospective basis and the Company expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e., land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

On January 1, 2017, the Company adopted ASU No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), that simplifies several aspects of employee share-based payment accounting, including the accounting for forfeitures. ASU 2016-09 allows an entity to make an accounting policy election either to continue to estimate the total number of awards that are expected to vest (current method) or to account for forfeitures when they occur. This entity-wide accounting policy election only applies to service conditions; for performance conditions, the entity continues to assess the probability that such conditions will be achieved. If an entity elects to account for forfeitures when they occur, all nonforfeitable dividends paid on share-based payment awards are initially charged to retained earnings and reclassified to compensation cost only when forfeitures of the underlying awards occur. Under current guidance, nonforfeitable dividends paid on share-based payment awards that are not expected to vest are recognized as additional compensation cost. The adoption of ASU 2016-09 did not have a material effect on the Company's consolidated financial statements. The Company has elected to account for forfeitures when they occur.

3. REAL ESTATE INVESTMENTS, NET

The following tables summarize the Company's investment in owned properties as of September 30, 2017 and December 31, 2016 (dollars in thousands):

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

	September 30, 2017	December 31, 2016
Land	$ 128,815	$ 110,648
Buildings and improvements	1,004,347	875,567
Integral equipment, furniture and fixtures	74,234	64,120
Identified intangible assets	2,382	1,914
Escrowed cash for acquisitions	65,638	—
Real estate investments	1,275,416	1,052,249
Accumulated depreciation	(186,327)	(158,331)
Real estate investments, net	$ 1,089,089	$ 893,918

As of September 30, 2017, 92 of the Company's 174 facilities were leased to subsidiaries of Ensign under eight master leases (the "Ensign Master Leases") which commenced on June 1, 2014. The obligations under the Ensign Master Leases are guaranteed by Ensign. A default by any subsidiary of Ensign with regard to any facility leased pursuant to an Ensign Master Lease will result in a default under all of the Ensign Master Leases. As of September 30, 2017, annualized revenues from the Ensign Master Leases were $57.7 million and are escalated annually by an amount equal to the product of (1) the lesser of the percentage change in the Consumer Price Index ("CPI") (but not less than zero) or 2.5%, and (2) the prior year's rent. In addition to rent, the subsidiaries of Ensign that are tenants under the Ensign Master Leases are solely responsible for the costs related to the leased properties (including property taxes, insurance, and maintenance and repair costs).

As of September 30, 2017, 79 of the Company's 174 facilities were leased to various other operators under triple-net leases. All of these leases contain annual escalators based on CPI, some of which are subject to a cap, or fixed rent escalators.

The Company's three remaining properties as of September 30, 2017 are the independent living facilities that the Company owns and operates.

Escrowed cash for acquisitions represents cash in escrow for three asset acquisitions that closed on October 1, 2017. See further discussion in Note 13, *Subsequent Events*.

The Company has only two identified intangible assets which relate to a below-market ground lease and five acquired operating leases. The ground lease has a remaining term of 81 years.

As of September 30, 2017, the Company's total future minimum rental revenues for all of its tenants were (dollars in thousands):

Year	Amount
Remaining 2017	$ 30,729
2018	122,973
2019	121,069
2020	119,743
2021	119,743
Thereafter	1,055,628
	$ 1,569,885

Recent Real Estate Acquisitions

The following recent real estate acquisitions were accounted for as asset acquisitions:

Premier Senior Living, LLC

In February 2017, the Company acquired two assisted living and memory care facilities with 96 beds in the Milwaukee metropolitan area for $26.1 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with subsidiaries of Premier Senior Living, LLC. The amended lease has a remaining initial term of approximately 14 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $2.2 million.

WLC Management Firm, LLC

In March 2017, the Company acquired a five facility 455-bed skilled nursing portfolio in Illinois for $29.2 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company entered into a triple-net master lease with affiliates of WLC Management Firm, LLC. The lease carries an initial term of 15 years with two five-year renewal options and CPI-based rent escalators. Initial annual cash rent is $2.9 million under the lease.

In July 2017, the Company acquired a skilled nursing facility with 99 beds in Eldorado, Illinois for $3.7 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with affiliates of WLC Management Firm, LLC. The amended lease has a remaining initial term of approximately 14 years with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $0.4 million.

Better Senior Living Consulting, LLC

In May 2017, the Company acquired an assisted living and memory care facility with 170 beds in Brooksville, Florida for $2.0 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with subsidiaries of Better Senior Living Consulting, LLC. The amended lease has a remaining initial term of approximately 13 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $0.3 million.

Cascadia Healthcare, LLC

In May 2017, the Company acquired a skilled nursing facility with 119 units in Nampa, Idaho valued at $6.5 million, which includes capitalized acquisition costs. This facility acquisition was part of a three-skilled nursing facility portfolio acquisition that was completed in the third quarter of 2017. The remaining two skilled nursing facilities with 129 units in Oregon and Washington were valued at $4.9 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with subsidiaries of Cascadia Healthcare, LLC. The amended lease has a remaining initial term of approximately 14 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $1.1 million.

In September 2017, the Company acquired three skilled nursing facilities with 236 beds in Idaho for $29.8 million, which includes capitalized acquisition costs. The acquisition is a part of a staged seven-facility portfolio transaction that was completed in October 2017. See further discussion in Note 13, *Subsequent Events*. In connection with the acquisition, the Company amended its triple-net master lease with subsidiaries of Cascadia Healthcare, LLC. The amended lease has a remaining initial term of approximately 13.5 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $2.7 million.

OnPointe Health, LLC

In June 2017, the Company acquired a skilled nursing facility in Brownsville, Texas with 126 units and a skilled nursing facility in Albuquerque, New Mexico with 136 units for $27.3 million, which includes capitalized acquisition costs. The two facilities are leased to affiliates of OnPointe Health, LLC under two leases. Current contractual annual cash rent totals $2.5 million under the leases. The leases carry remaining terms of approximately 17 and 19 years, respectively, with CPI-based rent escalators. The tenant has an option to purchase the Brownsville, Texas facility at a fixed price of $14.3 million that becomes exercisable on a periodic basis beginning in 2024.

Prelude Homes & Services, LLC

In July 2017, the Company acquired an assisted living and memory care facility with 30 units in White Bear Lake, Minnesota for $7.8 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with affiliates of Prelude Homes & Services, LLC. The amended lease has a remaining initial term of approximately 12.5 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $0.6 million.

Priority Management Group, LLC

In September 2017, the Company acquired a three facility 405-bed skilled nursing portfolio in the greater Dallas-Fort Worth, Texas area for $20.3 million, which includes capitalized acquisition costs. In connection with the acquisition, the Company amended its triple-net master lease with subsidiaries of Priority Management Group, LLC. The amended lease has a remaining initial term of approximately 14 years, with two five-year renewal options and CPI-based rent escalators. Annual cash rent under the amended lease increased by $1.9 million.

Impairment of Real Estate Investment

During the nine months ended September 30, 2017, the Company recorded an impairment loss of $0.9 million related to its investment in La Villa Rehab & Healthcare Center ("La Villa"). In April 2017, the Company and Ensign mutually determined that La Villa had reached the natural end of its useful life as a skilled nursing facility and that the facility was no longer economically viable, the improvements thereon could not be economically repurposed to any other use, and the cost to remove the obsolete improvements and reclaim the underlying land for redevelopment was expected to exceed the market value of the land. Ensign agreed to wind up and terminate the operations of the facility and the Company transferred title to the property to Ensign. There was no adjustment to the contractual rent under the applicable master lease. Additionally, the Company and Ensign agreed that the licensed beds will be transferred to another facility included in the Ensign Master Leases.

4. OTHER REAL ESTATE INVESTMENTS

In December 2014, the Company completed a $7.5 million preferred equity investment with Signature Senior Living, LLC and Milestone Retirement Communities. The preferred equity investment yielded 12.0% calculated on a quarterly basis on the outstanding carrying value of the investment. The investment was used to develop Signature Senior Living at Arvada, a planned 134-unit upscale assisted living and memory care community in Arvada, Colorado constructed on a five-acre site. In connection with its investment, CareTrust REIT obtained an option to purchase the Arvada development at a fixed-formula price upon stabilization, with an initial lease yield of at least 8.0%. The project was completed at the end of the second quarter of 2016 and began lease-up in the third quarter of 2016. In May 2017, the property was sold to a third party. In connection with the sale, the Company received back in cash its initial investment of $7.5 million, a cumulative contractual preferred return of $2.5 million, and an additional cash payment of $3.5 million that was not included with the original agreement, which the Company recognized as a gain on the sale of other real estate investment during the nine months ended September 30, 2017. The Company also recognized interest income of $1.0 million during the nine months ended September 30, 2017, which included a previously unrecognized preferred return of $0.5 million related to prior periods.

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

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

During the three months ended September 30, 2017 and 2016, the Company recognized $0.2 million and $0.1 million, respectively, in interest income of which none was received in cash from its preferred equity investments. During the nine months ended September 30, 2017 and 2016, the Company recognized $1.5 million and $0.6 million, respectively, in interest income of which $975,000 and none respectively, was received in cash from its preferred equity investments. Any unpaid amounts were added to the outstanding carrying values of the preferred equity investments.

5. FAIR VALUE MEASUREMENTS

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

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

Financial Instruments: Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the face values, carrying amounts and fair values of the Company's financial instruments as of September 30, 2017 and December 31, 2016 using Level 2 inputs for the senior unsecured notes payable, and Level 3 inputs for all other financial instruments, is as follows (dollars in thousands):

	September 30, 2017			December 31, 2016		
	Face Value	Carrying Amount	Fair Value	Face Value	Carrying Amount	Fair Value
Financial assets:						
Preferred equity investments	$ 4,531	$ 5,368	$ 5,241	$ 12,031	$ 13,872	$ 14,289
Financial liabilities:						
Senior unsecured notes payable	$ 300,000	$ 294,221	$ 309,750	$ 260,000	$ 255,294	$ 265,850

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

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

Senior unsecured notes payable: The fair value of the senior unsecured notes payable was determined using third-party quotes derived from orderly trades.

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

6. DEBT

The following table summarizes the balance of the Company's indebtedness as of September 30, 2017 and December 31, 2016 (dollars in thousands):

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

	September 30, 2017			December 31, 2016		
	Principal Amount	Deferred Loan Fees	Carrying Value	Principal Amount	Deferred Loan Fees	Carrying Value
Senior unsecured notes payable	$ 300,000	$ (5,779)	$ 294,221	$ 260,000	$ (4,706)	$ 255,294
Senior unsecured term loan	100,000	(507)	99,493	100,000	(578)	99,422
Unsecured revolving credit facility	95,000	—	95,000	95,000	—	95,000
	$ 495,000	$ (6,286)	$ 488,714	$ 455,000	$ (5,284)	$ 449,716

Senior Unsecured Notes Payable

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

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

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

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

As of September 30, 2017, the Company was in compliance with all applicable financial covenants under the indenture.

Unsecured Revolving Credit Facility and Term Loan

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

On February 1, 2016, the Company entered into the First Amendment (the "Amendment") to the Credit Agreement. Pursuant to the Amendment, (i) commitments in respect of the Credit Facility were increased by $100.0 million to $400.0 million, (ii) a new $100.0 million non-amortizing unsecured term loan (the "Term Loan") was funded, and (iii) the uncommitted incremental facility was increased by $50.0 million to $250.0 million. The Credit Facility continues to mature on August 5, 2019, subject to two, six-month extension options. The Term Loan, which matures on February 1, 2023, may be prepaid at any time subject to a 2% premium in the first year after issuance and a 1% premium in the second year after issuance. Approximately $95.0 million of the proceeds of the Term Loan were used to pay off and terminate the Company's existing secured mortgage indebtedness under the Fifth Amended and Restated Loan Agreement, dated May 30, 2014 (the "GECC Loan"), with General Electric Capital Corporation, as agent and lender, and the other lenders party thereto (the "Refinancing"). The Company expects to use borrowings under the Credit Facility for working capital purposes, to fund acquisitions and for general corporate purposes.

As of September 30, 2017, there was $95.0 million outstanding under the Credit Facility.

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

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

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

As of September 30, 2017, the Company was in compliance with all applicable financial covenants under the Credit Agreement.

Interest Expense

During the three months ended September 30, 2017, the Company incurred $5.6 million of interest expense. Included in interest expense was $0.5 million of amortization of deferred financing costs. During the three months ended

September 30, 2016, the Company incurred $5.7 million of interest expense. Included in interest expense was $0.6 million of amortization of deferred financing costs. During the nine months ended September 30, 2017, the Company incurred $17.7 million of interest expense. Included in interest expense was $1.6 million of amortization of deferred financing costs. During the nine months ended September 30, 2016, the Company incurred $17.0 million of interest expense. Included in interest expense was $1.7 million of amortization of deferred financing costs. As of September 30, 2017 and December 31, 2016, the Company's interest payable was $5.6 million and $1.3 million, respectively.

Loss on the Extinguishment of Debt

During the nine months ended September 30, 2017, the loss on the extinguishment of debt included the redemption price, stated at 102.938%, of $7.6 million and a $4.2 million write-off of deferred financing costs associated with the redemption of the Company's 5.875% Senior Notes due 2021. During the nine months ended September 30, 2016, the loss on the extinguishment of debt included a $0.3 million write-off of deferred financing costs associated with the payoff of the GECC Loan.

7. EQUITY

Common Stock

At-The-Market Offering—During the second quarter of 2017, the Company entered into a new equity distribution agreement to issue and sell, from time to time, up to $300.0 million in aggregate offering price of its common stock through an "at-the-market" equity offering program (the "ATM Program"). At the time the ATM Program commenced in May 2017, the Company's at-the-market equity offering program entered into during 2016, which had been substantially depleted, was permanently discontinued. As of September 30, 2017, the Company had approximately $236.1 million available for future issuances under the ATM Program.

The following table summarizes the ATM Program activity for 2017 (shares and dollars in thousands):

	For the Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	Total
Number of shares	7,175	3,399	—	10,574
Average sales price per share	$ 15.31	$ 18.82	$ —	$ 16.43
Gross proceeds	$ 109,813	$ 63,947	$ —	$ 173,760

Dividends on Common Stock—During the first quarter of 2017, the Company's Board of Directors declared a quarterly cash dividend of $0.185 per share of common stock, payable on April 14, 2017 to common stockholders of record as of March 31, 2017. During the second quarter of 2017, the Company's Board of Directors declared a quarterly cash dividend of $0.185 per share of common stock, payable on July 14, 2017 to common stockholders of record as of June 30, 2017. During the third quarter of 2017, the Company's Board of Directors declared a quarterly cash dividend of $0.185 per share of common stock, payable on October 13, 2017 to common stockholders of record as of September 29, 2017.

8. STOCK-BASED COMPENSATION

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

Restricted Stock Awards — In connection with the separation of Ensign's healthcare business and its real estate business into two separate and independently publicly traded companies (the "Spin-Off"), employees of Ensign who had unvested shares of restricted stock were given one share of CareTrust REIT unvested restricted stock totaling 207,580 shares at the Spin-Off. These restricted shares are subject to a time vesting provision only and the Company does not recognize any stock compensation expense associated with these awards. During the three months ended September 30, 2017, 5,960 shares vested or were forfeited. As of September 30, 2017, there were 20,360 unvested restricted stock awards outstanding.

In February 2017, the Compensation Committee of the Company's Board of Directors granted 233,768 shares of restricted stock to officers and employees. Each share had a fair market value on the date of grant of $15.21 per share, based on the market price of the Company's common stock on that date, and the shares vest in three equal annual installments beginning on the first anniversary of the grant date.

In July 2017, the Compensation Committee of the Company's Board of Directors granted 20,766 shares of restricted stock to members of the Board of Directors. Each share had a fair market value on the date of grant of $18.30 per share, based on the market price of the Company's common stock on that date, and the shares vest in full on the earlier to occur of June 30, 2018 or when the Company holds its 2018 Annual Meeting.

During the three months ended September 30, 2017 and 2016, the Company recognized $0.7 million and $0.3 million of stock-based compensation expense, respectively. During the nine months ended September 30, 2017 and 2016, the Company recognized $1.8 million and $1.2 million of stock-based compensation expense, respectively. As of September 30, 2017, there was $4.5 million of unamortized stock-based compensation expense related to unvested awards and the weighted-average remaining vesting period of such awards was 2 years.

9. EARNINGS PER COMMON SHARE

The following table presents the calculation of basic and diluted EPS for the Company's common stock for the three and nine months ended September 30, 2017 and 2016, and reconciles the weighted-average common shares outstanding used in the calculation of basic EPS to the weighted-average common shares outstanding used in the calculation of diluted EPS (amounts in thousands, except per share amounts):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator:				
Net income	$ 11,311	$ 7,832	$ 23,622	$ 20,965
Less: Net income allocated to participating securities	(83)	(58)	(277)	(205)
Numerator for basic and diluted earnings available to common stockholders	$ 11,228	$ 7,774	$ 23,345	$ 20,760
Denominator:				
Weighted-average basic common shares outstanding	75,471	57,595	71,693	54,403
Weighted-average diluted common shares outstanding	75,471	57,595	71,693	54,403
Earnings per common share, basic	$ 0.15	$ 0.13	$ 0.33	$ 0.38
Earnings per common share, diluted	$ 0.15	$ 0.13	$ 0.33	$ 0.38

The Company's unvested restricted shares associated with its incentive award plan and unvested restricted shares issued to employees of Ensign at the Spin-Off have been excluded from the above calculation of earnings per diluted share for the three and nine months ended September 30, 2017 and 2016, as their inclusion would have been anti-dilutive.

10. COMMITMENTS AND CONTINGENCIES

U.S. Government Settlement—In October 2013, Ensign completed and executed a settlement agreement (the "Settlement Agreement") with the U.S. Department of Justice ("DOJ"). This settlement agreement fully and finally resolved a DOJ investigation of Ensign related primarily to claims submitted to the Medicare program for rehabilitation services provided at skilled nursing facilities in California and certain ancillary claims. Pursuant to the Settlement Agreement, Ensign made a single lump-sum remittance to the government in the amount of $48.0 million in October 2013. Ensign denied engaging in any illegal conduct and agreed to the settlement amount without any admission of wrongdoing in order to resolve the allegations and avoid the uncertainty and expense of protracted litigation.

In connection with the settlement and effective as of October 1, 2013, Ensign entered into a five-year corporate integrity agreement (the "CIA") with the Office of Inspector General-HHS. The CIA acknowledges the existence of Ensign's current compliance program, and requires that Ensign continue during the term of the CIA to maintain a compliance program designed to promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs. Ensign is also required to maintain several elements of its existing program during the term of the CIA, including maintaining a compliance officer, a compliance committee of the board of directors, and a code of conduct. The CIA requires that Ensign conduct certain additional compliance-related activities during the term of the CIA, including various training and monitoring procedures, and maintaining a disciplinary process for compliance obligations.

Participation in federal healthcare programs by Ensign is not affected by the Settlement Agreement or the CIA. In the event of an uncured material breach of the CIA, Ensign could be excluded from participation in federal healthcare programs and/or subject to prosecution. The Company is subject to certain continuing operational obligations as part of Ensign's compliance program pursuant to the CIA, but otherwise has no liability related to the DOJ investigation.

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

11. CONCENTRATION OF RISK

Major operator concentrations – As of September 30, 2017, Ensign leased 92 skilled nursing, assisted living and independent living facilities which had a total of 9,754 operational beds and are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington. The four states in which Ensign leases the highest concentration of properties are California, Texas, Utah and Arizona. See further discussion in Note 3, *Real Estate Investments, Net*.

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

Additionally, on October 1, 2015, the Company acquired the Liberty Healthcare Portfolio, a 14 facility skilled nursing and assisted living portfolio in Ohio, for $176.5 million inclusive of transaction costs and leased such facilities to subsidiaries of Pristine. The Company has now leased 16 facilities to subsidiaries of Pristine pursuant to a triple-net master lease entered into effective as of October 1, 2015, which has an initial term of 15 years, two five-year renewal options and no purchase options. As of September 30, 2017, the annual revenues from the Pristine master lease are $18.6 million and are escalated annually by an amount equal to the product of (1) the lesser of the percentage change in the Consumer Price Index (but not less than zero) or 3.0%, and (2) the prior year's rent. The Pristine master lease is guaranteed by Pristine, one of its subsidiaries, and its sole principal. On November 2, 2017, the Company entered into the Pristine Amendment with Pristine. Under the Pristine Amendment, the Company agreed that seven facilities selected by the Company (the "Transitioned Facilities") would be transferred to a new operator or operators designated by the Company in its sole and absolute discretion. See further discussion in Note 13, *Subsequent Events.*

12. SUMMARIZED CONDENSED CONSOLIDATING INFORMATION

The 5.25% Senior Notes due 2025 issued by the Operating Partnership and CareTrust Capital Corp. on May 10, 2017 are jointly and severally, fully and unconditionally, guaranteed by CareTrust REIT, Inc., as the parent guarantor (the "Parent Guarantor"), and the wholly owned subsidiaries of the Parent Guarantor other than the Issuers (collectively, the "Subsidiary Guarantors" and, together with the Parent Guarantor, the "Guarantors"), subject to automatic release under certain customary circumstances, including if the Subsidiary Guarantor is sold or sells all or substantially all of its assets, the Subsidiary Guarantor is designated "unrestricted" for covenant purposes under the indenture governing the Notes, the Subsidiary Guarantor's guarantee of other indebtedness which resulted in the creation of the guarantee of the Notes is terminated or released, or the requirements for legal defeasance or covenant defeasance or to discharge the indenture have been satisfied.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

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

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

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

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

Pursuant to Rule 3-10 of Regulation S-X, the following summarized consolidating information is provided for the Parent Guarantor, the Issuers, and the Subsidiary Guarantors. There are no subsidiaries of the Company other than the Issuers and the Subsidiary Guarantors. This summarized financial information has been prepared from the financial statements of the Company and the books and records maintained by the Company. The Company has conformed prior period presentation in the Combined Subsidiary Guarantor designation, due to the issuance of the Notes.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS
SEPTEMBER 30, 2017
(in thousands, except share and per share amounts)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Assets:					
Real estate investments, net	$ —	$ 738,013	$ 351,076	$ —	$ 1,089,089
Other real estate investments	—	—	5,368	—	5,368
Cash and cash equivalents	—	14,808	—	—	14,808
Accounts and other receivables	—	10,114	2,847	—	12,961
Prepaid expenses and other assets	—	1,801	2	—	1,803
Deferred financing costs, net	—	1,989	—	—	1,989
Investment in subsidiaries	619,922	434,113	—	(1,054,035)	—
Intercompany	—	—	77,972	(77,972)	—
Total assets	$ 619,922	$ 1,200,838	$ 437,265	$ (1,132,007)	$ 1,126,018
Liabilities and Equity:					
Senior unsecured notes payable, net	$ —	$ 294,221	$ —	$ —	$ 294,221
Senior unsecured term loan, net	—	99,493	—	—	99,493
Unsecured revolving credit facility	—	95,000	—	—	95,000
Accounts payable and accrued liabilities	—	14,230	3,152	—	17,382
Dividends payable	14,046	—	—	—	14,046
Intercompany	—	77,972	—	(77,972)	—
Total liabilities	14,046	580,916	3,152	(77,972)	520,142
Equity:					
Common stock, $0.01 par value; 500,000,000 shares authorized, 75,472,682 shares issued and outstanding as of September 30, 2017	755	—	—	—	755
Additional paid-in capital	782,707	560,299	321,761	(882,060)	782,707
Cumulative distributions in excess of earnings	(177,586)	59,623	112,352	(171,975)	(177,586)
Total equity	605,876	619,922	434,113	(1,054,035)	605,876
Total liabilities and equity	$ 619,922	$ 1,200,838	$ 437,265	$ (1,132,007)	$ 1,126,018

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEETS
DECEMBER 31, 2016
(in thousands, except share and per share amounts)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Assets:					
Real estate investments, net	$ —	$ 527,639	$ 366,279	$ —	$ 893,918
Other real estate investments	—	—	13,872	—	13,872
Cash and cash equivalents	—	7,500	—	—	7,500
Accounts and other receivables	—	3,743	2,153	—	5,896
Prepaid expenses and other assets	—	1,366	3	—	1,369
Deferred financing costs, net	—	2,803	—	—	2,803
Investment in subsidiaries	463,505	401,328	—	(864,833)	—
Intercompany	—	—	21,445	(21,445)	—
Total assets	$ 463,505	$ 944,379	$ 403,752	$ (886,278)	$ 925,358
Liabilities and Equity:					
Senior unsecured notes payable, net	$ —	$ 255,294	$ —	$ —	$ 255,294
Senior unsecured term loan, net	—	99,422	—	—	99,422
Unsecured revolving credit facility	—	95,000	—	—	95,000
Accounts payable and accrued liabilities	—	9,713	2,424	—	12,137
Dividends payable	11,075	—	—	—	11,075
Intercompany	—	21,445	—	(21,445)	—
Total liabilities	11,075	480,874	2,424	(21,445)	472,928
Equity:					
Common stock, $0.01 par value; 500,000,000 shares authorized, 64,816,350 shares issued and outstanding as of December 31, 2016	648	—	—	—	648
Additional paid-in capital	611,475	429,453	321,761	(751,214)	611,475
Cumulative distributions in excess of earnings	(159,693)	34,052	79,567	(113,619)	(159,693)
Total equity	452,430	463,505	401,328	(864,833)	452,430
Total liabilities and equity	$ 463,505	$ 944,379	$ 403,752	$ (886,278)	$ 925,358

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 14,987	$ 14,417	$ —	$ 29,404
Tenant reimbursements	—	1,341	1,202	—	2,543
Independent living facilities	—	—	825	—	825
Interest and other income	—	—	176	—	176
Total revenues	—	16,328	16,620	—	32,948
Expenses:					
Depreciation and amortization	—	5,014	4,731	—	9,745
Interest expense	—	5,592	—	—	5,592
Property taxes	—	1,341	1,202	—	2,543
Independent living facilities	—	—	698	—	698
General and administrative	671	2,388	—	—	3,059
Total expenses	671	14,335	6,631	—	21,637
Income in Subsidiary	11,982	9,989	—	(21,971)	—
Net income	$ 11,311	$ 11,982	$ 9,989	$ (21,971)	$ 11,311

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CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 10,063	$ 14,116	$ —	$ 24,179
Tenant reimbursements	—	875	1,214	—	2,089
Independent living facilities	—	—	766	—	766
Interest and other income	—	—	72	—	72
Total revenues	—	10,938	16,168	—	27,106
Expenses:					
Depreciation and amortization	—	3,194	5,054	—	8,248
Interest expense	—	5,742	1	—	5,743
Property taxes	—	875	1,214	—	2,089
Independent living facilities	—	—	708	—	708
Acquisition costs	—	203	—	—	203
General and administrative	410	1,873	—	—	2,283
Total expenses	410	11,887	6,977	—	19,274
Income in Subsidiary	8,242	9,191	—	(17,433)	—
Net income	$ 7,832	$ 8,242	$ 9,191	$ (17,433)	$ 7,832

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 42,503	$ 42,751	$ —	$ 85,254
Tenant reimbursements	—	3,577	3,676	—	7,253
Independent living facilities	—	—	2,407	—	2,407
Interest and other income	—	—	1,471	—	1,471
Total revenues	—	46,080	50,305	—	96,385
Expenses:					
Depreciation and amortization	—	13,730	14,426	—	28,156
Interest expense	—	17,690	—	—	17,690
Loss on the extinguishment of debt	—	11,883	—	—	11,883
Property taxes	—	3,577	3,676	—	7,253
Independent living facilities	—	—	2,003	—	2,003
Impairment of real estate investment	—	—	890	—	890
General and administrative	1,948	6,416	62	—	8,426
Total expenses	1,948	53,296	21,057	—	76,301
Gain on disposition of other real estate investment	—	—	3,538	—	3,538
Income in Subsidiary	25,570	32,786	—	(58,356)	—
Net income	$ 23,622	$ 25,570	$ 32,786	$ (58,356)	$ 23,622

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING INCOME STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Revenues:					
Rental income	$ —	$ 25,702	$ 42,155	$ —	$ 67,857
Tenant reimbursements	—	2,138	3,677	—	5,815
Independent living facilities	—	—	2,177	—	2,177
Interest and other income	—	—	587	—	587
Total revenues	—	27,840	48,596	—	76,436
Expenses:					
Depreciation and amortization	—	8,118	15,315	—	23,433
Interest expense	—	16,548	496	—	17,044
Loss on the extinguishment of debt	—	—	326	—	326
Property taxes	—	2,138	3,677	—	5,815
Acquisition costs	—	203	—	—	203
Independent living facilities	—	—	1,926	—	1,926
General and administrative	1,281	5,377	66	—	6,724
Total expenses	1,281	32,384	21,806	—	55,471
Income in Subsidiary	22,246	26,790	—	(49,036)	—
Net income	$ 20,965	$ 22,246	$ 26,790	$ (49,036)	$ 20,965

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Cash flows from operating activities:					
Net cash (used in) provided by operating activities	$ (157)	$ 17,946	$ 49,144	$ —	$ 66,933
Cash flows from investing activities:					
Acquisitions of real estate	—	(222,463)	—	—	(222,463)
Improvements to real estate	—	(571)	(50)	—	(621)
Purchases of equipment, furniture and fixtures	—	(292)	(67)	—	(359)
Escrow deposit for acquisition of real estate	—	(1,000)	—	—	(1,000)
Sale of other real estate investment	—	—	7,500	—	7,500
Distribution from subsidiary	38,544	—	—	(38,544)	—
Intercompany financing	(169,391)	56,527	—	112,864	—
Net cash (used in) provided by investing activities	(130,847)	(167,799)	7,383	74,320	(216,943)
Cash flows from financing activities:					
Proceeds from the issuance of common stock, net	170,414	—	—	—	170,414
Proceeds from the issuance of senior unsecured notes payable	—	300,000	—	—	300,000
Borrowings under unsecured revolving credit facility	—	158,000	—	—	158,000
Payments on senior unsecured notes payable	—	(267,639)	—	—	(267,639)
Payments on unsecured revolving credit facility	—	(158,000)	—	—	(158,000)
Payments of deferred financing costs	—	(6,047)	—	—	(6,047)
Net-settle adjustment on restricted stock	(866)	—	—	—	(866)
Dividends paid on common stock	(38,544)	—	—	—	(38,544)
Distribution to Parent	—	(38,544)	—	38,544	—
Intercompany financing	—	169,391	(56,527)	(112,864)	—
Net cash provided by (used in) financing activities	131,004	157,161	(56,527)	(74,320)	157,318
Net increase in cash and cash equivalents	—	7,308	—	—	7,308
Cash and cash equivalents beginning of period	—	7,500	—	—	7,500
Cash and cash equivalents end of period	$ —	$ 14,808	$ —	$ —	$ 14,808

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands)

	Parent Guarantor	Issuers	Combined Subsidiary Guarantors	Elimination	Consolidated
Cash flows from operating activities:					
Net cash (used in) provided by operating activities:	$ (73)	$ 8,332	$ 41,254	$ —	$ 49,513
Cash flows from investing activities:					
Acquisitions of real estate	—	(185,284)	—	—	(185,284)
Improvements to real estate	—	(56)	(202)	—	(258)
Purchases of equipment, furniture and fixtures	—	(70)	(69)	—	(139)
Preferred equity investments	—	—	(4,531)	—	(4,531)
Escrow deposit for acquisition of real estate	—	(1,000)	—	—	(1,000)
Distribution from subsidiary	27,396	—	—	(27,396)	—
Intercompany financing	(107,807)	(58,570)	—	166,377	—
Net cash used in investing activities	(80,411)	(244,980)	(4,802)	138,981	(191,212)
Cash flows from financing activities:					
Proceeds from the issuance of common stock, net	108,395	—	—	—	108,395
Proceeds from the issuance of senior unsecured term loan	—	100,000	—	—	100,000
Borrowings under unsecured revolving credit facility	—	150,000	—	—	150,000
Payments on unsecured revolving credit facility	—	(92,000)	—	—	(92,000)
Payments on the mortgage notes payable	—	—	(95,022)	—	(95,022)
Payments of deferred financing costs	—	(1,352)	—	—	(1,352)
Net-settle adjustment on restricted stock	(515)	—	—	—	(515)
Dividends paid on common stock	(27,396)	—	—	—	(27,396)
Distribution to Parent	—	(27,396)	—	27,396	—
Intercompany financing	—	107,807	58,570	(166,377)	—
Net cash provided by (used in) financing activities	80,484	237,059	(36,452)	(138,981)	142,110
Net increase in cash and cash equivalents	—	411	—	—	411
Cash and cash equivalents beginning of period	—	11,467	—	—	11,467
Cash and cash equivalents end of period	$ —	$ 11,878	$ —	$ —	$ 11,878

13. SUBSEQUENT EVENTS

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

Investments

In October 2017, the Company acquired 13 properties in three different transactions, comprising three assisted living facilities and ten skilled nursing facilities for approximately $135.0 million, which includes estimated capitalized acquisition costs. These acquisitions will generate initial annual cash rents of approximately $12.0 million. Additionally, the Company provided a mortgage loan secured by a skilled nursing facility for approximately $12.5 million inclusive of transaction costs, at an annual interest rate of 9%.

Lease Amendments

Pristine Amendment. On November 2, 2017 (the "Pristine Amendment Date"), the Company entered into the Pristine Amendment with affiliates of Pristine. Under the Pristine Amendment, the Company agreed that seven Transitioned Facilities selected by the Company would be transferred to a new operator or operators designated by the Company in its sole and absolute discretion. Pursuant to the Pristine Amendment, the operational transfers of the Transitioned Facilities are required to occur within nine months of the Pristine Amendment Date. The Company and Pristine have agreed to make commercially reasonable efforts to facilitate such transfers. As described below under "*Trillium Amendment*," the Company concurrently entered into a third amendment to the master lease (the "Trillium Amendment") with affiliates of Trillium Healthcare Group, LLC ("Trillium") to lease the Transitioned Facilities to affiliates of Trillium. The Trillium Amendment and the operational transfers of the Transitioned Facilities are currently expected to become effective on December 1, 2017 (such date, the "Transition Effective Date").

Until the Transition Effective Date, Pristine will continue to operate all of the Transitioned Facilities, as well as the facilities it is retaining under the amended Pristine master lease, and will pay an adjusted base rent and additional rent thereon. Commencing on October 1, 2017, initial base rent under the amended Pristine master lease is $15.6 million per annum, payable in equal monthly installments; provided, however, that effective as of the Transition Date, annual base rent will be reduced by $6.5 million. Commencing on March 1, 2018, annual base rent will increase to $16.0 million (or $9.5 million if the Transitioned Facilities have been previously transferred), and commencing on July 1, 2018, and assuming the Transitioned Facilities have been transferred, annual base rent will be $9.8 million. Beginning on July 1, 2019 and increasing annually thereafter, annual base rent will increase by the greater of (i) 2% or (ii) the adjusted CPI increase not to exceed 3%.

Under a prior lease amendment, Pristine is required to make scheduled deposits as additional rent into a landlord-managed impound account from which the Company pays certain property taxes and franchise permit fees related to the properties Pristine net leases from the Company. Under the Pristine Amendment, Pristine is scheduled to pay the Company an additional $0.3 million on November 15, 2017 and an additional $0.2 million on December 11, 2017. On or about December 15, 2017, the Company would then make an additional advance to the impound account bringing the total outstanding balance to approximately $6.0 million in deferred rent, and pay therefrom all property taxes and franchise permit fees due with respect to all of the properties Pristine net leases from the Company through September 30, 2017. In addition, on or before February 10, 2018 Pristine will deposit into the impound account its full prorata share of the incurred but unpaid property taxes and franchise permit fees for the Transitioned Facilities attributable to the period from October 1, 2017 to the Transition Effective Date, and assuming that the operational transfers of the Transitioned Facilities become effective on December 1, 2017 as expected, Trillium will deposit into the impound account its prorata share thereof for the period from the Transition Effective Date through December 31, 2017, and the Company will forward the same to the taxing authorities. Thereafter, both Pristine and Trillium will be responsible for paying property taxes and franchise permit fees related to the properties they respectively net lease from the Company directly to the applicable taxing authorities.

Under the Pristine Amendment, Pristine has agreed to repay the total outstanding balance of the deferred rent in the impound account, plus the portion of the September 2017 base rent the Company allowed Pristine to defer, totaling $0.8 million, over time with interest. Beginning on October 15, 2018 and continuing monthly thereafter, Pristine will pay as additional rent $0.1 million per month, with any outstanding balance due in full on January 15, 2023. The outstanding balance on the rent deferral will incur interest charges at a rate of 6.25% per annum.

CARETRUST REIT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS —
(Unaudited)

Trillium Amendment. On November 2, 2017, the Company entered into the Trillium Amendment with Trillium to lease the Transitioned Facilities to affiliates of Trillium. Under the Trillium Amendment, on the Transition Effective Date, annual base rent will increase by approximately $6.9 million, from $4.5 million to $11.5 million. On February 1, 2018, annual base rent will increase to $11.6 million. Following the first anniversary of the Transition Date, annual base rent will increase to $12.1 million. On February 1, 2019, annual base rent will increase to $12.2 million. Following the second anniversary of the Transition Effective Date, annual base rent will increase by the lesser of (i) the CPI increase or (ii) 3%.

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

Forward-Looking Statements

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

Words such as "anticipate(s)," "expect(s)," "intend(s)," "plan(s)," "believe(s)," "may," "will," "would," "could," "should," "seek(s)" and similar expressions, or the negative of these terms, are intended to identify such forward-looking statements. These statements are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties that could lead to actual results differing materially from those projected, forecasted or expected. Although we believe that the assumptions underlying the forward-looking statements are reasonable, we can give no assurance that our expectations will be attained. Factors which could have a material adverse effect on our operations and future prospects or which could cause actual results to differ materially from our expectations include, but are not limited to: (i) the ability to achieve some or all of the benefits that we expect to achieve from the completed Spin-Off (as defined below); (ii) 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, and any of its obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities; (iii) the ability of our tenants to comply with laws, rules and regulations in the operation of the properties we lease to them; (iv) 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; (v) the availability of and the ability to identify suitable acquisition opportunities and the ability to acquire and lease the respective properties on favorable terms; (vi) the ability to generate sufficient cash flows to service our outstanding indebtedness; (vii) access to debt and equity capital markets; (viii) fluctuating interest rates; (ix) the ability to retain our key management personnel; (x) the ability to maintain our status as a real estate investment trust ("REIT"); (xi) changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs; (xii) other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and (xiii) any additional factors included in our Annual Report on Form 10-K for the year ended December 31, 2016, including in the section entitled "Risk Factors" in Item 1A of Part I of such report, as such risk factors may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission (the "SEC").

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

Overview

CareTrust REIT, Inc. ("CareTrust REIT", the "Company", "we", "our", or "us") 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"). 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 September 30, 2017, we owned and leased to independent operators, including Ensign, 171 skilled nursing ("SNFs"), SNF Campuses, assisted living ("ALFs") and independent living ("ILFs") facilities which had a total of 16,795 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Maryland, Michigan, Minnesota, Nebraska, Nevada, New Mexico, North Carolina, Ohio, Oregon, 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 September 30, 2017, we also had two other real estate investments, consisting of $5.4 million of preferred equity investments.

We are a separate and independent publicly-traded, self-administered, self-managed REIT primarily engaged in the ownership, acquisition and leasing of seniors housing and healthcare-related properties. We generate revenues primarily by leasing healthcare-related properties to healthcare operators in triple-net lease arrangements, under which the tenant is solely responsible for the costs related to the property (including property taxes, insurance, and maintenance and repair costs). We conduct and manage our business as one operating segment for internal reporting and internal decision making purposes. We expect to grow our portfolio 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 CTR Partnership, L.P. (the "Operating Partnership"). The Operating Partnership is managed by CareTrust REIT's wholly-owned subsidiary, CareTrust GP, LLC, which is the sole general partner of the Operating Partnership. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains.

Recent Transactions

At-The-Market Offering of Common Stock

In May 2017, we entered into a new equity distribution agreement to issue and sell, from time to time, up to $300.0 million in aggregate offering price of our common stock through an "at-the-market" equity offering program (the "ATM Program"). At the time the ATM Program commenced, our at-the-market equity offering program entered into during 2016, which had been substantially depleted, was permanently discontinued. As of September 30, 2017, we had approximately $236.1 million available for future issuances under the ATM Program.

The following table summarizes the ATM Program activity for 2017 (shares and dollars in thousands):

	For the Three Months Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	Total
Number of shares	7,175	3,399	—	10,574
Average sales price per share	$ 15.31	$ 18.82	$ —	$ 16.43
Gross proceeds	$ 109,813	$ 63,947	$ —	$ 173,760

Offering of Senior Unsecured Notes

In May 2017, the Operating Partnership, and its wholly owned subsidiary, CareTrust Capital Corp., completed an underwritten public offering of $300.0 million aggregate principal amount of 5.25% Senior Notes due 2025. We used the net proceeds from the offering of the Notes to redeem all $260.0 million aggregate principal amount outstanding of our 5.875% Senior Notes due 2021, including payment of the redemption price and all accrued and unpaid interest thereon, and used the remaining portion of the net proceeds of the offering to pay borrowings outstanding under our senior unsecured revolving credit facility. See "*Liquidity and Capital Resources-Indebtedness*" for further information.

Recent Investments

From January 1, 2017 through November 7, 2017, we acquired 35 properties in various transactions, comprising 7 ALFs and 27 SNFs and provided a mortgage loan secured by a SNF for approximately $305.1 million, which include actual and estimated capitalized acquisition costs. These acquisitions generate initial annual cash revenues of approximately $27.6 million and an initial blended yield of approximately 9.0%. See Note 3, *Real Estate Investments, Net,* and Note 13, *Subsequent Events* in the Notes to Condensed Consolidated Financial Statements for additional information.

Lease Amendments

Pristine Amendment. On November 2, 2017 (the "Pristine Amendment Date"), we entered into a fourth amendment to the master lease ("Pristine Amendment") with affiliates of Pristine Senior Living, LLC ("Pristine"). Under the Pristine

Amendment, we agreed that certain facilities selected by us (the "Transitioned Facilities") would be transferred to a new operator or operators designated by us in our sole and absolute discretion. Pursuant to the Pristine Amendment, the operational transfers of the Transitioned Facilities are required to occur within nine months of the Pristine Amendment Date. We and Pristine have agreed to make commercially reasonable efforts to facilitate such transfers. As described below under "*Trillium Amendment*," we concurrently entered into a third amendment to the master lease (the "Trillium Amendment") with affiliates of Trillium Healthcare Group, LLC ("Trillium") to lease the Transitioned Facilities to affiliates of Trillium. The Trillium Amendment and the operational transfers of the Transitioned Facilities are currently expected to become effective on December 1, 2017 (such date, the "Transition Effective Date"). See Note 13, *Subsequent Events* in the Notes to Condensed Consolidated Financial Statements for additional information.

Trillium Amendment. On November 2, 2017, we entered into the Trillium Amendment with Trillium to lease the Transitioned Facilities to affiliates of Trillium. Under the Trillium Amendment, on the Transition Effective Date, annual base rent will increase by approximately $6.9 million, from $4.5 million to $11.5 million. On February 1, 2018, annual base rent will increase to $11.6 million. Following the first anniversary of the Transition Date, annual base rent will increase to $12.1 million. On February 1, 2019, annual base rent will increase to $12.2 million. Following the second anniversary of the Transition Effective Date, annual base rent will increase by the lesser of (i) the CPI increase or (ii) 3%. See Note 13, *Subsequent Events* in the Notes to Condensed Consolidated Financial Statements for additional information.

Results of Operations

Operating Results

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016:

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Increase (Decrease)	Percentage Difference
	(dollars in thousands)			
Revenues:				
Rental income	$ 29,404	$ 24,179	$ 5,225	22 %
Tenant reimbursements	2,543	2,089	454	22 %
Independent living facilities	825	766	59	8 %
Interest and other income	176	72	104	144 %
Expenses:				
Depreciation and amortization	9,745	8,248	1,497	18 %
Interest expense	5,592	5,743	(151)	(3)%
Property taxes	2,543	2,089	454	22 %
Independent living facilities	698	708	(10)	(1)%
Acquisition costs	—	203	(203)	*
General and administrative	3,059	2,283	776	34 %

* Not meaningful

Rental income. Rental income was $29.4 million for the three months ended September 30, 2017 compared to $24.2 million for the three months ended September 30, 2016. The $5.2 million or 22% increase in rental income is primarily due to $5.2 million from investments made after July 1, 2016 and $0.5 million from increases in rental rates for our existing tenants, offset by a $0.5 million reserve on rental income.

Independent living facilities. Revenues from our three ILFs that we own and operate increased $0.1 million or 8% to $0.8 million for the three months ended September 30, 2017 compared to the three months ended September 30, 2016. This increase was primarily due to increased occupancy at these facilities. Expenses remained consistent at $0.7 million for the three months ended September 30, 2017 and 2016.

Interest and other income. Interest and other income increased $0.1 million for the three months ended September 30, 2017 to $0.2 million compared to $0.1 million for the three months ended September 30, 2016. The increase was due to a preferred equity investment that closed in September 2016.

Depreciation and amortization. Depreciation and amortization expense increased $1.5 million or 18% for the three months ended September 30, 2017 to $9.7 million compared to $8.2 million for the three months ended September 30, 2016, due to new investments made after July 1, 2016.

Interest expense. Interest expense decreased $0.1 million or 3% for the three months ended September 30, 2017 to $5.6 million compared to $5.7 million for the three months ended September 30, 2016. The decrease was primarily due to the lower outstanding balance on our unsecured revolving credit facility of $0.4 million, partially offset by higher interest rates on our floating rate debt primarily related to our senior unsecured term loan in the three months ended September 30, 2017 compared to the three months ended September 30, 2016.

General and administrative expense. General and administrative expense increased $0.8 million or 34% for the three months ended September 30, 2017 to $3.1 million compared to $2.3 million for the three months ended September 30, 2016. The increase is primarily related to higher cash wages of $0.4 million due to increase staffing, amortization of stock-based compensation of $0.3 million and $0.1 million in fees associated with a potential acquisition that was not pursued during the three months ended September 30, 2017.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016:

	For the Nine Months Ended September 30,		Increase (Decrease)	Percentage Difference
	2017	2016		
	(dollars in thousands)			
Revenues:				
Rental income	$ 85,254	$ 67,857	$ 17,397	26%
Tenant reimbursements	7,253	5,815	1,438	25%
Independent living facilities	2,407	2,177	230	11%
Interest and other income	1,471	587	884	151%
Expenses:				
Depreciation and amortization	28,156	23,433	4,723	20%
Interest expense	17,690	17,044	646	4%
Loss on the extinguishment of debt	11,883	326	11,557	*
Property taxes	7,253	5,815	1,438	25%
Independent living facilities	2,003	1,926	77	4%
Impairment of real estate investment	890	—	890	*
Acquisition costs	—	203	(203)	*
General and administrative	8,426	6,724	1,702	25%

* Not meaningful

Rental income. Rental income was $85.3 million for the nine months ended September 30, 2017 compared to $67.9 million for the nine months ended September 30, 2016. The $17.4 million or 26% increase in rental income is primarily due to $16.5 million from investments made after January 1, 2016 and $1.4 million from increases in rental rates for our existing tenants, partially reduced by a $0.5 million reserve on rental income.

Independent living facilities. Revenues from our three ILFs that we own and operate were $2.4 million for the nine months ended September 30, 2017 compared to $2.2 million for the nine months ended September 30, 2016. The $0.2 million or 11% increase was primarily due to increased occupancy at these facilities and a higher average rental rate per unit. Expenses were $2.0 million for the nine months ended September 30, 2017 compared to $1.9 million for the nine months ended September 30, 2016. The $0.1 million or 4% increase was primarily due to the increased occupancy.

Interest and other income. Interest and other income increased $0.9 million for the nine months ended September 30, 2017 to $1.5 million compared to $0.6 million for the nine months ended September 30, 2016. The increase was due to $0.5 million of net interest income related to the disposition in May 2017 of one preferred equity investment and $0.4 million of interest income from two preferred equity investments that closed in July and September 2016.

Depreciation and amortization. Depreciation and amortization expense increased $4.7 million or 20% for the nine months ended September 30, 2017 to $28.2 million compared to $23.4 million for the nine months ended September 30, 2016, due to new investments made after January 1, 2016.

Interest expense. Interest expense increased $0.7 million or 4% for the nine months ended September 30, 2017 to $17.7 million compared to $17.0 million for the nine months ended September 30, 2016. The net increase was due primarily to the fourteen days during the nine months ended September 30, 2017 when both our $300.0 million 5.25% Senior Notes due 2025 and our $260.0 million 5.875% Senior Notes due 2021 were outstanding and higher interest rates on our floating rate debt primarily related to our senior unsecured term loan, offset by a decrease due to the lower outstanding balance on our unsecured revolving credit facility.

Loss on the extinguishment of debt. Included in the loss on the extinguishment of debt is the redemption price at 102.938% of $7.6 million and a $4.2 million write-off of deferred financing costs associated with the redemption of our 5.875% Senior Notes due 2021 that was completed during the nine months ended September 30, 2017 and a $0.3 million write-off of deferred financing fees during the nine months ended September 30, 2016 associated with the payoff and termination of the GECC Loan.

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

General and administrative expense. General and administrative expense increased $1.7 million or 25% for the nine months ended September 30, 2017 to $8.4 million compared to $6.7 million for the nine months ended September 30, 2016. The increase is primarily related to higher cash wages of $0.9 million, amortization of stock-based compensation of $0.6 million and legal fees of $0.2 million.

Liquidity and Capital Resources

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

During the nine months ended September 30, 2017, we sold approximately 10.6 million shares of common stock under our ATM Program in effect during 2017 at an average price of $16.43 per share for $173.8 million in gross proceeds before $2.4 million of commissions paid to the sales agents. At September 30, 2017, we had approximately $236.1 million available for future issuances under the ATM Program. As of September 30, 2017, there was $95.0 million outstanding under the Credit Facility. See Note 6, *Debt*, and Note 7, *Equity*, in the Notes to Condensed Consolidated Financial Statements for additional information. We believe that our available cash, expected operating cash flows, and the availability under our ATM Program and Credit Facility will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend requirements for at least the next twelve months.

We intend to invest in additional healthcare properties as suitable opportunities arise and adequate sources of financing are available. We expect that future investments in properties, including any improvements or renovations of current or newly-acquired properties, will depend on and will be financed by, in whole or in part, our existing cash, borrowings available to us under the 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 an automatic 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 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:

	For the Nine Months Ended September 30,	
	2017	2016
	(dollars in thousands)	
Net cash provided by operating activities	$ 66,933	$ 49,513
Net cash used in investing activities	(216,943)	(191,212)
Net cash provided by financing activities	157,318	142,110
Net increase in cash and cash equivalents	7,308	411
Cash and cash equivalents, beginning of period	7,500	11,467
Cash and cash equivalents, end of period	$ 14,808	$ 11,878

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

Net cash provided by operating activities for the nine months ended September 30, 2017 was $66.9 million compared to $49.5 million for the nine months ended September 30, 2016, an increase of $17.4 million. The increase was primarily due to an increase in noncash income and expenses of $19.2 million and a $2.6 million increase in net income, offset by a $4.4 million change in operating assets and liabilities.

Net cash used in investing activities for the nine months ended September 30, 2017 was $216.9 million compared to $191.2 million for the nine months ended September 30, 2016, an increase of $25.7 million. The increase was primarily the result of a $37.2 million increase in acquisitions, $0.3 million improvement to real estate and $0.2 million of purchases of furniture, fixtures and equipment, partially offset by a decrease of $7.5 million for the sale of other real estate investment and $4.5 million in preferred equity investments.

Net cash provided by financing activities for the nine months ended September 30, 2017 was $157.3 million compared to $142.1 million for the nine months ended September 30, 2016, an increase of $15.2 million. This increase was primarily due to greater borrowings of debt in the amount of $208.0 million and an increase in net proceeds of $62.0 million from common stock offerings, partially offset by increased repayments of debt of $238.6 million, an increase in dividends paid of $11.1 million, increased payments of deferred financing fees of $4.7 million and $0.4 million of net-settlement adjustments on restricted stock.

Indebtedness

Senior Unsecured Notes

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

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

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

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

As of September 30, 2017, we were in compliance with all applicable financial covenants under the indenture.

Unsecured Revolving Credit Facility and Term Loan

On August 5, 2015, the Company, CareTrust GP, LLC, the Operating Partnership, as the borrower, and certain of its wholly owned subsidiaries entered into a credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Credit Agreement"). The Credit Agreement initially provided for an unsecured asset-based revolving credit facility (the "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 Credit Facility were used to pay off and terminate the Company's existing secured asset-based revolving credit facility under a credit agreement dated May 30, 2014, with SunTrust Bank, as administrative agent, and the lenders party thereto.

On February 1, 2016, the Company, 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 (the "Term Loan") was funded and (iii) the uncommitted incremental facility was increased by $50.0 million to $250.0 million. The Credit Facility continues to mature on 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 2% premium in the first year after issuance and a 1% premium in the second year after issuance.

Approximately $95.0 million of the proceeds of the Term Loan were used to pay off and terminate our secured mortgage indebtedness with General Electric Capital Corporation (the "GECC Loan").

As of September 30, 2017, there was $95.0 million outstanding under the Credit Facility.

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. The Company does not currently have any commitments for such increased loans.

The interest rates applicable to loans under the Revolving Facility are, at the Company's option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum based on the debt to asset value ratio of the Company and its subsidiaries (subject to decrease at the Company's election if the Company obtains certain specified investment grade ratings on its senior long term unsecured debt).

Pursuant to the Amendment, the interest rates applicable to the Term Loan are, at the Company's option, equal to a base rate plus a margin ranging from 0.95% to 1.60% per annum or applicable LIBOR plus a margin ranging from 1.95% to 2.60% per annum based on the debt to asset value ratio of the Company and its subsidiaries (subject to decrease at the Company's election if the Company obtains certain specified investment grade ratings on its senior long term unsecured debt). In addition, the Company pays a commitment fee on the unused portion of the commitments under the Credit Facility of 0.15% or 0.25% per annum, based upon usage of the Credit Facility (unless the Company obtains certain specified investment grade ratings on its senior long term unsecured debt and elects to decrease the applicable margin as described above, in which case the Company will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based upon the credit ratings of its senior long term unsecured debt).

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

As of September 30, 2017, the Company was in compliance with all applicable financial covenants under the Credit Agreement.

Obligations and Commitments

The following table summarizes our contractual obligations and commitments as of September 30, 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)	$ 426,000	$ 15,750	$ 31,500	$ 31,500	$ 347,250
Senior unsecured term loan (2)	117,243	3,229	6,467	6,458	101,089
Unsecured revolving credit facility (3)	101,729	3,649	98,080	—	—
Operating lease	331	136	195	—	—
Total	$ 645,303	$ 22,764	$ 136,242	$ 37,958	$ 448,339

(1) Amounts include interest payments of $126.0 million.
(2) Amounts include interest payments of $17.2 million.
(3) The unsecured revolving credit facility includes payments related to the unused credit facility fee.

Capital Expenditures

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

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q have been prepared in accordance with GAAP for interim financial information set forth in the Accounting Standards Codification, as published by the Financial Accounting Standards Board. GAAP requires us to make estimates and assumptions regarding future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We base these estimates on our experience and assumptions we believe to be reasonable under the circumstances. However, if our judgment or interpretation of the facts and circumstances relating to various transactions or other matters had been different, we may have applied a different accounting treatment, resulting in a different presentation of our financial statements. We periodically reevaluate our estimates and assumptions, and in the event they prove to be different from actual results, we make adjustments in subsequent periods to reflect more current estimates and assumptions about matters that are inherently uncertain. Please refer to our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 7, 2017, for further information regarding the critical accounting policies that affect our more significant estimates and judgments used in the preparation of our Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. There have been no material changes in such critical accounting policies during the nine months ended September 30, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Our Credit Agreement provides for revolving commitments in an aggregate principal amount of $400.0 million from a syndicate of banks and other financial institutions. The interest rates per annum applicable to loans under the Credit Facility are, at the Company’s option, equal to either a base rate plus a margin ranging from 0.75% to 1.40% per annum or applicable LIBOR plus a margin ranging from 1.75% to 2.40% per annum, based on the debt to asset value ratio of the Operating Partnership and its subsidiaries (subject to decrease at the Company’s election if the Company obtains certain specified investment grade ratings on its senior long term unsecured debt). Pursuant to the Amendment, the interest rates applicable to the Term Loan are, at the Company’s option, equal to a base rate plus a margin ranging from 0.95% to 1.60% per annum or applicable LIBOR plus a margin ranging from 1.95% to 2.60% per annum based on the debt to asset value ratio of the Company and its subsidiaries (subject to decrease at the Company’s election if the Company obtains certain specified investment grade ratings on its senior long term unsecured debt). As of September 30, 2017, we had a $100.0 million Term Loan outstanding and there was $95.0 million outstanding under the Credit Facility.

An increase in interest rates could make the financing of any acquisition by us more costly as well as increase the costs of our variable rate debt obligations. Rising interest rates could also limit our ability to refinance our debt when it matures or cause us to pay higher interest rates upon refinancing and increase interest expense on refinanced indebtedness. Assuming a 100 basis point increase in the interest rates related to our variable rate debt, and assuming no change in our outstanding debt balance as described above, interest expense would have increased approximately $0.9 million for the nine months ended September 30, 2017.

We may, in the future, manage, or hedge, interest rate risks related to our borrowings by means of interest rate swap agreements. However, the REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. See “Risk Factors — Risks Related to Our Status as a REIT — Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities,” which is included in our Annual Report on Form 10-K for the year ended December 31, 2016. As of September 30, 2017, we had no swap agreements to hedge our interest rate risks. We also expect to manage our exposure to interest rate risk by maintaining a mix of fixed and variable rates for our indebtedness.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exhange Act of 1934, as amended (“Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2017, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of September 30, 2017.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2017, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

We have disclosed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016 risk factors which materially affect our business, financial condition, or results of operations. There have been no material changes from the risk factors previously disclosed.

Item 5. Other Information.

On November 2, 2017, we entered into the Pristine Amendment with affiliates of Pristine pursuant to which we agreed that seven facilities selected by us would be transferred to a new operator or operators designated by us in our sole and absolute discretion. See Note 13, *Subsequent Events* in the Notes to Condensed Consolidated Financial Statements for additional information regarding the Pristine Amendment which is incorporated herein by reference.

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Item 6. Exhibits.

Exhibit Number	Description of the Document
2.1	Separation and Distribution Agreement, dated as of May 23, 2014, by and between The Ensign Group, Inc. and CareTrust REIT, Inc. (Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on June 5, 2014, is incorporated herein by reference).
3.1	Articles of Amendment and Restatement of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Registration Statement on Form 10, filed on May 13, 2014, is incorporated herein by reference).
3.2	Amended and Restated Bylaws of CareTrust REIT, Inc. (Exhibit 3.2 to the Company's Registration Statement on Form 10, filed on May 13, 2014, is incorporated herein by reference).
*10.1	Fourth Amendment to Master Lease, dated as of November 2, 2017, by and among CTR Partnership, L.P. and the entities party thereto as tenants and guarantors.
*31.1	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

SIGNATURES

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

	CareTrust REIT, Inc.	
November 8, 2017	By:	/s/ Gregory K. Stapley
		Gregory K. Stapley President and Chief Executive Officer *(duly authorized officer)*
November 8, 2017	By:	/s/ William M. Wagner
		William M. Wagner Chief Financial Officer and Treasurer *(principal financial officer and principal accounting officer)*

Exhibit 10.1

FOURTH AMENDMENT TO MASTER LEASE

THIS FOURTH AMENDMENT TO MASTER LEASE (this "**Fourth Amendment**") is entered into as of November 2, 2017 (the "**Fourth Amendment Date**"), by and between the entities listed as "Tenant" on the signature pages attached hereto (each referred to herein individually and collectively as "**Tenant**"), the entities and individuals listed as "Guarantor" on the signature pages attached hereto (each referred to herein individually and collectively as "**Guarantor**"), and CTR PARTNERSHIP, L.P., a Delaware limited partnership ("**Landlord**").

R E C I T A L S :

A. Landlord and Tenant are parties to that certain Master Lease entered into as of July 30, 2015 (as amended by that certain First Amendment to Master Lease entered into as of July 30, 2015, that certain Second Amendment to Master Lease entered into as of March 7, 2016 (the "**Second Amendment**", and that certain Third Amendment to Master Lease entered into as of March 21, 2017 (the "**Third Amendment**"), collectively, the "**Master Lease**" or "**Lease**"), contemplating, among other things, Tenant leasing from Landlord certain Premises more particularly described in the Master Lease.

B. Pursuant to that certain Guaranty of Lease dated as of July 30, 2015 (as amended by that certain First Amendment to Guaranty of Master Lease dated as of November 15, 2016, and that certain Second Amendment to Guaranty of Master Lease dated as of February 14, 2017, the "**Guaranty**"), Guarantor agreed, among other things, to guaranty the obligations of Tenant under the Master Lease.

C. Each Tenant has, with respect to its corresponding Facility, entered into a Facility Management Agreement (each, a " **PSM Management Agreement**" and, collectively, the "**PSM Management Agreements**") with Pristine Senior Management, LLC, an Indiana limited liability company ("**PSM**"), pursuant to which PSM agrees to manage the day-to-day operations of the Facilities, subject to the terms and conditions of the PSM Management Agreements. PSM is an Affiliate of Tenant and Guarantor.

D. Landlord and Tenant have agreed to, *inter alia*, an early termination of the Master Lease with respect to some, but not all, of the Facilities, subject to the terms and conditions set forth in this Fourth Amendment. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Lease.

E. Tenant, Guarantor, and Landlord now desire to amend the Lease, all as hereinafter provided.

A G R E E M E N T :

NOW, THEREFORE, taking into account the foregoing Recitals, which by this reference are incorporated herein, and in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord, Tenant, Guarantor, and, for the specific provisions identified herein, PSM agree as follows:

1. **Agreement to Transition Certain Facilities**.

    a. During the period (the "**Transition Period**") commencing with the Fourth Amendment Date and terminating on the first day of the first calendar month after the date that is nine (9) months from the Fourth Amendment Date (such date, the "**Transition Period**

Expiration Date"), Landlord and Tenant shall use commercially reasonable efforts to cause the transfer and transition, practically and legally (and without interruption of any business activities therein, regulatory or otherwise), of the day-to-day operations of those Facilities identified on Schedule 1 attached hereto as the "**Transitioned Facilities**" to one or more new operators designated by Landlord in its sole and absolute discretion (individually, and collectively, the "**New Operator**") (each, an "**Operational Transfer**", and, collectively, the "**Operational Transfers**"). Those Facilities that are not the Transitioned Facilities, and are identified on Schedule 1 as the "Retained Facilities", shall hereinafter be referred to as the "**Retained Facilities**".

b. Tenant and PSM agree to take all steps that are commercially reasonable to facilitate the Operational Transfers including, without limitation, Tenant entering into and complying with an operations transfer agreement(s) with New Operator(s) on substantially the same form as was executed by Tenant as of March 21, 2017 in connection with the Third Amendment (as modified pursuant hereto, the "**OTA**"). Landlord and Tenant agree to the making of only such modifications thereto as are reasonably necessary to (i) reflect the terms and conditions set forth in this Fourth Amendment, (ii) accommodate more than one New Operator (if necessary), (iii) provide that as of the Transition Date, Tenant will leave the Transitioned Facilities with supply and inventory levels consistent with those levels of supplies and inventory in place at the time Tenant took possession of the Transitioned Facilities under the Lease and Tenant will convey said supplies and inventory to New Operator for no additional consideration on the Transition Date (as more particularly set forth in the OTA), and (iv) if requested, create a separate (but substantively identical) OTA for each Facility and/or for each Transition Date (as defined below). During the Transition Period, Tenant and PSM shall grant New Operator(s) reasonable access to the Premises and Tenant's (and/or each Facility's) books and records in relation to the operations thereof. Tenant and PSM hereby agree toreasonably and promptly cooperate with New Operator(s) in connection with its efforts to obtain the licenses, permits and other authorizations needed for New Operator(s) to operate the Premises for its current use from and after the Operations Transfer, including, without limitation, by filing, submitting or otherwise distributing such applications and notices as New Operator may reasonably request, provided that Tenant shall not be required to incur any material expense in doing so. The OTA shall provide, and Tenant, PSM, and Guarantor hereby agree, that the business, operations, and all other items and property transferred to New Operator in connection with an Operations Transfer, shall be transferred and conveyed to New Operator free and clear of all liens, encumbrances, obligations, and liabilities occurring, existing, accruing or arising prior to the Transition Date.

c. The effective date of the Operations Transfer(s) (the "**Transition Date**") shall be as set forth in the OTA, and shall occur prior to the Transition Period Expiration Date. Notwithstanding anything contained herein to the contrary, Landlord shall undertake commercially reasonable efforts to cause all Operations Transfers to occur on the same Transition Date.

d. Effective as of the Fourth Amendment Date, Tenant, Guarantor, and PSM hereby agree that the compensation payable to PSM under each PSM Management Agreement shall be limited to the following: (i) until all Deferred Rent has been paid in full pursuant to Section 5 of this Fourth Amendment, a monthly sum equal to five percent (5%) of the applicable Facility's Adjusted Gross Revenue (as defined in the PSM Management Agreements), (ii) after all Deferred Rent has been paid in full pursuant to Section 5 of this Amendment, and for so long as the applicable Facility is subject to the Master Lease, a monthly sum as determined by Tenant and PSM but in no event to exceed seven percent (7%) of the applicable Facility's Adjusted Gross Revenue, and (iii) the Reimbursable Costs (as defined in the PSM Management Agreements) pursuant to Section 5.3 of the PSM Management Agreements. Until October 1, 2018, Tenant, Guarantor and PSM agree that any profits, proceeds, cash or other items of value that would otherwise be available for distribution to Tenant's or PSM's (as applicable) members or other equity interest holders (including, without limitation, Guarantor) shall, instead, promptly be used to pay off and settle past-due trade payables.

2. **Partial Termination of Lease**. On and subject to the terms and conditions set forth in this Fourth Amendment, Landlord and Tenant hereby agree that the Lease shall be deemed cancelled and terminated solely with respect to the Transitioned Facilities on and as of 11:59 p.m. on the date immediately prior to the Transition Date. The Lease shall have no force or effect with respect to the Transitioned Facilities from and after 11:59 p.m. on the date immediately prior to the Transition Date. Except as otherwise set forth in this Fourth Amendment, each of Landlord and Tenant do hereby release and discharge the other from any claims, liabilities or obligations arising under the Lease with respect to the Transitioned Facilities after the Transition Date; provided, however, the foregoing shall not release either party from any claims, liabilities or obligations that (i) on their terms survive the termination of the Lease with respect to a termination thereof, including, but not limited to, the indemnity obligations of Tenant pursuant to Article XV and Section 19.4 of the Lease, (ii) relate to the Retained Facilities (whether arising prior to or after the Transition Date), (iii) pertain to the obligations of Tenant, PSM, and/or Guarantor pursuant to this Fourth Amendment, or (iv) arise under the Lease prior to the Transition Date.

3. **Amendments to Master Lease**. The Master Lease is hereby amended as follows:

a. Base Rent. Effective as of October 1, 2017, new Sections 2.1.1(A), 2.1.1(B), and 2.1.1(C) are hereby added to the Master Lease:

"2.1.1(A) Commencing October 1, 2017, Base Rent shall be an annual amount equal to Fifteen Million Five Hundred Eighty-Seven Six Hundred Ninety-Two Dollars ($15,587,692). Commencing on March 1, 2018 (and assuming the Transition Date has not yet occurred as of such date), Tenant will pay to Landlord as Base Rent hereunder an annual amount equal to Fifteen Million Nine Hundred Fifty-One Thousand Two Hundred Dollars ($15,951,200).

2.1.1(B) Effective as of the Transition Date, and in order to reflect the Operations Transfers and termination of this Lease with respect to the Transitioned Facilities, the annual Base Rent payable pursuant to Section 2.1.1(A) shall be reduced by the amount of Six Million Five Hundred Thousand Dollars ($6,500,000); provided, however, if there is more than one Transition Date, then at each Transition Date the annual amount of Base Rent payable hereunder shall be equitably abated as reasonably determined by Landlord to reflect the Operations Transfer and termination of this Lease solely with respect to those Transitioned Facilities applicable to each such Transition Date, provided that on the final Transition Date, the annual amount of Base Rent hereunder shall have been, in the aggregate, reduced by an amount equal to $6,500,000 to reflect the Operations Transfers and the termination of this Lease with respect to the Transitioned Facilities.

2.1.1(C) Commencing on July 1, 2018, and assuming the Operations Transfers have occurred, Tenant will pay to Landlord as Base Rent hereunder an annual amount equal to Nine Million Eight Hundred Forty-Five Thousand Dollars ($9,845,000). Notwithstanding the foregoing, effective as of July 1, 2019, and effective on each July 1st thereafter during the Term (including, without limitation, and subject to the first sentence of Section 2.1.2 below, which is not superseded hereby, any Extension Term), the Base Rent shall increase to an annual amount equal to the sum of (a)the annual Base Rent for the immediately preceding twelve (12)-month period, and (b) the annual Base Rent for the immediately preceding twelve (12)-month period multiplied by the *greater* of (i) two percent (2.0%) or (ii) the Adjusted CPI Increase (with the CPI Increase calculated for the immediately preceding twelve (12)-month period)."

b. Exhibit B to Master Lease. Effective as of the Transition Date, the legal descriptions of the Transitioned Facilities shall be deemed deleted and removed from Exhibit B to the Master Lease.

c. Schedule 1 to Master Lease. Effective as of the Transition Date, the Transitioned Facilities shall be deemed deleted and removed from Schedule 1 to the Master Lease.

d. Right of First Refusal. Effective as of the Fourth Amendment Date, Section 25.6 of the Lease is hereby amended and restated in its entirety to read as follows: "25.6 The provisions of this Article XXV shall terminate and be of no further force or effect on the earlier to occur of: (i) the Transition Date (if more than one Transition Date, the Transition Date on which this Lease is terminated with respect to the first Transitioned Facility), and (ii) March 31, 2018."

e. November 2017 Rent. Notwithstanding anything in the Lease to the contrary, Landlord and Tenant hereby agree as follows with respect to the payment of Base Rent for the month of November 2017: (i) on or before November 6, 2017, Tenant shall pay to Landlord partial Base Rent for the month of November 2017 in the amount of $650,000, and (ii) on or before November 13, 2017, Tenant shall pay to Landlord the balance of the Base Rent payable under the Lease for November 2017.

4. **Tax Reserve; Tax Advance**.

a. December 2017 Bed Tax Payment. Tenant shall fulfill its responsibility to fund the full and timely payment of the Bed Taxes for all of the Facilities attributable to the period from July 1, 2017 through September 30, 2017 (such amount, the "**December 2017 Bed Tax Liability**") as follows:

i. Tenant shall pay to Landlord as Additional Rent, and for deposit into the Tax Reserve, the following amounts at the following times (each, a "**Tenant 2017 Bed Tax Deposit**"): (A) on or before November 15, 2017, the amount of $308,855.33, and (B) on or before December 11, 2017, the amount of $209,710.66, plus the positive difference, if any, between (1) the sum of the aggregate Tenant 2017 Bed Tax Deposits made pursuant to clauses (A) and (B) above plus any bed taxes paid from escrow with respect to the Sale Beds under contract to be sold, and (2) the Landlord 2017 Bed Tax Advance (as defined below).

ii. On or before December 15, 2017, provided that Tenant has timely paid to Landlord the Tenant 2017 Bed Tax Deposits and there is no Event of Default then in existence and continuing, Landlord shall make a final Tax Advance (the "**Landlord 2017 Bed Tax Advance**") in an amount sufficient to cause the balance of the total outstanding Tax Advance to be Six Million Five Hundred Thousand Dollars (US$6,500,000).

iii. Notwithstanding anything in Section 4.5.6 of the Lease to the contrary, the amounts deposited into the Tax Reserve pursuant to Sections 4(a)(i) and (ii) shall be used by Landlord to discharge the December 2017 Bed Tax Liability; provided, however, that if by December 15, 2017 the amounts deposited into the Tax Reserve pursuant to Sections 4(a)(i) and (ii) are not sufficient to pay and discharge in full the December 2017 Bed Tax Liability, Tenant shall be required to immediately deposit into the Tax Reserve cash sufficient to cover any shortage therein.

b. <u>February 2018 Bed Tax Payment</u>. Tenant shall further pay to Landlord as Additional Rent, and for deposit into the Tax Reserve, on or before February 10, 2018, Tenant's prorata share of the Bed Tax amount due for the Transitioned Facilities for the period from October 1, 2017 to the Transition Date; provided however that if the Transition Date is after December 31, 2017 (i) the amount due on February 10, 2018 shall be limited to the Bed Tax due thereon for the period from October 1, 2017 through December 31, 2017; and (ii) the Bed Tax due for periods from and after January 1, 2018 up until the actual Transition Date shall be paid by Tenant to Landlord not less than five (5) days prior to their respective due dates.

c. <u>Impositions for Transitioned Facilities</u>. With respect to the Transitioned Facilities, following the Transition Date Tenant shall remain obligated to timely pay to Landlord, as Additional Rent, all Real Property Impositions and Bed Taxes accruing for the Transitioned Facilities prior to the Transition Date, regardless of whether such payments fall due before or after the Transition Date. Tenant shall deposit into the Tax Reserve the amount of any pre-Transition Date accrued Real Property Impositions and Bed Taxes not less than ten (10) days prior to the due date of such Real Property Impositions or Bed Taxes. Provided that Tenant has timely complied with such obligations, Landlord shall cause to be paid from the Tax Reserve, on the date that is five (5) days before due, the pre-Transition Date Real Property Impositions and Bed Taxes with respect to the Transitioned Facilities. Excepting interest and penalties accruing thereafter due to Tenant's failure to timely or fully remit sufficient payments hereunder to the Tax Reserve, in no event will Tenant be responsible to pay any Impositions with respect to a Transitioned Facility accruing and attributable to periods after the Facility's Transition Date. If Tenant has timely remitted in full to the Tax Reserve the payments required hereunder, Landlord shall be responsible for all interest and penalties if Real Property Impositions and Bed Taxes are not paid timely to the applicable taxing authorities.

d. <u>Impositions for Retained Facilities</u>. Commencing January 1, 2018, except as otherwise set forth in this Fourth Amendment, Tenant's obligation to pay to Landlord the Additional Rent referred to in Section 4.5.5 of the Lease (as set forth in the Third Amendment) shall cease with respect to the Retained Facilities; further, excepting the Landlord 2017 Bed Tax Advance, Landlord shall not be required to make any further Tax Advances from and after the date of this Fourth Amendment.

e. Impositions, General. Section 4.1.1 of the Lease is hereby amended and restated as follows: "4.1.1. Tenant will fund and pay directly to the taxing authorities all Real Property Impositions, Bed Taxes, and other Impositions attributable to any tax period or portion thereof occurring during the Term, when due and before any fine, penalty, premium, interest or other cost may be added for late or non-payment. If any such Real Property Imposition, Bed Tax, or other Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Real Property Imposition, Bed Tax, or other Imposition), Tenant may exercise the option to pay same (and any accrued interest on the unpaid balance thereof) in installments (provided no such installments shall extend beyond the Term) and, in such event, shall pay such installments during the Term before any fine, penalty, premium, further interest or cost may be added thereto. Tenant shall deliver to Landlord, on or before the due date of the underlying Real Property Imposition or Bed Tax, copies of the invoice therefor, the check delivered for payment thereof (if paid by check) and an original receipt evidencing such payment or other proof of payment satisfactory to Landlord."

f. Impositions; Mortgage and Default. Section 4.5.1 of the Lease is hereby amended and restated as follows: "4.5.1. If required under the terms of any Facility Mortgage Document or at Landlord's option (to be exercised by thirty (30) days' written notice to Tenant) following (A) the occurrence and during the continuation of an Event of Default, or (B) following the occurrence of more than one (1) Event of Default in any twelve (12) month period and for the remainder of the Term, Tenant shall include with each payment of Base Rent a sum equal one-twelfth ($1/12^{th}$) of the amount required to discharge the annual amount of Real Property Impositions and Bed Taxes. Landlord may, at its option, from time to time require that any particular deposit be greater than one-twelfth ($1/12^{th}$) of the estimated annual Real Property Impositions and Bed Taxes if necessary to provide a sufficient fund (the "**Tax Reserve**") from which to make payment of such Real Property Impositions and Bed Taxes on or before the next due date of any installment thereof; provided, however, such Tax Reserve shall not, in any event, exceed at any given time that amount that is one hundred twenty percent (120%) of the sum of the estimated Real Property Impositions and Bed Taxes payable at any time during the period that is sixty (60) days following any such given date of determination. Additionally, Landlord may change its estimate of any Real Property Imposition or Bed Taxes for any period on the basis of an actual, pending, or threatened (in writing) change in an assessment or tax rate applicable to any Real Property Impositions or Bed Taxes. In such event, Tenant shall deposit with Landlord the amount in excess of the sums previously deposited with Landlord for the applicable period within ten (10) days after Landlord's request therefor necessary to satisfy any such change in assessment or tax rate. If at any time within thirty (30) days before the due date of any Real Property Imposition or Bed Taxes, the deposits are insufficient for the payment in full of the obligation for which the deposits are being held, Tenant shall remit the amount of the deficiency to Landlord within ten (10) days after written demand from Landlord. If Landlord elects (to the extent permitted hereby), to require Tenant to impound Real Property Impositions and Bed Taxes hereunder, Tenant shall, as soon as they are received, deliver to Landlord copies of all notices, demands, claims, bills and receipts in relation to the Real Property Impositions and Bed Taxes."

g. Additional Rent. Nothing in this Fourth Amendment shall cancel, terminate, reduce, modify, or otherwise alter in any manner whatsoever (or be deemed to cancel, terminate, reduce, modify or otherwise alter) Tenant's obligation to pay "Additional Rent" (as defined in Section 2.2 of the Lease) as and when set forth in Section 2.2 of the Lease. Landlord shall have no further liability or obligation to deposit or otherwise contribute any amounts to the Tax Advance or the Tax Reserve, except as may be set forth in Section 4(b) above.

5. **Payment of Deferred Rent**. Concurrently with the execution and delivery of this Fourth Amendment, on the Fourth Amendment Date Tenant shall pay to Landlord Base Rent for the month of October 2017 (as adjusted pursuant to this Amendment). In partial consideration for Landlord's willingness to agree to this Fourth Amendment, Tenant hereby agrees to pay to Landlord, as Additional Rent, the following outstanding amounts (the "**Deferred Rent**") pursuant to the terms and conditions of this Section 5: (i) unpaid Base Rent for the month of September 2017 in the amount of Seven Hundred Fifty Thousand Dollars (US$750,000), and (ii) the outstanding balance of the Tax Advance, as increased by the Landlord 2017 Bed Tax Advance and any other amounts hereafter contributed thereto by Landlord. Notwithstanding Section 2.4 of the Lease to the contrary, the amount of Deferred Rent outstanding from time to time shall accrue interest at the Agreed Rate, provided that, solely for purposes of this Section 5 (and without modifying the use of such term as set forth in the Lease), "**Agreed Rate**" shall mean 6.25%, with such interest calculated on the daily outstanding balance thereunder as reasonably determined by Landlord, and notwithstanding the following two sentences, at Tenant's election Tenant shall be allowed to pay any or all of the outstanding Deferred Rent and any accrued interest thereon earlier than scheduled herein, but not later. Tenant and Guarantor hereby agree that the Deferred Rent (including any accrued but unpaid interest and other sums due with respect thereto) shall be paid, if not sooner, as follows: (i) notwithstanding anything in Section 6.14 of the Lease to the contrary (and except as expressly set forth in the following paragraph of this Section 5), Tenant shall cause any net Bed Sale Proceeds to be paid to Landlord and applied, for Tenant's benefit, to reduce the outstanding balance of the Deferred Rent (provided, for the avoidance of doubt, that "net" Bed Sale Proceeds to be applied to the reduction of Deferred Rent shall mean the gross Bed Sale Proceeds, net of any Bed Taxes paid ~~from~~ with respect to the underlying Sale Beds and commissions, legal fees, and other reasonable transaction costs incurred in connection with the sale of the Sale Beds, and (ii) commencing on October 15, 2018 and continuing on the fifteenth (15^{th}) day of each calendar month thereafter to and including January 15, 2023 (the "**Deferred Rent Outside Date**"), Tenant shall be required to pay to Landlord as Additional Rent One Hundred Thousand Dollars (US$100,000) per month. On the Deferred Rent Outside Date Tenant shall be required to pay to Landlord, as Additional Rent, the entire remaining outstanding balance of the Deferred Rent, if any, including all accrued and unpaid interest and other sums due thereon. Payments made by Tenant pursuant to this Section 5 shall first be applied to accrued and unpaid interest on the Deferred Rent and then to reduce the principal amount of the Deferred Rent. For the avoidance of doubt, Landlord, Tenant, and Guarantor agree that the Deferred Rent is not a loan, but rather constitutes deferred Base Rent and Additional Rent payable upon the terms set forth herein, and as such is not evidenced or secured by any arrangement other than this Lease and the Guaranty and the obligation to pay the Deferred Rent on the terms set forth in this Section 5 does not constitute a lender or borrower/creditor relationship between Landlord and Tenant. Further, Guarantor hereby agrees that for the avoidance of doubt, Tenant's obligations under this Section 5 shall be included in the definition of "Guaranteed Obligations" as such term is used in the Guaranty. Landlord's willingness to agree to the payment of Deferred Rent on the terms and conditions set forth in this Section 5 is conditioned upon Tenant's ongoing compliance with the terms and conditions of the Master Lease; therefore, upon the occurrence of an Event of Default Landlord may elect (in its sole and absolute discretion) to declare all amounts of Deferred Rent (and all accrued, but unpaid interest thereon), together with all other sums

payable to Landlord pursuant to this Section 5, to be immediately due and payable, whereupon the same shall become and be immediately due and payable, and such right and remedy of Landlord shall be in addition to, and not exclusive of, any other right, power or remedy which Landlord may have against Tenant or Guarantor pursuant to this Fourth Amendment, the Lease, or any other agreement, or existing at law or in equity or otherwise.

Without limiting the provisions of Section 6.14.4 of the Master Lease, in the event that the existing contracts to sell the Sale Beds do not close by March 31, 2018 and additional escrow payments are not funded by the buyers thereof before April 7, 2018, then Landlord shall have the right to elect to either de-license such Sale Beds or retain such Sale Beds for future sale by Landlord. In the event that a subsequent sale of the Sale Beds is completed by Landlord, any net proceeds realized from such Subsequent 2018 Bed Sale Transfer (as defined below), shall be applied to reduce the Deferred Rent as provided in the immediately preceding paragraph, after making deduction for commissions, Landlord's transaction costs and bed taxes paid on such Sale Beds.As used herein, " **Subsequent 2018 Bed Sale Transfer**" shall mean the successful closing of escrow, and receipt by Landlord of the proceeds thereof, in connection with any subsequent sale and transfer of Sale Beds, which transaction and corresponding escrow closes on or before March 31, 2019.

6. **Improvement Projects**. Subject to the terms and conditions set forth herein, Landlord has agreed to fund the cost of completing those capital repairs and improvements to the Transitioned Facilities more particularly described on Schedule 2 attached hereto and incorporated herein by reference (each, an "**Improvement Project**" and, collectively, the "**Improvement Projects**"). Tenant shall prosecute the Improvement Projects in a diligent and workmanlike manner and, to the extent possible, shall complete the Improvement Projects prior to the Transition Date. Tenant shall cause the Improvement Projects to be completed in accordance with the provisions of Section 7.4 and, as applicable, Section 7.5 of the Lease. Prior to commencing any Improvement Projects, Tenant shall provide such written documentation as may be reasonably requested by Landlord with respect to such Improvement Projects. Tenant shall complete each Improvement Project in accordance with, and Landlord shall fund any Improvement Project pursuant to, the terms and conditions set forth in Section 5 of the Second Amendment; provided, however, that Tenant's Base Rent shall not be increased as a result of any disbursement by Landlord in connection with any Improvement Project. Notwithstanding anything herein to the contrary, during the Transition Period Tenant shall continue to maintain the Transitioned Facilities at Tenant's expense as required by Section 7.1 of the Lease, but shall have no obligation to make or account for Required Capital Expenditures under Section 7.6 with respect to the Transitioned Facilities.

7. **Amendment to Guaranty**. Effective as of the Fourth Amendment Date, Landlord, Tenant and Guarantor hereby agree that the Guaranty shall be deemed amended as follows and Landlord, Tenant, and Guarantor agree to enter into any additional documentation reasonably required by the other to document the amendments to the Guaranty provided for herein:

    a. So long as no Event of Default has occurred and is continuing, and so long as Tenant has not committed an event of default that remains uncured in connection with its obligations under any OTA, then effective as of the Transition Date (if there is more than one Transition Date, then with respect to each Transitioned Facility, effective as of the Transition Date on which this Lease is terminated with respect to such Transitioned Facility), the Guaranty shall, solely with respect to any Guaranteed Obligations pertaining to the Transitioned Facilities, be terminated. Said termination of the Guaranty solely with respect to the Guaranteed Obligations pertaining to the Transitioned Facilities shall be of no force or effect whatsoever with respect to the Guaranteed Obligations pertaining to the Retained Facilities and each Guarantor shall remain jointly and severally liable to Landlord for the faithful performance of the Guaranty in connection with the Retained Facilities.

b. Notwithstanding anything to the contrary herein, upon satisfaction of the Burn-Off Conditions (as defined below), the Guaranty shall, solely with respect to Christopher T. Cook ("**Cook**"), terminate and be of no further force or effect with respect to any liabilities arising from and after the date of such termination. A termination of the Guaranty with respect to Cook pursuant hereto shall be of no force of effect whatsoever with respect to the remaining Guarantors and each such remaining Guarantor shall remain jointly and severally liable to Landlord for the faithful performance of the Guaranty. As used herein, "**Burn-Off Conditions**" shall mean the following: (i) no Event of Default has occurred and is continuing as of the date of determination, (ii) at Tenant's election, either: (A) (1) all Deferred Rent shall have been paid and satisfied in full pursuant to the provisions of Section 5 above and Tenant has paid the entire outstanding balance of the Deferred Rent on or before the Deferred Rent Outside Date, and (2) Tenant shall have deposited with Landlord an additional security deposit in cash (the "**Burn-Off Deposit**") (or by the posting by Tenant, from a reputable issuer reasonably acceptable to Landlord, of a Letter of Credit pursuant to Section 3.2 of the Lease) in an amount equal to one (1) monthly payment of then Base Rent, <u>*or*</u> (B) (1) Tenant shall have paid to Landlord outstanding amounts of Deferred Rent such that the outstanding balance of the Deferred Rent (including any amounts of accrued but unpaid interest) is less than $2,500,000, and (2) Tenant shall have deposited with Landlord (in cash or by the posting by Tenant, from a reputable issuer reasonably acceptable to Landlord, of a Letter of Credit pursuant to Section 3.2 of the Lease) a Burn-Off Deposit in an amount equal to three (3) monthly payments of then Base Rent. The Burn-Off Deposit shall be held by Landlord as an additional Security Deposit under the Lease pursuant to, and in accordance with, the terms set forth in Section 3.1 of the Lease and Landlord may, from time to time, without prejudice to any other right or remedy, apply such Burn-Off Deposit to the obligations due from Tenant under the Lease. Within ten (10) Business Days after any increase in Base Rent, Tenant shall deposit with Landlord cash in the amount necessary to make the Burn-Off Deposit equal to one (1) monthly installment (or three (3) monthly installments, as applicable) of Base Rent. If Landlord applies the Burn-Off Deposit (or any portion thereof), Tenant shall replenish the Burn-Off Deposit in full within five (5) Business Days after demand by Landlord. For the avoidance of doubt, the depositing by Tenant with Landlord of the Burn-Off Deposit shall not alter, cancel, amend, change, or otherwise modify in any respect Landlord's rights pursuant to Section 3.1 of the Lease to require Tenant to deposit with Landlord the Security Deposit on the terms set forth in Section 3.1 of the Lease and Landlord's right to require Tenant to deposit the Security Deposit with Landlord pursuant to Section 3.1 of the Lease shall be in addition to, and not in limitation of, any rights Landlord has with respect to the Burn-Off Deposit. In no event shall the Burn-Off Deposit be deemed to be the satisfaction by Tenant of its obligations pursuant to Section 3.1 of the Lease (with respect to the Security Deposit) or Tenant's rights or obligations under Section 6.12.1 of the Lease (with respect to the Additional Deposit).

8. <u>**Definitions**</u>. <u>Exhibit A</u> to the Master Lease is hereby amended by replacing or adding the following defined terms, as applicable, as follows:

“**Adjusted CPI Increase**” means the actual CPI Increase as of the date of determination, not to exceed 3.0%. In no event shall the CPI Increase be a negative number.

“**Burn-Off Conditions**” has the meaning set forth in Section 7 of the Fourth Amendment.

“**Burn-Off Deposit**” has the meaning set forth in Section 7 of the Fourth Amendment.

“**CPI**” means the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Consumers, All Items, Midwest Region B/C (Size 50,000-1,500,000) (December 1996 = 100). If the foregoing index is discontinued or revised during the Term, the governmental index or computation with which it is replaced shall be used to obtain substantially the same result as if such index had not been discontinued or revised

“**December 2017 Bed Tax Liability**” has the meaning set forth in Section 4(a) of the Fourth Amendment.

“**Deferred Rent**” has the meaning set forth in Section 5 of the Fourth Amendment.

“**Deferred Rent Outside Date**” has the meaning set forth in Section 5 of the Fourth Amendment.

“**Estimated Accrued Benefits Amount**” has the meaning set forth in Section 10(i) of the Fourth Amendment.

“**Final Accrued Benefits Amount**” has the meaning set forth in Section 10(i) of the Fourth Amendment.

“**Fourth Amendment**” shall mean that certain Fourth Amendment to Master Lease dated as of November 2, 2017 by and among Landlord, Tenant, Guarantor, and for the limited purposes set forth therein, PSM.

“**Fourth Amendment Date**” has the meaning set forth in the Preamble of the Fourth Amendment.

“**Improvement Project**” has the meaning set forth in Section 6 of the Fourth Amendment.

“**Improvement Project Cap**” has the meaning set forth in Section 6 of the Fourth Amendment.

“**Landlord 2017 Bed Tax Advance**” has the meaning set forth in Section 4(a) of the Fourth Amendment.

“**Master Lease**” or “**Lease**” has the meaning set forth in Recital A of the Fourth Amendment.

“**Minimum Rent Coverage Ratio**’ shall mean a Portfolio Coverage Ratio of:

a. 1.15 to 1.00 for Testing Dates during the period commencing October 1, 2018 and expiring on September 30, 2019,

b. 1.20 to 1.00 for Testing Dates during the period commencing October 1, 2019 and expiring on September 30, 2021,

c. 1.25 to 1.00 for Testing Dates during the period commencing October 1, 2021 and for each successive measurement period for the remainder of the Term."

"**New Operator**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

"**Operations Transfer**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

"**OTA**" has the meaning set forth in Section 1(b) of the Fourth Amendment.

"**PSM**" has the meaning set forth in Recital C of the Fourth Amendment.

"**PSM Management Agreements**" has the meaning set forth in Recital C of the Fourth Amendment.

"**Retained Facilities**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

"**Second Amendment**" has the meaning set forth in Recital A of the Fourth Amendment.

"**Tenant 2017 Bed Tax Deposit**" has the meaning set forth in Section 4(a) of the Fourth Amendment.

"**Third Amendment**" has the meaning set forth in Recital A of the Fourth Amendment.

"**Transition Date**" has the meaning set forth in Section 1(c) of the Fourth Amendment.

"**Transition Facilities**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

"**Transition Period**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

"**Transition Period Expiration Date**" has the meaning set forth in Section 1(a) of the Fourth Amendment.

9. **Working Capital**. Tenant hereby represents and warrants to Landlord that as of the Fourth Amendment Date, Tenant has immediately available working capital in an amount reasonably sufficient to fund the day-to-day operations of the Facilities and sufficient to satisfy all Legal Requirements and maintain all Authorizations at the Facilities. Tenant shall, within five (5) days of written request of Landlord, provide evidence reasonably acceptable to Landlord demonstrating Tenant's compliance with the representations, warranties, and covenants set forth in this Section 9.

10. **Miscellaneous**.

a. Effect of Amendment. Except to the extent the Lease is modified by this Fourth Amendment, the remaining terms and conditions of the Lease shall remain unmodified and in full force and effect. In the event of conflict, between the terms and conditions of the Lease and the terms and conditions of this Fourth Amendment, the terms and conditions of this Fourth Amendment shall prevail and control. As used in the Lease, all references to "this Lease" or "this Master Lease" shall mean and refer to the Lease as amended by this Fourth Amendment.

b. Entire Agreement. The Lease, together with this Fourth Amendment, embodies the entire understanding between Landlord and Tenant with respect to its subject matter and can be changed only by an instrument in writing signed by Landlord and Tenant.

c. Counterparts. This Fourth Amendment may be executed in one or more counterparts, including facsimile counterparts or electronic pdf counterparts, each of which shall be deemed an original but all of which, taken together, shall constitute one in the same Amendment.

d. Reaffirmation of Obligations. Notwithstanding the modifications to the Lease contained herein, Tenant hereby acknowledges and reaffirms its obligations under the Lease as amended hereby and all other documents executed by Tenant in connection therewith. Notwithstanding the modifications to the Lease contained herein, each Guarantor hereby acknowledges and reaffirms its obligations under the Guaranty and all documents executed by Guarantor in connection therewith, and further agrees that any reference made in such Guaranty to the Lease or any terms or conditions contained therein shall mean such Lease or such terms or conditions as modified by this Fourth Amendment. The parties, including Guarantor, agree that the "Lease" referred to in the Guaranty shall mean the Master Lease, as amended, modified and revised by this Fourth Amendment.

e. No Offsets or Defenses. Through the date of this Fourth Amendment, and to Tenant's and Guarantor's knowledge, neither Tenant nor Guarantor has, nor claims, any offset, defense, claim, right of set-off or counterclaim against Landlord under, arising out of or in connection with this Fourth Amendment, the Master Lease, the Guaranty, or any of the other documents or agreements executed in connection therewith. In addition, Tenant and Guarantor each covenant and agree with Landlord that if any offset, defense, claim, right of set-off or counterclaim exists of which Tenant or Guarantor has knowledge as of the date of this Fourth Amendment, Tenant hereby irrevocably and expressly waives the right to assert such matter.

f. Further Instruments. Each party will, whenever and as often as it shall be reasonably requested so to do by another party, cause to be executed, acknowledged or delivered, any and all such further instruments and documents as may be necessary or proper, in the reasonable opinion of the requesting party, in order to carry out the intent and purpose of this Fourth Amendment. Upon request of Landlord, Tenant agrees to execute and enter into a completely amended and restated Master Lease of the Premises, restating and incorporating the terms and provisions of the Master Lease as amended to date.

g. Events of Default. In addition to all other matters constituting an Event of Default under the terms of the Master Lease, the breach or default by Tenant of any term, covenant, agreement, condition, provision, representation or warranty contained in this Fourth Amendment shall constitute an "Event of Default" under the Master Lease.

h. Transition Fee. If the Transitioned Facilities are transitioned to more than one (1) New Operator, Landlord shall pay to Tenant at the time of each such transition occurring after the first transition an amount equal to $27,500 per transition.

i. Accrued Benefits. On the Transition Date, and as more particularly set forth in the OTA, Tenant will cause to be paid to New Operator an amount equal to $267,000 (the "**Estimated Accrued Benefits Amount**"), which Estimated Accrued Benefits Amount represents the estimated amount of all awarded (prior to the Transition Date) vacation benefits (collectively, "**Employee Accruals**") provided to those employees of Tenant who are retained by New Operator on the Transition Date. Pursuant to the OTA, New Operator shall assume the obligation to pay and/or otherwise award such employees their applicable Employee Accruals that have been awarded prior to the Transition Date. Landlord and Tenant hereby agree that the Estimated Accrued Benefits Amount set forth above is an estimate only and, therefore, on or before the date that is ten (10) days after the Transition Date, Tenant and New Operator shall reconcile the exact amount of awarded (prior to the Transition Date) Employee Accruals for those employees of Tenant who are retained by New Operator on the Transition Date (the " **Final Accrued Benefits Amount**"). Within ten (10) days of Tenant and New Operator reconciling the Final Accrued Benefits Amount against the Estimated Accrued Benefits Amount, any adjustments owing from Tenant or New Operator, as applicable, to the other in connection with such reconciliation shall be paid in full to Tenant or New Operator, as applicable

j. Middletown. As more particularly set forth in the OTA, on the Transition Date for the Facility known as Pristine of Middletown, Tenant will cause to be paid to New Operator an amount equal to $141,000 in connection with the refundable resident deposits held by Tenant in connection with those units referred to as the "patio homes" at the Middletown Facility.

(a) [Signature pages to follow]

IN WITNESS WHEREOF, this Fourth Amendment has been executed as of the day and year first set forth above.

TENANT:

PRISTINE SENIOR LIVING OF BEAVERCREEK, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF BELLBROOK, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF CINCINNATI-DELHI, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF CINCINNATI-RIVERVIEW, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

[Signatures continued on next page]

PRISTINE SENIOR LIVING OF CINCINNATI-THREE RIVERS, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF DAYTON-CENTERVILLE, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF ENGLEWOOD, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF JAMESTOWN, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF PORTSMOUTH, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

[Signatures continued on next page]

PRISTINE SENIOR LIVING OF OXFORD, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF MIDDLETOWN, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF TOLEDO, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF WILLARD, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF XENIA, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

[Signatures continued on next page]

PRISTINE SENIOR LIVING OF NORWOOD TOWERS, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

PRISTINE SENIOR LIVING OF HIGHLANDS, LLC,
an Ohio limited liability company

By: PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company, Member
By: /s/ Christopher T. Cook

Christopher T. Cook, Manager

GUARANTOR:

/s/ Christopher T. Cook

Christopher T. Cook

PRISTINE SENIOR LIVING, LLC,
an Indiana limited liability company

By: /s/ Christopher T. Cook
Christopher T. Cook, Manager

PRISTINE OHIO HOLDINGS, LLC,
a Delaware limited liability company

By: Pristine Senior Living, LLC,
an Indiana limited liability company,
sole member

By: /s/ Christopher T. Cook
Christopher T. Cook, sole member

[Signatures continued on next page]

LANDLORD:

CTR PARTNERSHIP, L.P.,
a Delaware limited partnership

By: **CARETRUST GP, LLC**,
a Delaware limited liability company
Its: general partner

By: **CARETRUST REIT, INC.**,
a Maryland corporation,
its sole member

By: /s/ Gregory K. Stapley
Gregory K. Stapley, President

[Signatures Continued on Next Page]

JOINDER

Pristine Senior Management, LLC, an Indiana limited liability company hereby joins in this Fourth Amendment for the limited purpose of assuming and agreeing to be bound by the obligations contained in Sections 1 and 2 of this Fourth Amendment.

PRISTINE SENIOR MANAGEMENT, LLC,
an Indiana limited liability company

By: /s/ Christopher T. Cook
Christopher T. Cook, Manager

SCHEDULE 1

TRANSITIONED FACILITIES AND RETAINED FACILITIES

TRANSITIONED FACILITIES	
Facility Name	**Facility Address**
Pristine Senior Living and Post-Acute Care of Cincinnati-Riverside	315 Lilienthal Street Cincinnati, OH 45204
Pristine Senior Living and Post-Acute Care of Cincinnati-Riverview	5999 Bender Road Cincinnati, OH 45233
Pristine Senior Living and Post-Acute Care of Cincinnati-Three Rivers	7800 Jandaracres Drive Cincinnati, OH 45248-2032
Pristine Senior Living and Post-Acute Care of Middletown	4400 Vannest Avenue Middletown, OH 45042-2770
Pristine Senior Living and Post-Acute Care of Oxford	6099 Fairfield Road Oxford, OH 45056
Pristine Senior Living and Post-Acute Care of Norwood Towers	1500 Sherman Avenue, Cincinnati, Ohio
Pristine Senior Living and Post-Acute Care Highlands	1578 Sherman Avenue, Cincinnati, Ohio

RETAINED FACILITIES	
Facility Name	**Facility Address**
Pristine Senior Living and Post-Acute Care of Beavercreek	3854 Park Overlook Drive Beavercreek, OH 45431-5801
Pristine Senior Living and Post-Acute Care Dayton-Centerville	7300 McEwen Road Dayton, OH 45459-3911
Pristine Senior Living and Post-Acute Care of Sugarcreek	1957 N. Lakeman Drive Bellbrook, OH 45305
Pristine Senior Living and Post-Acute Care of Xenia	126 Wilson Drive Xenia, OH 45385-6603
Pristine Senior Living and Post-Acute Care of Jamestown	4960 US Route 35 East Jamestown, OH 45335-1712
Pristine Senior Living and Post-Acute Care of Englewood	425 Lauricella Court Englewood, OH 45322-0340
Pristine Senior Living and Post-Acute Care of Portsmouth	727 Eighth Street Portsmouth, OH 45662-4020
Pristine Senior Living and Post-Acute Care Toledo	2051 Collingwood Blvd. Toledo, OH 43620
Pristine Senior Living and Post-Acute Care of Willard	370 East Howard Street, Willard, Ohio 44890

SCHEDULE 2

IMPROVEMENT PROJECTS

Facility	**Description**	**Total Estimated Cost**	**Projected Start Date**	**Projected Completion Date**
Highlands	Window replacement north wing	$50,000	11/1/2017	12/15/2017
Highlands	HVAC Units Hallway and Office Areas (9)	$12,000	11/1/2017	12/8/2017
Middletown	Studio Renovation	$3,000	10/2/2017	12/30/2017
Norwood	AC Chiller	$103,000	11/1/2017	11/10/17
Norwood	Awnings	$6,210	11/13/2017	11/30/2017
Oxford	HVAC Repair/Upgrade	$7,000	10/18/2017	11/15/2017
Riverside	Exhaust Vent Motors	$1,200	10/17/2017	10/17/2017
Riverview	Roof Replacement	$50,000	10/2/2017	10/24/2017
Riverview	Renovation 6th Floor	$8,000	10/9/2017	11/17/2017
Riverview	Fire Hydrant Repair	$7,000	10/16/2017	11/17/2017
Riverview	Elevator Upgrade	$7,000	10/25/2017	12/15/2017
Riverview	PTAC Replacement	$6,000	11/1/2017	11/14/2017
Three Rivers	PTACs (3)	$5,000	10/5/2017	10/12/2017

Exhibit 31.1

CERTIFICATION

I, Gregory K. Stapley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CareTrust REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Gregory K. Stapley

Gregory K. Stapley

President and Chief Executive Officer

Date: November 8, 2017

Exhibit 31.2

CERTIFICATION

I, William M. Wagner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CareTrust REIT, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ William M. Wagner

William M. Wagner
Chief Financial Officer and Treasurer

Date: November 8, 2017

Exhibit 32

Certification of Chief Executive Officer and
Chief Financial Officer Pursuant to
18 U.S.C. Section 1350, As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of CareTrust REIT, Inc. (the “Company”) for the quarterly period ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Gregory K. Stapley, as President and Chief Executive Officer of the Company, and William M. Wagner, as Chief Financial Officer and Treasurer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ Gregory K. Stapley
Name:	Gregory K. Stapley
Title:	President and Chief Executive Officer
Date:	November 8, 2017
	/s/ William M. Wagner
Name:	William M. Wagner
Title:	Chief Financial Officer and Treasurer
Date:	November 8, 2017