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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2019**

**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)**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | CTRE | The Nasdaq Stock Market LLC (Nasdaq Global Select Market) |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

As of August 5, 2019, there were 95,557,271 shares of common stock outstanding.

## INDEX

### 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)**

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| **Assets:** | | |
| Real estate investments, net | $ 1,482,040 | $ 1,216,237 |
| Other real estate investments, net | 26,725 | 18,045 |
| Cash and cash equivalents | 2,629 | 36,792 |
| Accounts and other receivables, net | 9,705 | 11,387 |
| Prepaid expenses and other assets | 6,947 | 8,668 |
| Deferred financing costs, net | 3,513 | 633 |
| Total assets | $ 1,531,559 | $ 1,291,762 |
| **Liabilities and Equity:** | | |
| Senior unsecured notes payable, net | $ 295,532 | $ 295,153 |
| Senior unsecured term loan, net | 198,608 | 99,612 |
| Unsecured revolving credit facility | 45,000 | 95,000 |
| Accounts payable and accrued liabilities | 12,665 | 15,967 |
| Dividends payable | 21,617 | 17,783 |
| Total liabilities | 573,422 | 523,515 |
| Commitments and contingencies (Note 10) | | |
| Equity: | | |
| Preferred stock, $0.01 par value; 100,000,000 shares authorized, no shares issued and outstanding as of June 30, 2019 and December 31, 2018 | — | — |
| Common stock, $0.01 par value; 500,000,000 shares authorized, 95,073,223 and 85,867,044 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively | 951 | 859 |
| Additional paid-in capital | 1,161,144 | 965,578 |
| Cumulative distributions in excess of earnings | (203,958) | (198,190) |
| Total equity | 958,137 | 768,247 |
| Total liabilities and equity | $ 1,531,559 | $ 1,291,762 |

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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenues:** | | | | |
| Rental income | $ 44,123 | $ 34,708 | $ 82,470 | $ 68,524 |
| Tenant reimbursements | — | 3,016 | — | 5,984 |
| Independent living facilities | 887 | 845 | 1,747 | 1,644 |
| Interest and other income | 1,191 | 400 | 1,642 | 918 |
| Total revenues | 46,201 | 38,969 | 85,859 | 77,070 |
| **Expenses:** | | | | |
| Depreciation and amortization | 13,437 | 11,299 | 25,339 | 22,876 |
| Interest expense | 7,285 | 7,285 | 14,145 | 14,377 |
| Property taxes | 456 | 3,016 | 1,282 | 5,984 |
| Independent living facilities | 719 | 744 | 1,426 | 1,460 |
| General and administrative | 4,606 | 3,358 | 7,916 | 6,550 |
| Total expenses | 26,503 | 25,702 | 50,108 | 51,247 |
| **Other income:** | | | | |
| Gain on sale of real estate | — | — | — | 2,051 |
| **Net income** | $ 19,698 | $ 13,267 | $ 35,751 | $ 27,874 |
| **Earnings per common share:** | | | | |
| Basic | $ 0.21 | $ 0.17 | $ 0.39 | $ 0.36 |
| Diluted | $ 0.21 | $ 0.17 | $ 0.39 | $ 0.36 |
| **Weighted-average number of common shares:** | | | | |
| Basic | 94,036 | 76,374 | 91,039 | 75,941 |
| Diluted | 94,036 | 76,374 | 91,039 | 75,941 |

See accompanying notes to condensed consolidated financial statements.

**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 January 1, 2019 | 85,867,044 | $ 859 | $ 965,578 | $ (198,190) | $ 768,247 |
| Issuance of common stock, net | 2,459,000 | 24 | 47,219 | — | 47,243 |
| Vesting of restricted common stock, net of shares withheld for employee taxes | 72,229 | 1 | (1,496) | — | (1,495) |
| Amortization of stock-based compensation | — | — | 994 | — | 994 |
| Common dividends ($0.225 per share) | — | — | — | (20,011) | (20,011) |
| Net income | — | — | — | 16,053 | 16,053 |
| Balance at March 31, 2019 | 88,398,273 | $ 884 | $ 1,012,295 | $ (202,148) | $ 811,031 |
| Issuance of common stock, net | 6,641,250 | 67 | 148,731 | — | 148,798 |
| Vesting of restricted common stock, net of shares withheld for employee taxes | 33,700 | — | (1,029) | — | (1,029) |
| Amortization of stock-based compensation | — | — | 1,147 | — | 1,147 |
| Common dividends ($0.225 per share) | — | — | — | (21,508) | (21,508) |
| Net income | — | — | — | 19,698 | 19,698 |
| Balance at June 30, 2019 | 95,073,223 | $ 951 | $ 1,161,144 | $ (203,958) | $ 958,137 |

See accompanying notes to condensed consolidated financial statements.

**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 January 1, 2018 | 75,478,202 | $ 755 | $ 783,237 | $ (189,375) | $ 594,617 |
| Issuance of common stock, net | — | — | (27) | — | (27) |
| Vesting of restricted common stock, net of shares withheld for employee taxes | 43,844 | — | (605) | — | (605) |
| Amortization of stock-based compensation | — | — | 904 | — | 904 |
| Common dividends ($0.205 per share) | — | — | — | (15,608) | (15,608) |
| Net income | — | — | — | 14,607 | 14,607 |
| Balance as of March 31, 2018 | 75,522,046 | $ 755 | $ 783,509 | $ (190,376) | $ 593,888 |
| Issuance of common stock, net | 2,988,813 | 30 | 47,537 | — | 47,567 |
| Vesting of restricted common stock, net of shares withheld for employee taxes | 39,828 | — | (684) | — | (684) |
| Amortization of stock-based compensation | — | — | 924 | — | 924 |
| Common dividends ($0.205 per share) | — | — | — | (16,224) | (16,224) |
| Net income | — | — | — | 13,267 | 13,267 |
| Balance at June 30, 2018 | 78,550,687 | $ 785 | $ 831,286 | $ (193,333) | $ 638,738 |

See accompanying notes to condensed consolidated financial statements.

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

| | For the Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| **Cash flows from operating activities:** | | |
| Net income | $ 35,751 | $ 27,874 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including below-market ground leases) | 25,354 | 22,885 |
| Amortization of deferred financing costs | 1,028 | 969 |
| Amortization of stock-based compensation | 2,141 | 1,828 |
| Straight-line rental income | (937) | (933) |
| Noncash interest income | (21) | (217) |
| Gain on sale of real estate | — | (2,051) |
| Interest income distribution from other real estate investment | 463 | — |
| Change in operating assets and liabilities: | | |
| Accounts and other receivables, net | (2,091) | (2,837) |
| Prepaid expenses and other assets | (185) | (462) |
| Accounts payable and accrued liabilities | 235 | (4,940) |
| Net cash provided by operating activities | 61,738 | 42,116 |
| **Cash flows from investing activities:** | | |
| Acquisitions of real estate, net of deposits applied | (285,946) | (47,310) |
| Improvements to real estate | (68) | (506) |
| Purchases of equipment, furniture and fixtures | (2,613) | (702) |
| Investment in real estate mortgage and other loans receivable | (11,389) | (1,390) |
| Principal payments received on real estate mortgage and other loans receivable | 482 | 58 |
| Repayment of other real estate investment | 2,204 | — |
| Escrow deposits for acquisitions of real estate | — | (2,250) |
| Net proceeds from the sale of real estate | 131 | 13,004 |
| Net cash used in investing activities | (297,199) | (39,096) |
| **Cash flows from financing activities:** | | |
| Proceeds from the issuance of common stock, net | 196,041 | 47,547 |
| Proceeds from the issuance of senior unsecured term loan | 200,000 | — |
| Borrowings under unsecured revolving credit facility | 195,000 | 60,000 |
| Payments on unsecured revolving credit facility | (245,000) | (75,000) |
| Payments on senior unsecured term loan | (100,000) | — |
| Payments of deferred financing costs | (4,534) | — |
| Net-settle adjustment on restricted stock | (2,524) | (1,288) |
| Dividends paid on common stock | (37,685) | (29,628) |
| Net cash provided by financing activities | 201,298 | 1,631 |
| Net (decrease) increase in cash and cash equivalents | (34,163) | 4,651 |
| Cash and cash equivalents, beginning of period | 36,792 | 6,909 |
| Cash and cash equivalents, end of period | $ 2,629 | $ 11,560 |
| **Supplemental disclosures of cash flow information:** | | |
| Interest paid | $ 12,963 | $ 13,411 |
| **Supplemental schedule of noncash investing and financing activities:** | | |
| Increase in dividends payable | $ 3,834 | $ 2,205 |
| Right-of-use asset obtained in exchange for new operating lease obligation | $ 1,010 | $ — |
| Transfer of pre-acquisition costs to acquired assets | $ 242 | $ 60 |
| Increase in pre-acquisition costs payable | $ 86 | $ 35 |

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, developing and owning real property to be leased to third-party tenants in the healthcare sector. As of June 30, 2019, the Company owned and leased to independent operators, including The Ensign Group, Inc. ("Ensign"), 213 skilled nursing, multi-service campuses, assisted living and independent living facilities consisting of 21,686 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. The Company also owns and operates three independent living facilities which have a total of 264 units located in Texas and Utah. As of June 30, 2019, the Company also had other real estate investments consisting of one preferred equity investment of $3.1 million and two mortgage loans receivable of $23.6 million.

## 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, multi-service campuses, 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 investment and the mortgage loans receivable.

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 financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018. 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.

*Recent Accounting Standards Adopted by the Company*—On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), ("ASU 2016-02") that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors). Upon adoption of ASU 2016-02 on January 1, 2019, the Company elected the following practical expedients provided by ASU No. 2018-11, Leases - Targeted Improvements, and ASU No. 2018-20, Narrow Scope Improvements for Lessors (together with ASU 2016-02, the "new lease ASUs"):

- Package of practical expedients – provides that the Company is not required to reevaluate its existing or expired leases as of January 1, 2019, under the new lease ASUs.
- Optional transition method practical expedient – requires the Company to apply the new lease ASUs prospectively from the adoption date of January 1, 2019.
- Single component practical expedient – requires the Company to account for lease and non-lease components associated with that lease as a single component under the new lease ASUs, if certain criteria are met.
- Short-term leases practical expedient – for the Company's operating leases with a term of less than 12 months in which it is the lessee, this expedient requires the Company not to record on its balance sheet related lease liabilities and right-of-use assets.

*Overview related to both lessee and lessor accounting*—The new lease ASUs set new criteria for determining the classification of finance leases for lessees and sales-type leases for lessors. The criteria to determine whether a lease should be accounted for as a finance (sales-type) lease include the following: (i) ownership is transferred from lessor to lessee by the end of the lease term, (ii) an option to purchase is reasonably certain to be exercised, (iii) the lease term is for the major part of the underlying asset's remaining economic life, (iv) the present value of lease payments equals or exceeds substantially all of the fair value of the underlying asset, and (v) the underlying asset is specialized and is expected to have no alternative use at the end of the lease term. If any of these criteria is met, a lease is classified as a finance lease by the lessee and as a sales-type lease by the lessor. If none of the criteria are met, a lease is classified as an operating lease by the lessee, but may still qualify as a direct financing lease or an operating lease for the lessor. The existence of a residual value guarantee from an unrelated third party other than the lessee may qualify the lease as a direct financing lease by the lessor. Otherwise, the lease is classified as an operating lease by the lessor.

The election of the package of practical expedients discussed above and the optional transition method allowed the Company not to reassess:

- Whether any expired or existing contracts as of January 1, 2019 were leases or contained leases.
  - This practical expedient is primarily applicable to entities that have contracts containing embedded leases. As of January 1, 2019, the Company had no such contracts; therefore, this practical expedient had no effect on the Company.
- The lease classification for any leases expired or existing as of January 1, 2019.
  - The election of the package of practical expedients provides that the Company is not required to reassess the classification of its leases existing as of January 1, 2019. This means that all of the Company's leases that were classified as operating leases in accordance with the lease accounting standards in effect prior to January 1, 2019 continue to be classified as operating leases after adoption of the new lease ASUs.

The Company applied the package of practical expedients consistently to all leases (i.e., regardless of whether the Company was the lessee or a lessor) that commenced before January 1, 2019. The election of this package permits the Company to "run off" its leases that commenced before January 1, 2019, for the remainder of their lease terms and to apply the new lease ASUs to leases commencing or modified after January 1, 2019.

*Lessor Accounting*—Under the new lease ASUs, each lease agreement is evaluated to identify the lease and non-lease components at lease inception. The total consideration in the lease agreement is allocated to the lease and non-lease components based on their relative stand-alone selling prices. The new lease ASUs govern the recognition of revenue for lease components, and revenue related to non-lease components is subject to the new revenue recognition standard. Tenant recoveries for utilities, repairs and maintenance, and common area expenses are considered non-lease components. The Company generates 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. As such, the Company has concluded its leases do not contain material non-lease components. Tenant reimbursements related to property taxes and insurance are neither lease nor non-lease components under the new lease ASUs. If a lessee makes payments for taxes and insurance directly to a third party on behalf of a lessor, lessors are required to exclude them from variable payments and from recognition in the lessors' income statements. Otherwise, tenant recoveries for taxes and insurance are classified as additional rental income recognized by the lessor on a gross basis in its income statements.

On January 1, 2019, the Company elected the single component practical expedient, which allows a lessor, by class of underlying asset, not to allocate the total consideration to the lease and non-lease components based on their relative stand-alone selling prices. This single component practical expedient requires the Company to account for the lease component and non-lease component(s) associated with that lease as a single component if (i) the timing and pattern of transfer of the lease component and the non-lease component(s) associated with it are the same and (ii) the lease component would be classified as an operating lease if it were accounted for separately. If the Company determines that the lease component is the predominant component, the Company accounts for the single component as an operating lease in accordance with the new lease ASUs. Conversely, the Company is required to account for the combined component under the new revenue recognition standard if the Company determines that the non-lease component is the predominant component. As a result of this assessment, rental revenues and tenant recoveries from the lease of real estate assets that qualify for this expedient are accounted for as a single component under the new lease ASUs, with tenant recoveries primarily as variable consideration. Tenant recoveries that do not qualify for the single component practical expedient and are considered non-lease components are accounted for under the revenue recognition standard. The components of the Company's operating leases qualify for the single component presentation.

For the three and six months ended June 30, 2018, the Company recognized tenant recoveries for real estate taxes of $3.0 million and $6.0 million, respectively, which were classified as tenant reimbursements on the Company's condensed consolidated income statements. Prior to the adoption of Accounting Standards Codification ("ASC") 842, the Company recognized tenant recoveries as tenant reimbursement revenues regardless of whether the third party was paid by the lessor or lessee. Effective January 1, 2019, such tenant recoveries are recognized to the extent that the Company pays the third party directly and classified as rental income on the Company's condensed consolidated income statements. Due to the application of the new lease ASUs, the Company recognized, on a gross basis, real estate taxes of $0.5 million and $1.3 million, respectively, for the three and six months ended June 30, 2019.

Under the new lease ASUs, the Company's assessment of collectability of its tenant receivables includes a binary assessment of whether or not the amounts due under a tenant's lease agreement are probable of collection. For such amounts that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For such amounts that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the tenant, with any tenant and deferred rent receivable balances charged as a direct write-off against rental income in the period of the change in the collectability determination. Such write-offs are recorded as increases or decreases through rental income on the Company's condensed consolidated income statements. For the three and six months ended June 30, 2019, the Company did not recognize any adjustments to rental income related to recognized rental income in prior periods.

*Lessee Accounting*—Under the new lease ASUs, lessees are required to apply a dual approach by classifying leases as either finance or operating leases based on the principle of whether 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, which corresponds to a similar evaluation performed by lessors. In addition to this classification, a lessee is also required to recognize a right-of-use asset and a lease liability for all leases regardless of their classification, whereas a lessor is not required to recognize a right-of-use asset and a lease liability for any operating leases.

As of June 30, 2019, the Company's lease liability related to its ground lease arrangements for which it is the lessee totaled approximately $1.0 million with a weighted average remaining lease term of 73 years. While these ground leases are subject to the new lease ASUs effective January 1, 2019, the lease liability and corresponding right-of-use asset and lease expense do not have a material effect on the Company's condensed consolidated financial statements.

The Company has not recognized a right of use lease asset and/or lease liability for leases with a term of 12 months or less and without an option to purchase the underlying asset.

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

*Real Estate Acquisition Valuation*— In accordance with ASC 805, *Business Combinations*, acquisitions that are income-producing real estate are recorded as a business combination. If the acquisition does not meet the definition of a business, acquisitions are recorded as an asset acquisition. The assets acquired and liabilities assumed are measured at their acquisition date fair values for a business combination and at relative fair values for an asset acquisition. For transactions that are business combinations, acquisition costs are expensed as incurred and restructuring costs that do not meet the definition of a liability at the acquisition date are expensed in periods subsequent to the acquisition date. For transactions that are asset acquisitions, acquisition costs are capitalized as incurred. The Company's real estate acquisitions generally are classified as asset acquisitions.

In addition, for such asset acquisitions, no goodwill is recognized and third party transaction costs are capitalized. The Company allocates the acquisition costs to the tangible assets, identifiable intangible assets/liabilities and assumed liabilities on a relative fair value basis. The Company assesses fair value based on available market information, such as capitalization and discount rates, comparable sale transactions and relevant per square foot or unit cost information. A real estate asset's fair value may be determined utilizing cash flow projections that incorporate such market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, as well as market and economic conditions. The fair value of tangible assets of an acquired property is based on the value of the property as if it is vacant.

As part of the Company's real estate 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 the useful lives of the Company's assets. 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. Management'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.

*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.

*Recent Accounting Pronouncements*—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Subtopic 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). In November 2018, the FASB released ASU No. 2018-19, *Codification Improvements to Topic 326 Financial Instruments - Credit Losses* ("ASU 2018-19".) ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of ASU 2016-13. Instead, impairment of receivables arising from operating leases should be accounted for under Subtopic 842-30 "Leases - Lessor." 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 condensed consolidated financial statements.

### 3. REAL ESTATE INVESTMENTS, NET

The following table summarizes the Company’s investment in owned properties as of June 30, 2019 and December 31, 2018 (dollars in thousands):

| | June 30, 2019 | December 31, 2018 |
|---|---|---|
| Land | $ 197,510 | $ 166,948 |
| Buildings and improvements | 1,453,944 | 1,201,209 |
| Integral equipment, furniture and fixtures | 95,476 | 87,623 |
| Identified intangible assets | 1,400 | 2,382 |
| Real estate investments | 1,748,330 | 1,458,162 |
| Accumulated depreciation and amortization | (266,290) | (241,925) |
| Real estate investments, net | $ 1,482,040 | $ 1,216,237 |

As of June 30, 2019, 93 of the Company’s 216 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 June 30, 2019, annualized rental revenues from the Ensign Master Leases were $61.0 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 June 30, 2019, 120 of the Company’s 216 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 June 30, 2019 are the independent living facilities that the Company owns and operates.

As of June 30, 2019, the Company’s total future minimum rental revenues for all of its tenants, excluding operating expense reimbursements, were (dollars in thousands):

| Year | Amount |
|---|---|
| 2019 (six months) | $ 86,806 |
| 2020 | 173,965 |
| 2021 | 174,423 |
| 2022 | 174,899 |
| 2023 | 175,232 |
| 2024 | 175,492 |
| Thereafter | 1,132,935 |
| | $ 2,093,752 |

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

As of December 31, 2018, the Company's total future minimum rental revenues for all of its tenants, excluding operating expense reimbursements, were (dollars in thousands):

| Year | Amount |
|---|---|
| 2019 | $ 146,010 |
| 2020 | 146,560 |
| 2021 | 147,132 |
| 2022 | 147,719 |
| 2023 | 148,169 |
| Thereafter | 1,055,012 |
| | $ 1,790,602 |

**Recent Real Estate Acquisitions**

The following table summarizes the Company's acquisitions for the six months ended June 30, 2019 (dollars in thousands):

| Type of Property | Purchase Price(1) | Initial Annual Cash Rent(2) | Number of Properties | Number of Beds/Units(3) |
|---|---|---|---|---|
| Skilled nursing | $ 246,099 | $ 22,129 | 16 | 2,029 |
| Multi-service campuses | 45,176 | 4,088 | 3 | 542 |
| Assisted living | — | — | — | — |
| Total | $ 291,275 | $ 26,217 | 19 | 2,571 |

(1) Purchase price includes capitalized acquisition costs.
(2) Initial annual cash rent excludes ground lease income.
(3) The number of beds/units includes operating beds at acquisition date.

**4. OTHER REAL ESTATE INVESTMENTS**

*Preferred Equity Investments*—In July 2016, the Company completed a $2.2 million preferred equity investment with an affiliate of Cascadia Development, LLC. The preferred equity investment yielded 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 was used to develop a 99-bed skilled nursing facility in Nampa, Idaho. In connection with its investment, the Company held 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 was completed in the fourth quarter 2017 and began lease-up during the first quarter of 2018. In June 2019, the Company purchased the skilled nursing facility for approximately $16.2 million, inclusive of transaction costs. The Company paid $12.9 million after receiving back its initial investment of $2.2 million and cumulative contractual preferred return through June 18, 2019, the acquisition date, of $1.1 million, of which $0.6 million was recognized as interest income during the three months ended June 30, 2019.

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 was used to develop a 99-bed skilled nursing facility in Boise, Idaho. In connection with its investment, the Company holds 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 was completed in the first quarter 2018 and began lease-up in the second quarter of 2018.

During the three months ended June 30, 2019, the Company recognized $0.6 million in interest income from its preferred equity investments, including $0.5 million for unrecognized preferred return related to prior periods. During the six months ended June 30, 2019, the Company recognized $0.6 million in interest income from its preferred equity investments, including $0.4 million for unrecognized preferred return related to prior periods. During the three and six months ended June

30, 2018, the Company recognized $0.1 million and $0.2 million, respectively, in interest income from its preferred equity investments.

*Performing Mortgage Loans Receivable*—In October 2017, the Company provided an affiliate of Providence Group, Inc. ("Providence") a mortgage loan secured by a skilled nursing facility for approximately $12.5 million inclusive of transaction costs, which bears a fixed interest rate of 9%. The mortgage loan requires Providence to make monthly principal and interest payments, is set to mature on October 26, 2020 and has an option to be prepaid before the maturity date.

In February 2019, the Company provided affiliates of Covenant Care a mortgage loan secured by first mortgages on five skilled nursing facilities for approximately $11.4 million, at an annual interest rate of 9%. The loan requires monthly interest payments, is set to mature on February 11, 2020, and includes two, six-month extension options.

During the three and six months ended June 30, 2019, the Company recognized $0.5 million and $1.0 million, respectively, of interest income related to the mortgage loans. During the three and six months ended June 30, 2018, the Company recognized $0.3 million and $0.6 million, respectively, of interest income related to the mortgage loans.

## 5. FAIR VALUE MEASUREMENTS

*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 June 30, 2019 and December 31, 2018 using Level 2 inputs for the Notes (as defined in Note 6, *Debt,* below), and Level 3 inputs, for all other financial instruments, is as follows (dollars in thousands):

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Face Value | Carrying Amount | Fair Value | Face Value | Carrying Amount | Fair Value |
| **Financial assets:** | | | | | | |
| Preferred equity investments | $ 2,327 | $ 3,079 | $ 3,415 | $ 4,531 | $ 5,746 | $ 6,246 |
| Mortgage loans receivable | 23,701 | 23,646 | 23,701 | 12,375 | 12,299 | 12,375 |
| **Financial liabilities:** | | | | | | |
| Senior unsecured notes payable | $ 300,000 | $ 295,532 | $ 311,625 | $ 300,000 | $ 295,153 | $ 289,500 |

*Cash and cash equivalents, accounts and other receivables, other loans receivable, 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 fair values 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, market interest rates and other credit enhancements.

*Mortgage loans receivable*: The fair values of the mortgage loans receivable were estimated using an internal valuation model that considered the expected future cash flows of the investments, the underlying collateral value, market interest rates and other credit enhancements.

*Senior unsecured notes payable*: The fair value of the Notes 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 June 30, 2019 and December 31, 2018 (dollars in thousands):

| | June 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Principal Amount | Deferred Loan Fees | Carrying Value | Principal Amount | Deferred Loan Fees | Carrying Value |
| Senior unsecured notes payable | $ 300,000 | $ (4,468) | $ 295,532 | $ 300,000 | $ (4,847) | $ 295,153 |
| Senior unsecured term loan | 200,000 | (1,392) | 198,608 | 100,000 | (388) | 99,612 |
| Unsecured revolving credit facility | 45,000 | — | 45,000 | 95,000 | — | 95,000 |
| | $ 545,000 | $ (5,860) | $ 539,140 | $ 495,000 | $ (5,235) | $ 489,765 |

### 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 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.

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, as described in 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 June 30, 2019, 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 “Prior Credit Agreement”). As later amended on

February 1, 2016, the Prior Credit Agreement provided the following: (i) a $400.0 million unsecured asset based revolving credit facility (the "Prior Revolving Facility"), (ii) a $100.0 million non-amortizing unsecured term loan (the "Prior Term Loan" and, together with the Prior Revolving Facility, the "Prior Credit Facility"), and (iii) a $250.0 million uncommitted incremental facility. The Prior Revolving Facility was scheduled to mature on August 5, 2019, subject to two, six-month extension options. The Prior Term Loan was scheduled to mature on February 1, 2023 and could 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.

On February 8, 2019, the Operating Partnership, as the borrower, the Company, as guarantor, CareTrust GP, LLC, and certain of the Operating Partnership's wholly owned subsidiaries entered into an amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Amended Credit Agreement"). The Amended Credit Agreement, which amended and restated the Prior Credit Agreement, provides for: (i) an unsecured revolving credit facility (the "Revolving Facility") with revolving commitments in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) an unsecured term loan credit facility (the "Term Loan" and, together with the Revolving Facility, the "Amended Credit Facility") in an aggregate principal amount of $200.0 million. Borrowing availability under the Revolving Facility is subject to no default or event of default under the Amended Credit Agreement having occurred at the time of borrowing. The proceeds of the Term Loan were used, in part, to repay in full all outstanding borrowings under the Prior Term Loan and Prior Revolving Facility under the Prior Credit Agreement. Future borrowings under the Amended Credit Facility will be used for working capital purposes, for capital expenditures, to fund acquisitions and for general corporate purposes.

The interest rates applicable to loans under the Revolving Facility are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Operating Partnership will pay a facility fee on the revolving commitments under the Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Operating Partnership elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based on the credit ratings of the Company's senior long-term unsecured debt). As of June 30, 2019, the Operating Partnership had $200.0 million outstanding under the Term Loan and $45.0 million outstanding under the Revolving Facility.

The Revolving Facility has a maturity date of February 8, 2023, and includes, at the sole discretion of the Operating Partnership, two, six-month extension options. The Term Loan has a maturity date of February 8, 2026.

The Amended Credit Facility is guaranteed, jointly and severally, by the Company and its wholly owned subsidiaries that are party to the Amended Credit Agreement (other than the Operating Partnership). The Amended 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 organizational documents and pay certain dividends and other restricted payments. The Amended 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, a maximum secured recourse debt to asset value ratio, a maximum unsecured debt to unencumbered properties asset value ratio, a minimum unsecured interest coverage ratio and a minimum rent coverage ratio. The Amended Credit Agreement also contains certain customary events of default, including the failure to make timely payments under the Amended Credit Facility or other material indebtedness, the failure to satisfy certain covenants (including the financial maintenance covenants), the occurrence of change of control and specified events of bankruptcy and insolvency.

As of June 30, 2019, the Company was in compliance with all applicable financial covenants under the Amended Credit Agreement.

## 7. EQUITY

### Common Stock

*Public Offering of Common Stock*—On April 15, 2019, the Company completed an underwritten public offering of 6,641,250 shares of its common stock, par value $0.01 per share, at an initial price to the public of $23.35, including 866,250 shares of common stock sold pursuant to the full exercise of an option to purchase additional shares of common stock granted to the underwriters, resulting in approximately $149.0 million in net proceeds, after deducting the underwriting discount and offering expenses. The Company used the proceeds from the offering to repay a portion of the outstanding borrowings on its Revolving Facility, which had been used to fund a portion of the purchase price of acquisitions in the second quarter of 2019.

*At-The-Market Offering*—On March 4, 2019, 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 "New ATM Program"). In connection with the entry into the equity distribution agreement and the commencement of the New ATM Program, the Company's "at-the-market" equity offering program pursuant to the Company's prior equity distribution agreement, dated as of May 17, 2017, was terminated (the "Prior ATM Program").

There was no New ATM Program activity for the three and six months ended June 30, 2019. The following table summarizes the Prior ATM Program activity for 2019 (in thousands, except per share amounts):

| | For the Three Months Ended March 31, 2019 | |
|---|---|---|
| Number of shares | | 2,459 |
| Average sales price per share | $ | 19.48 |
| Gross proceeds* | $ | 47,893 |

*Total gross proceeds is before $0.6 million of commissions paid to the sales agents during the three months ended March 31, 2019 under the Prior ATM Program.

As of June 30, 2019, the Company had $300.0 million available for future issuances under the New ATM Program.

*Dividends on Common Stock*—The following table summarizes the cash dividends on the Company's common stock declared by the Company's Board of Directors for the first six months of 2019 (dollars in thousands, except per share amounts):

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2019 | | June 30, 2019 | |
| Dividends declared per share | $ | 0.225 | $ | 0.225 |
| Dividends payment date | | April 15, 2019 | | July 15, 2019 |
| Dividends payable as of record date | $ | 20,012 | $ | 21,508 |
| Dividends record date | | March 29, 2019 | | June 28, 2019 |

## 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. As of June 30, 2019, there were 1,760 unvested restricted stock awards outstanding that were issued in connection with the Spin-Off.

In February 2019, the Compensation Committee of the Company's Board of Directors granted 91,440 shares of restricted stock to officers and employees. Each share had a fair market value on the date of grant of $22.00 per share, based on the closing market price of the Company's common stock on that date, and the shares vest in four equal annual installments beginning on the first anniversary of the grant date. Additionally, in February 2019, the Compensation Committee granted 71,440 performance stock awards to officers. Each share had a fair market value on the date of grant of $22.00 per share, based on the closing market price of the Company's common stock on that date. Performance stock awards are subject to both time and performance based conditions and vest over a one- to four-year period. The amount of performance awards that will ultimately vest is dependent on the Company's Normalized Funds from Operations ("NFFO") per share, as defined by the Compensation Committee, meeting or exceeding fiscal year over year growth of 5.0% or greater.

In May 2019, the Compensation Committee of the Company's Board of Directors granted 17,749 shares of restricted stock to members of the Board of Directors. Each share had a fair market value on the date of grant of $24.23 per share, based on the closing market price of the Company's common stock on that date, and the shares vest in full on the earlier to occur of April 30, 2020 or the Company's 2020 Annual Meeting of Stockholders.

The following table summarizes the stock-based compensation expense recognized (dollars in thousands):

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Stock-based compensation expense | $ 1,147 | $ 924 | $ 2,141 | $ 1,828 |

As of June 30, 2019, there was $6.2 million of unamortized stock-based compensation expense related to unvested awards and the weighted-average remaining vesting period of such awards was 2.3 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 six months ended June 30, 2019 and 2018, 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 June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Numerator:** | | | | |
| Net income | $ 19,698 | $ 13,267 | $ 35,751 | $ 27,874 |
| Less: Net income allocated to participating securities | (79) | (96) | (165) | (198) |
| Numerator for basic and diluted earnings available to common stockholders | $ 19,619 | $ 13,171 | $ 35,586 | $ 27,676 |
| **Denominator:** | | | | |
| Weighted-average basic common shares outstanding | 94,036 | 76,374 | 91,039 | 75,941 |
| Weighted-average diluted common shares outstanding | 94,036 | 76,374 | 91,039 | 75,941 |
| | | | | |
| Earnings per common share, basic | $ 0.21 | $ 0.17 | $ 0.39 | $ 0.36 |
| Earnings per common share, diluted | $ 0.21 | $ 0.17 | $ 0.39 | $ 0.36 |

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 six months ended June 30, 2019 and 2018, when their inclusion would have been anti-dilutive.

## 10. COMMITMENTS AND CONTINGENCIES

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 June 30, 2019, Ensign leased 93 skilled nursing, multi-service campuses, assisted living and independent living facilities which had a total of 9,923 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. During the three and six months ended June 30, 2019, Ensign represented 34% and 37%, respectively, of the Company's rental income, exclusive of operating expense reimbursements. During each of the three and six months ended June 30, 2018, Ensign represented 42% of the Company's rental income, exclusive of operating expense reimbursements.

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 http://www.sec.gov. The Company has not verified this information through an independent investigation or otherwise.

**12. SUMMARIZED CONDENSED CONSOLIDATING INFORMATION**

The Notes 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.

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 separation of Ensign's healthcare business and its real estate business into two separate and independently publicly traded companies (the "Spin-Off") 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.

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

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**JUNE 30, 2019**
(in thousands, except share and per share amounts)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Real estate investments, net | $ — | $ 951,636 | $ 530,404 | $ — | $ 1,482,040 |
| Other real estate investments, net | — | 23,646 | 3,079 | — | 26,725 |
| Cash and cash equivalents | — | 2,629 | — | — | 2,629 |
| Accounts and other receivables, net | — | 9,691 | 14 | — | 9,705 |
| Prepaid expenses and other assets | — | 6,942 | 5 | — | 6,947 |
| Deferred financing costs, net | — | 3,513 | — | — | 3,513 |
| Investment in subsidiaries | 979,754 | 510,129 | — | (1,489,883) | — |
| Intercompany | — | 22,720 | — | (22,720) | — |
| Total assets | $ 979,754 | $ 1,530,906 | $ 533,502 | $ (1,512,603) | $ 1,531,559 |
| **Liabilities and Equity:** | | | | | |
| Senior unsecured notes payable, net | $ — | $ 295,532 | $ — | $ — | $ 295,532 |
| Senior unsecured term loan, net | — | 198,608 | — | — | 198,608 |
| Unsecured revolving credit facility | — | 45,000 | — | — | 45,000 |
| Accounts payable and accrued liabilities | — | 12,012 | 653 | — | 12,665 |
| Dividends payable | 21,617 | — | — | — | 21,617 |
| Intercompany | — | — | 22,720 | (22,720) | — |
| Total liabilities | 21,617 | 551,152 | 23,373 | (22,720) | 573,422 |
| Equity: | | | | | |
| Common stock, $0.01 par value; 500,000,000 shares authorized, 95,073,223 shares issued and outstanding as of June 30, 2019 | 951 | — | — | — | 951 |
| Additional paid-in capital | 1,161,144 | 817,519 | 321,761 | (1,139,280) | 1,161,144 |
| Cumulative distributions in excess of earnings | (203,958) | 162,235 | 188,368 | (350,603) | (203,958) |
| Total equity | 958,137 | 979,754 | 510,129 | (1,489,883) | 958,137 |
| Total liabilities and equity | $ 979,754 | $ 1,530,906 | $ 533,502 | $ (1,512,603) | $ 1,531,559 |

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

**CONDENSED CONSOLIDATING BALANCE SHEETS**
**DECEMBER 31, 2018**
(in thousands, except share and per share amounts)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Assets:** | | | | | |
| Real estate investments, net | $ — | $ 887,921 | $ 328,316 | $ — | $ 1,216,237 |
| Other real estate investments, net | — | 12,299 | 5,746 | — | 18,045 |
| Cash and cash equivalents | — | 36,792 | — | — | 36,792 |
| Accounts and other receivables, net | — | 9,359 | 2,028 | — | 11,387 |
| Prepaid expenses and other assets | — | 8,666 | 2 | — | 8,668 |
| Deferred financing costs, net | — | 633 | — | — | 633 |
| Investment in subsidiaries | 786,030 | 484,955 | — | (1,270,985) | — |
| Intercompany | — | — | 151,242 | (151,242) | — |
| Total assets | $ 786,030 | $ 1,440,625 | $ 487,334 | $ (1,422,227) | $ 1,291,762 |
| **Liabilities and Equity:** | | | | | |
| Senior unsecured notes payable, net | $ — | $ 295,153 | $ — | $ — | $ 295,153 |
| Senior unsecured term loan, net | — | 99,612 | — | — | 99,612 |
| Unsecured revolving credit facility | — | 95,000 | — | — | 95,000 |
| Accounts payable and accrued liabilities | — | 13,588 | 2,379 | — | 15,967 |
| Dividends payable | 17,783 | — | — | — | 17,783 |
| Intercompany | — | 151,242 | — | (151,242) | — |
| Total liabilities | 17,783 | 654,595 | 2,379 | (151,242) | 523,515 |
| Equity: | | | | | |
| Common stock, $0.01 par value; 500,000,000 shares authorized, 85,867,044 shares issued and outstanding as of December 31, 2018 | 859 | — | — | — | 859 |
| Additional paid-in capital | 965,578 | 661,686 | 321,761 | (983,447) | 965,578 |
| Cumulative distributions in excess of earnings | (198,190) | 124,344 | 163,194 | (287,538) | (198,190) |
| Total equity | 768,247 | 786,030 | 484,955 | (1,270,985) | 768,247 |
| Total liabilities and equity | $ 786,030 | $ 1,440,625 | $ 487,334 | $ (1,422,227) | $ 1,291,762 |

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

**CONDENSED CONSOLIDATING INCOME STATEMENTS**
**FOR THE THREE MONTHS ENDED JUNE 30, 2019**
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Rental income | $ — | $ 24,438 | $ 19,685 | $ — | $ 44,123 |
| Independent living facilities | — | — | 887 | — | 887 |
| Interest and other income | — | 569 | 622 | — | 1,191 |
| Total revenues | — | 25,007 | 21,194 | — | 46,201 |
| **Expenses:** | | | | | |
| Depreciation and amortization | — | 7,730 | 5,707 | — | 13,437 |
| Interest expense | — | 7,285 | — | — | 7,285 |
| Property taxes | — | 402 | 54 | — | 456 |
| Independent living facilities | — | — | 719 | — | 719 |
| General and administrative | 1,147 | 3,387 | 72 | — | 4,606 |
| Total expenses | 1,147 | 18,804 | 6,552 | — | 26,503 |
| Income in Subsidiary | 20,845 | 14,642 | — | (35,487) | — |
| **Net income** | $ 19,698 | $ 20,845 | $ 14,642 | $ (35,487) | $ 19,698 |

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

**CONDENSED CONSOLIDATING INCOME STATEMENTS**
**FOR THE THREE MONTHS ENDED JUNE 30, 2018**
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Rental income | $ — | $ 20,170 | $ 14,538 | $ — | $ 34,708 |
| Tenant reimbursements | — | 1,792 | 1,224 | — | 3,016 |
| Independent living facilities | — | — | 845 | — | 845 |
| Interest and other income | — | 299 | 101 | — | 400 |
| Total revenues | — | 22,261 | 16,708 | — | 38,969 |
| **Expenses:** | | | | | |
| Depreciation and amortization | — | 6,717 | 4,582 | — | 11,299 |
| Interest expense | — | 7,285 | — | — | 7,285 |
| Property taxes | — | 1,792 | 1,224 | — | 3,016 |
| Independent living facilities | — | — | 744 | — | 744 |
| General and administrative | 931 | 2,351 | 76 | — | 3,358 |
| Total expenses | 931 | 18,145 | 6,626 | — | 25,702 |
| Income in Subsidiary | 14,198 | 10,082 | — | (24,280) | — |
| **Net income** | $ 13,267 | $ 14,198 | $ 10,082 | $ (24,280) | $ 13,267 |

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

**CONDENSED CONSOLIDATING INCOME STATEMENTS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2019**
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Rental income | $ — | $ 48,007 | $ 34,463 | $ — | $ 82,470 |
| Independent living facilities | — | — | 1,747 | — | 1,747 |
| Interest and other income | — | 1,020 | 622 | — | 1,642 |
| Total revenues | — | 49,027 | 36,832 | — | 85,859 |
| **Expenses:** | | | | | |
| Depreciation and amortization | — | 15,233 | 10,106 | — | 25,339 |
| Interest expense | — | 14,145 | — | — | 14,145 |
| Property taxes | — | 1,228 | 54 | — | 1,282 |
| Independent living facilities | — | — | 1,426 | — | 1,426 |
| General and administrative | 2,141 | 5,703 | 72 | — | 7,916 |
| Total expenses | 2,141 | 36,309 | 11,658 | — | 50,108 |
| Income in Subsidiary | 37,892 | 25,174 | — | (63,066) | — |
| **Net income** | $ 35,751 | $ 37,892 | $ 25,174 | $ (63,066) | $ 35,751 |

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

**CONDENSED CONSOLIDATING INCOME STATEMENTS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2018**
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Revenues:** | | | | | |
| Rental income | $ — | $ 39,568 | $ 28,956 | $ — | $ 68,524 |
| Tenant reimbursements | — | 3,556 | 2,428 | — | 5,984 |
| Independent living facilities | — | — | 1,644 | — | 1,644 |
| Interest and other income | — | 722 | 196 | — | 918 |
| Total revenues | — | 43,846 | 33,224 | — | 77,070 |
| **Expenses:** | | | | | |
| Depreciation and amortization | — | 13,655 | 9,221 | — | 22,876 |
| Interest expense | — | 14,377 | — | — | 14,377 |
| Property taxes | — | 3,556 | 2,428 | — | 5,984 |
| Independent living facilities | — | — | 1,460 | — | 1,460 |
| General and administrative | 1,835 | 4,639 | 76 | — | 6,550 |
| Total expenses | 1,835 | 36,227 | 13,185 | — | 51,247 |
| Gain on sale of real estate | — | 2,051 | — | — | 2,051 |
| Income in Subsidiary | 29,709 | 20,039 | — | (49,748) | — |
| **Net income** | $ 27,874 | $ 29,709 | $ 20,039 | $ (49,748) | $ 27,874 |

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

**CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2019**
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Net cash provided by operating activities | $ — | $ 25,720 | $ 36,018 | $ — | $ 61,738 |
| **Cash flows from investing activities:** | | | | | |
| Acquisitions of real estate | — | (73,782) | (212,164) | — | (285,946) |
| Improvements to real estate | — | (51) | (17) | — | (68) |
| Purchases of equipment, furniture and fixtures | — | (2,610) | (3) | — | (2,613) |
| Investment in real estate mortgage and other loans receivable | — | (11,389) | — | — | (11,389) |
| Principal payments received on real estate mortgage and other loans receivable | — | 482 | — | — | 482 |
| Repayment of other real estate investment | — | — | 2,204 | — | 2,204 |
| Net proceeds from the sale of real estate | — | 131 | — | — | 131 |
| Distribution from subsidiary | 37,685 | — | — | (37,685) | — |
| Intercompany financing | (193,517) | (173,962) | — | 367,479 | — |
| Net cash used in investing activities | (155,832) | (261,181) | (209,980) | 329,794 | (297,199) |
| **Cash flows from financing activities:** | | | | | |
| Proceeds from the issuance of common stock, net | 196,041 | — | — | — | 196,041 |
| Proceeds from the issuance of senior unsecured term loan | — | 200,000 | — | — | 200,000 |
| Borrowings under unsecured revolving credit facility | — | 195,000 | — | — | 195,000 |
| Payments on unsecured revolving credit facility | — | (245,000) | — | — | (245,000) |
| Payments on senior unsecured term loan | — | (100,000) | — | — | (100,000) |
| Payments of deferred financing costs | — | (4,534) | — | — | (4,534) |
| Net-settle adjustment on restricted stock | (2,524) | — | — | — | (2,524) |
| Dividends paid on common stock | (37,685) | — | — | — | (37,685) |
| Distribution to Parent | — | (37,685) | — | 37,685 | — |
| Intercompany financing | — | 193,517 | 173,962 | (367,479) | — |
| Net cash provided by (used in) financing activities | 155,832 | 201,298 | 173,962 | (329,794) | 201,298 |
| Net decrease in cash and cash equivalents | — | (34,163) | — | — | (34,163) |
| Cash and cash equivalents, beginning of period | — | 36,792 | — | — | 36,792 |
| Cash and cash equivalents, end of period | $ — | $ 2,629 | $ — | $ — | $ 2,629 |

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

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(in thousands)

| | Parent Guarantor | Issuers | Combined Subsidiary Guarantors | Elimination | Consolidated |
|---|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | | |
| Net cash (used in) provided by operating activities: | $ (7) | $ 12,758 | $ 29,365 | $ — | $ 42,116 |
| **Cash flows from investing activities:** | | | | | |
| Acquisitions of real estate | — | (47,310) | — | — | (47,310) |
| Improvements to real estate | — | (495) | (11) | — | (506) |
| Purchases of equipment, furniture and fixtures | — | (645) | (57) | — | (702) |
| Investment in real estate mortgage loan receivable | — | (1,390) | — | — | (1,390) |
| Principal payments received on mortgage loan receivable | — | 58 | — | — | 58 |
| Escrow deposit for acquisition of real estate | — | (2,250) | — | — | (2,250) |
| Net proceeds from the sale of real estate | — | 13,004 | — | — | 13,004 |
| Distribution from subsidiary | 29,628 | — | — | (29,628) | — |
| Intercompany financing | (46,252) | 29,297 | — | 16,955 | — |
| Net cash used in investing activities | (16,624) | (9,731) | (68) | (12,673) | (39,096) |
| **Cash flows from financing activities:** | | | | | |
| Proceeds from the issuance of common stock, net | 47,547 | — | — | — | 47,547 |
| Borrowings under unsecured revolving credit facility | — | 60,000 | — | — | 60,000 |
| Payments on unsecured revolving credit facility | — | (75,000) | — | — | (75,000) |
| Net-settle adjustment on restricted stock | (1,288) | — | — | — | (1,288) |
| Dividends paid on common stock | (29,628) | — | — | — | (29,628) |
| Distribution to Parent | — | (29,628) | — | 29,628 | — |
| Intercompany financing | — | 46,252 | (29,297) | (16,955) | — |
| Net cash provided by (used in) financing activities | 16,631 | 1,624 | (29,297) | 12,673 | 1,631 |
| Net increase in cash and cash equivalents | — | 4,651 | — | — | 4,651 |
| Cash and cash equivalents, beginning of period | — | 6,909 | — | — | 6,909 |
| Cash and cash equivalents, end of period | $ — | $ 11,560 | $ — | $ — | $ 11,560 |

## 13. SUBSEQUENT EVENTS

***Lease Amendment***

*Trillium Lease Termination and New Master Lease*—On July 15, 2019, the Company terminated its existing master lease (the "Original Trillium Lease") with affiliates of Trillium Healthcare Group, LLC ("Trillium"), which covered ten properties in Iowa, seven properties in Ohio and one property in Georgia. The Company subsequently entered into negotiations for a new master lease (the "New Trillium Lease") with Trillium's Iowa and Georgia affiliates covering the ten properties in Iowa and the one property in Georgia. Trillium will continue to operate the seven properties in Ohio under applicable post-termination terms and conditions of the Original Trillium Master Lease until the operations therein are transferred to new operators. As a result of the termination of the Original Trillium Lease, the Company expects to write-off accounts and straight-line rent receivable by approximately $2.4 million in the third quarter.

The Company subsequently entered into negotiations with an Ohio skilled nursing operator to sell three of the seven Ohio properties currently operated by Trillium, with a target closing date of September 1, 2019. The purchase and sale agreement currently under discussion will be subject to normal diligence and other contingencies. If the sale proceeds as currently anticipated, the three Ohio properties would become classified as held for sale, and written down to fair value less costs to sell, resulting in an approximate $7.1 million impairment.

### 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 and willingness of our tenants to meet and/or perform their obligations under the triple-net leases we have entered into with them, including, without limitation, their respective obligations to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities; (ii) the ability of our tenants to comply with applicable laws, rules and regulations in the operation of the properties we lease to them; (iii) the ability and willingness of our tenants 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, as well as any obligations, including indemnification obligations, we may incur in connection with the replacement of an existing tenant; (iv) the availability of and the ability to identify (a) tenants who meet our credit and operating standards, and (b) suitable acquisition opportunities, and the ability to acquire and lease the respective properties to such tenants on favorable terms; (v) the ability to generate sufficient cash flows to service our outstanding indebtedness; (vi) access to debt and equity capital markets; (vii) fluctuating interest rates; (viii) the ability to retain our key management personnel; (ix) the ability to maintain our status as a real estate investment trust ("REIT"); (x) changes in the U.S. tax law and other state, federal or local laws, whether or not specific to REITs; (xi) other risks inherent in the real estate business, including potential liability relating to environmental matters and illiquidity of real estate investments; and (xii) any additional factors included in our Annual Report on Form 10-K for the year ended December 31, 2018, 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 is a self-administered, publicly-traded REIT engaged in the ownership, acquisition, development and leasing of seniors housing and healthcare-related properties. As of June 30, 2019, we owned and leased to independent operators, including The Ensign Group, Inc. ("Ensign"), 213 skilled nursing, multi-service campuses, assisted living and independent living facilities consisting of 21,686 operational beds and units located in Arizona, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Utah, Virginia, Washington, West Virginia and Wisconsin. As of June 30, 2019, the 93 facilities leased to Ensign had a total of 9,923 operational beds and units which are located in Arizona, California, Colorado, Idaho, Iowa, Nebraska, Nevada, Texas, Utah and Washington and the 120 remaining leased properties had a total of 11,763 operational beds and units and are located in California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Michigan, Minnesota, Montana, New Mexico, North Carolina, North Dakota, Ohio, Oregon, South Dakota, Texas, Virginia, Washington, West Virginia and Wisconsin. We also own and operate three independent living facilities ("ILFs"), which had a total of 264 units located in Texas and Utah. As of June 30, 2019, we also had other real estate investments consisting of one preferred equity investment totaling $3.1 million and two mortgage loans receivable of $23.6 million.

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. In addition, we actively monitor the clinical, regulatory and financial operating results of our tenants, and work to identify opportunities within their operations and markets to improve their operating results at our facilities. We may periodically communicate such observations to our tenants; however, the tenants have sole discretion with respect to the day-to-day operation of the facilities they lease from us, and whether to implement any change or otherwise respond to any observation or issue we may share with them. We also periodically monitor the overall financial and operating strength of our operators. We have replaced tenants in the past, and may elect to replace tenants in the future, with new operators, including operators with whom we have had no prior landlord-tenant relationship as well as current tenants with whom we are comfortable expanding our relationship. We have also provided operators with strategic capital for facility upkeep and modernization, as well as short-term working capital loans when they are awaiting licensure and certification or conducting turnaround work in one or more of our properties, and we may selectively do so in the future. In addition, we periodically reassess the investments we have made and the operator relationships we have entered into, and have selectively disposed of facilities or investments, or terminated such relationships, and we expect to continue making such reassessments and, where appropriate, taking such actions.

**Recent Transactions**

***Lease Amendment***

***Trillium Lease Termination and New Master Lease.*** On July 15, 2019, we terminated our existing master lease (the “Original Trillium Lease”) with affiliates of Trillium Healthcare Group, LLC (“Trillium”), which covered ten properties in Iowa, seven properties in Ohio and one property in Georgia. We subsequently entered into negotiations for a new master lease (the “New Trillium Lease”) with Trillium’s Iowa and Georgia affiliates covering the ten properties in Iowa and the one property in Georgia. Trillium will continue to operate the seven properties in Ohio under applicable post-termination terms and conditions of the Original Trillium Master Lease until the operations therein are transferred to new operators. As a result of the termination of the Original Trillium Lease, we expect to write-off accounts and straight-line rent receivable by approximately $2.4 million in the third quarter.

We subsequently entered into negotiations with an Ohio skilled nursing operator to sell three of the seven Ohio properties currently operated by Trillium, with a target closing date of September 1, 2019. The purchase and sale agreement currently under discussion will be subject to normal diligence and other contingencies. If the sale proceeds as currently anticipated, the three Ohio properties would become classified as held for sale, and written down to fair value less costs to sell, resulting in an approximate $7.1 million impairment. We also expect that the resulting decline in rental income following the sale will be partially offset by an increase in interest income, as the purchaser will temporarily use short-term seller financing to facilitate an expeditious purchase and transfer of operations, and later replace that financing with a long-term third party loan or loans.

We also subsequently entered into negotiations with a select group of Ohio skilled nursing operators to lease the remaining four Ohio assets. To date, we received three non-binding letters of intent from interested parties, also with a target transfer date of September 1, 2019.

***Recent Investments***

From January 1, 2019 through August 6, 2019, we acquired sixteen skilled nursing facilities and three multi-service campuses for approximately $291.3 million, which includes capitalized acquisition costs. These acquisitions are expected to generate initial annual cash revenues of approximately $26.2 million and an initial blended yield of approximately 9.0%. See Note 3, *Real Estate Investments, Net* in the Notes to condensed consolidated financial statements for additional information.

***Public Offering of Common Stock***

On April 15, 2019, we completed an underwritten public offering of 6,641,250 shares of our common stock, par value $0.01 per share, at an initial price to the public of $23.35, including 866,250 shares of common stock sold pursuant to the full exercise of an option to purchase additional shares of common stock granted to the underwriters, resulting in approximately

$149.0 million in net proceeds, after deducting the underwriting discount and offering expenses. We used the proceeds from the offering to repay a portion of the outstanding borrowings on our Revolving Facility (defined below) which had been used to fund a portion of the purchase price of acquisitions in the second quarter of 2019.

**Results of Operations**

***Operating Results***

***Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018:***

| | Three Months Ended June 30, | | Increase | Percentage |
|---|---|---|---|---|
| | 2019 | 2018 | (Decrease) | Difference |
| | (dollars in thousands) | | | |
| **Revenues:** | | | | |
| Rental income | $ 44,123 | $ 34,708 | $ 9,415 | 27 % |
| Tenant reimbursements | — | 3,016 | (3,016) | (100)% |
| Independent living facilities | 887 | 845 | 42 | 5 % |
| Interest and other income | 1,191 | 400 | 791 | 198 % |
| **Expenses:** | | | | |
| Depreciation and amortization | 13,437 | 11,299 | 2,138 | 19 % |
| Interest expense | 7,285 | 7,285 | — | — % |
| Property taxes | 456 | 3,016 | (2,560) | (85)% |
| Independent living facilities | 719 | 744 | (25) | (3)% |
| General and administrative | 4,606 | 3,358 | 1,248 | 37 % |

*Rental income*. Rental income was $44.1 million for the three months ended June 30, 2019 compared to $34.7 million for the three months ended June 30, 2018. The $9.4 million or 27% increase in rental income is primarily due to $7.7 million from real estate investments made after April 1, 2018, $1.1 million from increases in rental rates for our existing tenants, $0.5 million of tenant reimbursement revenue recognized and classified as rental income due to the adoption of the new lease ASUs (discussed below) and a $0.1 million increase in straight-line rent.

*Tenant reimbursements and property taxes.* Tenant reimbursements decreased $3.0 million for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. Property taxes decreased $2.6 million or 85% for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. On January 1, 2019, we adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) (the "new lease ASUs"). Tenant reimbursements related to property taxes and insurance are neither lease nor non-lease components under the new lease ASUs. If a lessee makes payments for taxes and insurance directly to a third party on behalf of a lessor, lessors are required to exclude them from variable payments and from recognition in the lessors' income statements. Otherwise, tenant recoveries for taxes and insurance are classified as additional lease revenue recognized by the lessor on a gross basis in its income statements. Prior to the adoption of the new lease ASUs, we recognized tenant recoveries as tenant reimbursement revenues regardless of whether the third party was paid by the lessor or lessee. During the three months ended June 30, 2019, we recognized real estate taxes of $0.5 million, which were paid by us directly to third parties and classified as rental income on our condensed consolidated income statement.

*Independent living facilities.* Revenues and expenses from our three ILFs that we own and operate were flat for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

*Interest and other income.* Interest and other income increased $0.8 million for the three months ended June 30, 2019 to $1.2 million compared to $0.4 million for the three months ended June 30, 2018. The increase was primarily due to $0.6 million of interest income, including $0.5 million for unrecognized preferred return related to prior periods, due to the repayment of a preferred equity investment in June 2019 and $0.2 million of interest income related to our mortgage loan receivable that we provided to Covenant Care in February 2019.

*Depreciation and amortization.* Depreciation and amortization expense increased $2.1 million or 19% for the three months ended June 30, 2019 to $13.4 million compared to $11.3 million for the three months ended June 30, 2018, primarily due to new real estate investments made after April 1, 2018.

*Interest expense.* Interest expense remained consistent at $7.3 million for the three months ended June 30, 2019 compared to the three months ended June 30, 2018, primarily due to a lower weighted average debt balance, offset by higher weighted average interest rates for the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

*General and administrative expense.* General and administrative expense increased $1.2 million or 37% for the three months ended June 30, 2019 to $4.6 million compared to $3.4 million for the three months ended June 30, 2018. The increase is primarily related to higher cash wages of $0.6 million, increased amortization of stock-based compensation of $0.2 million and $0.4 million of other corporate expenses.

***Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018:***

| | Six Months Ended June 30, | | Increase (Decrease) | Percentage Difference |
|---|---|---|---|---|
| | 2019 | 2018 | | |
| | (dollars in thousands) | | | |
| **Revenues:** | | | | |
| Rental income | $ 82,470 | $ 68,524 | $ 13,946 | 20 % |
| Tenant reimbursements | — | 5,984 | (5,984) | (100)% |
| Independent living facilities | 1,747 | 1,644 | 103 | 6 % |
| Interest and other income | 1,642 | 918 | 724 | 79 % |
| **Expenses:** | | | | |
| Depreciation and amortization | 25,339 | 22,876 | 2,463 | 11 % |
| Interest expense | 14,145 | 14,377 | (232) | (2)% |
| Property taxes | 1,282 | 5,984 | (4,702) | (79)% |
| Independent living facilities | 1,426 | 1,460 | (34) | (2)% |
| General and administrative | 7,916 | 6,550 | 1,366 | 21 % |

*Rental income*. Rental income was $82.5 million for the six months ended June 30, 2019 compared to $68.5 million for the six months ended June 30, 2018. The $13.9 million or 20% increase in rental income is primarily due to $10.9 million from real estate investments made after January 1, 2018, $2.0 million from increases in rental rates for our existing tenants and $1.3 million of tenant reimbursement revenue recognized and classified as rental income due to the adoption of the new lease ASUs, partially offset by a $0.3 million decrease in rental income due to the sale of three assisted living facilities in March 2018.

*Tenant reimbursements and property taxes.* Tenant reimbursements decreased $6.0 million for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Property taxes decreased $4.7 million or 79% for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. On January 1, 2019, we adopted the new lease ASUs. Tenant reimbursements related to property taxes and insurance are neither lease nor non-lease components under the new lease ASUs. If a lessee makes payments for taxes and insurance directly to a third party on behalf of a lessor, lessors are required to exclude them from variable payments and from recognition in the lessors' income statements. Otherwise, tenant recoveries for taxes and insurance are classified as additional lease revenue recognized by the lessor on a gross basis in its income statements. Prior to the adoption of the new lease ASUs, we recognized tenant recoveries as tenant reimbursement revenues regardless of whether the third party was paid by the lessor or lessee. During the six months ended June 30, 2019, we recognized real estate taxes of $1.3 million, which were paid by us directly to third parties and classified as rental income on our condensed consolidated income statement.

*Independent living facilities.* Revenues from our three ILFs that we own and operate were $1.7 million for the six months ended June 30, 2019 compared to $1.6 million for the six months ended June 30, 2018. The $0.1 million or 6% increase was primarily due to a slight increase in occupancy at these facilities. Expenses for our three ILFs were flat for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

*Interest and other income.* Interest and other income increased $0.7 million for the six months ended June 30, 2019 to $1.6 million compared to $0.9 million for the six months ended June 30, 2018. The increase was primarily due to $0.6 million of interest income, including $0.4 million for unrecognized preferred return related to prior periods, due to the repayment of a preferred equity investment in June 2019 and $0.3 million of interest income related to our mortgage loan receivable that we provided to Covenant Care in February 2019, partially offset by a $0.2 million decrease of interest income related to our remaining preferred equity investment.

*Depreciation and amortization.* Depreciation and amortization expense increased $2.5 million or 11% for the six months ended June 30, 2019 to $25.3 million compared to $22.9 million for the six months ended June 30, 2018, primarily due to new real estate investments made after January 1, 2018.

*Interest expense.* Interest expense decreased $0.2 million or 2% for the six months ended June 30, 2019 to $14.1 million compared to $14.4 million for the six months ended June 30, 2018. The decrease was primarily due to a lower weighted average debt balance, partially offset by higher weighted average interest rates for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

*General and administrative expense.* General and administrative expense increased $1.4 million or 21% for the six months ended June 30, 2019 to $7.9 million compared to $6.6 million for the six months ended June 30, 2018. The increase is primarily related to higher cash wages of $0.5 million, increased amortization of stock-based compensation of $0.3 million and $0.5 million of other corporate expenses.

**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.

As of June 30, 2019, we had cash and cash equivalents of $2.6 million.

On March 4, 2019, 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 “New ATM Program”). In connection with the entry into the equity distribution agreement and the commencement of the New ATM Program, our “at-the-market” equity offering program pursuant to our prior equity distribution agreement, dated as of May 17, 2017, was terminated (the “Prior ATM Program”). During the six months ended June 30, 2019, we sold 2.5 million shares of common stock under our Prior ATM Program for gross proceeds of $47.9 million. As of June 30, 2019, we had $300.0 million available for future issuances under the New ATM Program. No shares of common stock were sold under the New ATM Program during the six months ended June 30, 2019.

As of June 30, 2019, we also had $45.0 million outstanding under the Revolving Facility (as defined below). We believe that our available cash, expected operating cash flows, and the availability under the New ATM Program and Amended Credit Facility (as defined below) will provide sufficient funds for our operations, anticipated scheduled debt service payments and dividend plans for at least the next twelve months.

We intend to invest in and/or develop additional healthcare properties as suitable opportunities arise and adequate sources of financing are available. We expect that future investments in and/or development of 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 Amended Credit Facility, future borrowings or the proceeds from sales of shares of our common stock pursuant to our New 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 refinancing of existing mortgage loans.

We have filed an automatic shelf registration statement with the U.S. Securities and Exchange Commission that expires in May 2020, which will allow us or certain of our subsidiaries, as applicable, 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, in one or more offerings 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 Six Months Ended June 30, | |
|---|---|---|
| | 2019 | 2018 |
| | (dollars in thousands) | |
| Net cash provided by operating activities | $ 61,738 | $ 42,116 |
| Net cash used in investing activities | (297,199) | (39,096) |
| Net cash provided by financing activities | 201,298 | 1,631 |
| Net (decrease) increase in cash and cash equivalents | (34,163) | 4,651 |
| Cash and cash equivalents, beginning of period | 36,792 | 6,909 |
| Cash and cash equivalents, end of period | $ 2,629 | $ 11,560 |

*Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018*

Net cash provided by operating activities for the six months ended June 30, 2019 was $61.7 million compared to $42.1 million for the six months ended June 30, 2018, an increase of $19.6 million. The increase was primarily due to an increase of rental income due to acquisitions, increases in rental rates for existing tenants subsequent to June 30, 2018, and timing of payments to our vendors in settling accounts payable, and a decrease in interest paid on outstanding indebtedness.

Cash used in investing activities for the six months ended June 30, 2019 was primarily comprised of $297.3 million in acquisitions of real estate and investments in real estate mortgage loans and $2.6 million of purchases of furniture, fixtures and equipment partially offset by $2.7 million of payments received from our preferred equity investment and mortgage and other loans receivable. Cash used in investing activities for the six months ended June 30, 2018 was primarily comprised of $51.0 million related to acquisitions of real estate and investments in other loans receivable, partially offset by $13.0 million of net proceeds from real estate sales.

Our cash flows provided by financing activities for the six months ended June 30, 2019 was primarily comprised of $50.0 million in net borrowings under our Amended Credit Facility and Prior Credit Facility and $196.0 million in net proceeds from common stock sales under our Prior ATM Program and April 2019 equity offering, partially offset by $37.7 million in dividends paid and $4.5 million in payments of deferred financing costs. Our cash flows provided by financing activities for the six months ended June 30, 2018 was primarily comprised of $47.5 million in net proceeds from common stock sales under our Prior ATM Program, partially offset by $29.6 million in dividends paid and $15.0 million in net pay downs under our Prior Credit Facility.

***Indebtedness***

*Senior Unsecured Notes*

On May 10, 2017, our 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 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. 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 June 30, 2019, 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 "Prior Credit Agreement"). As later amended on February 1, 2016, the Prior Credit Agreement provided the following: (i) a $400.0 million unsecured asset based revolving credit facility (the "Prior Revolving Facility"), (ii) a $100.0 million non-amortizing unsecured term loan (the "Prior Term Loan" and, together with the Prior Revolving Facility, the "Prior Credit Facility"), and (iii) a $250.0 million uncommitted incremental facility. The Prior Revolving Facility was scheduled to mature on August 5, 2019, subject to two, six-month extension options. The Prior Term Loan was scheduled to mature on February 1, 2023, and could 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.

On February 8, 2019, the Operating Partnership, as the borrower, the Company, as guarantor, CareTrust GP, LLC, and certain of the Operating Partnership's wholly owned subsidiaries entered into an amended and restated credit and guaranty agreement with KeyBank National Association, as administrative agent, an issuing bank and swingline lender, and the lenders party thereto (the "Amended Credit Agreement"). The Amended Credit Agreement, which amended and restated the Prior Credit Agreement, provides for: (i) an unsecured revolving credit facility (the "Revolving Facility") with revolving commitments in an aggregate principal amount of $600.0 million, including a letter of credit subfacility for 10% of the then available revolving commitments and a swingline loan subfacility for 10% of the then available revolving commitments and (ii) an unsecured term loan credit facility (the "Term Loan" and together with the Revolving Facility, the "Amended Credit Facility") in an aggregate principal amount of $200.0 million. Borrowing availability under the Revolving Facility is subject to no default or event of default under the Amended Credit Agreement having occurred at the time of borrowing. The proceeds of the Term Loan were used, in part, to repay in full all outstanding borrowings under the Prior Term Loan and Prior Revolving Facility under the Prior Credit Agreement. Future borrowings under the Amended Credit Facility will be used for working capital purposes, for capital expenditures, to fund acquisitions and for general corporate purposes.

The interest rates applicable to loans under the Revolving Facility are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Operating Partnership's option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership's election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). In addition, the Operating Partnership will pay a facility fee on the revolving commitments under the Revolving Facility ranging from 0.15% to 0.35% per annum, based on the debt to asset value ratio of the Company and its consolidated subsidiaries (unless the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt and the Operating Partnership elects to decrease the applicable margin as described above, in which case the Operating Partnership will pay a facility fee on the revolving commitments ranging from 0.125% to 0.30% per annum based off the credit ratings of the Company's senior long-term unsecured debt). As of June 30, 2019, we had $200.0 million outstanding under the Term Loan and $45.0 million outstanding under the Revolving Facility.

The Revolving Facility has a maturity date of February 8, 2023, and includes, at our sole discretion, two, six-month extension options. The Term Loan has a maturity date of February 8, 2026.

The Amended Credit Facility is guaranteed, jointly and severally, by the Company and its wholly-owned subsidiaries that are party to the Amended Credit Agreement (other than the Operating Partnership). The Amended 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 organizational documents and pay certain dividends and other restricted payments. The Amended 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, a maximum secured recourse debt to asset value ratio, a maximum unsecured debt to unencumbered properties asset value ratio, a minimum unsecured interest coverage ratio and a minimum rent coverage ratio. The Amended Credit Agreement also contains certain customary events of default, including the failure to make timely payments under the Amended Credit Facility or other material indebtedness, the failure to satisfy certain covenants (including the financial maintenance covenants), the occurrence of change of control and specified events of bankruptcy and insolvency.

As of June 30, 2019, the Company was in compliance with all applicable financial covenants under the Amended Credit Agreement.

**Obligations and Commitments**

The following table summarizes our contractual obligations and commitments as of June 30, 2019 (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) | $ 394,500 | $ 15,750 | $ 31,500 | $ 31,500 | $ 315,750 |
| Senior unsecured term loan (2) | 252,484 | 8,009 | 15,845 | 15,867 | 212,763 |
| Unsecured revolving credit facility (3) | 54,180 | 2,538 | 5,021 | 46,621 | — |
| Operating leases | 3,517 | 141 | 104 | 104 | 3,168 |
| Total | $ 704,681 | $ 26,438 | $ 52,470 | $ 94,092 | $ 531,681 |

(1) Amounts include interest payments of $94.5 million.
(2) Amounts include interest payments of $52.5 million.
(3) Amounts include payments related to the 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, 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 “Critical Accounting Policies and Estimates” in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 13, 2019, 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 six months ended June 30, 2019.

**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 Amended Credit Agreement provides for revolving commitments in an aggregate principal amount of $600.0 million from a syndicate of banks and other financial institutions. 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 0.10% to 0.55% per annum or LIBOR plus a margin ranging from 1.10% to 1.55% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). The interest rates applicable to loans under the Term Loan are, at the Company’s option, equal to either a base rate plus a margin ranging from 0.50% to 1.20% per annum or LIBOR plus a margin ranging from 1.50% to 2.20% per annum based on the debt to asset value ratio of the Company and its consolidated subsidiaries (subject to decrease at the Operating Partnership’s election if the Company obtains certain specified investment grade ratings on its senior long-term unsecured debt). As of June 30, 2019, we had a $200.0 million Term Loan outstanding and there was $45.0 million outstanding under the Revolving 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. In addition, there is currently uncertainty around whether LIBOR will continue to exist after 2021. If LIBOR ceases to exist, we will need to enter into an amendment to the Amended Credit Agreement and we cannot predict what alternative index would be negotiated with our lenders. If our lenders have increased costs due to changes in LIBOR, we may experience potential increases in interest rates on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows. Based on our outstanding debt balance as of June 30, 2019 described above and the interest rates applicable to our outstanding debt at June 30, 2019, assuming a 100 basis point increase in the interest rates related to our variable rate debt, interest expense would have increased approximately $1.2 million for the six months ended June 30, 2019.

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 Internal Revenue Code of 1986, as amended, 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, 2018. As of June 30, 2019, 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 Exchange 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 June 30, 2019, 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 June 30, 2019.

**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 June 30, 2019, 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 its tenants, which are the responsibility of its 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, 2018 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the three months ended June 30, 2019, we acquired shares of our common stock held by employees who tendered shares to satisfy tax withholding obligations upon the vesting of previously issued restricted stock awards. Specifically, the number of shares of common stock acquired from employees and the average prices paid per share for each month in the second quarter ended June 30, 2019 are as follows:

| Period | Total Number of Shares Purchased | Average Price Paid per Share |
|---|---|---|
| April 1 - April 30, 2019 | — | $ — |
| May 1 - May 31, 2019 | 14,016 | $ 24.31 |
| June 1 - June 30, 2019 | 28,917 | $ 23.78 |
| Total | 42,933 | $ 23.95 |

Table of Contents

**Item 6. Exhibits.**

| Exhibit Number | Description of the Document |
|---|---|
| 2.1 | Membership Interest Purchase Agreement, dated as of January 27, 2019, by and between BME Texas Holdings LLC and CTR Partnership, L.P. (Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 2, 2019 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 | Articles of Amendment, dated May 30, 2018, to the Articles of Amendment and Restatement of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on May 31, 2018, is incorporated herein by reference). |
| 3.3 | Amended and Restated Bylaws of CareTrust REIT, Inc. (Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on March 7, 2019, is incorporated herein by reference). |
| *10.1 | First Amendment to Amended and Restated Credit and Guaranty Agreement, dated July 23, 2019, by and among CTR Partnership, L.P., as borrower, CareTrust REIT, Inc., as guarantor, CareTrust GP, LLC, and other guarantors named therein, the Lenders (as defined therein) from time to time party thereto and KeyBank National Association, as administrative agent, an issuing lender and swingline lender. |
| *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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 |
| *104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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.** |
| August 6, 2019 | By: | /s/ Gregory K. Stapley |
| | | Gregory K. Stapley |
| | | President and Chief Executive Officer<br>*(duly authorized officer)* |
| August 6, 2019 | By: | /s/ William M. Wagner |
| | | William M. Wagner |
| | | Chief Financial Officer, Treasurer and Secretary<br>*(principal financial officer and principal accounting officer)* |

**FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AND GUARANTY AGREEMENT**

This First Amendment to Amended and Restated Credit and Guaranty Agreement (this " Amendment") is made as of this 23rd day of July, 2019, by and among **CTR PARTNERSHIP, L.P.** , a Delaware limited partnership (the "Borrower"), **CARETRUST REIT, INC.**, a Maryland corporation (the "REIT Guarantor"), the other Guarantors identified herein, **KEYBANK NATIONAL ASSOCIATION**, as Administrative Agent (the "Administrative Agent"), on behalf of itself and certain other lenders (each a "Lender" and collectively, the "Lenders") and the Lenders party hereto. Unless otherwise defined herein, terms defined in the Credit Agreement set forth below shall have the same meaning herein.

**W I T N E S S E T H:**

**WHEREAS**, the Borrower, the REIT Guarantor and the other Guarantors party thereto, the Administrative Agent and certain of the Lenders have entered into a certain Amended and Restated Credit and Guaranty Agreement dated as of February 8, 2019 (the "Credit Agreement"); and

**WHEREAS**, the Borrower, the Guarantors, the Administrative Agent and the Lenders have agreed to amend the Credit Agreement as set forth herein.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements herein contained, the parties hereto hereby agree as follows:

1. Pricing. The Administrative Agent and Lenders acknowledge and agree that, notwithstanding the actual Consolidated Leverage Ratio as of March 31, 2019, the Applicable Margin under the Credit Agreement shall remain at Level 1 in the Pricing Grid until such date as the financial statements and Compliance Certificate are delivered (or were required to be delivered) for the quarter ending June 30, 2019. The agreement of the Administrative Agent and Lenders with respect to the above pricing level shall be deemed to be a one-time agreement, and the Applicable Margin under the Credit Agreement shall at all times hereafter be determined based requirements set forth in the Credit Agreement.

2. Amendment to Credit Agreement.

(a) The following definition is hereby inserted in Article I of the Credit Agreement in appropriate alphabetical order:

"Fitch shall mean Fitch Ratings, Inc. and any successor thereto."

(b) The paragraph in the definition of Applicable Margin immediately preceding the IGR Pricing Grid is hereby deleted in its entirety and shall be replaced by the following:

"Notwithstanding the foregoing, in the event that, following the Closing Date, the REIT Guarantor obtains a credit rating of BBB-/Baa3 or higher from S&P or Moody's (each such rating, an "Investment Grade Rating") on its senior long term unsecured debt, then at the election of the Borrower, which election shall be irrevocable if made, then the Pricing Grid set forth above shall be replaced in its entirety with, and the Applicable Margin shall thereafter be determined by reference to, the grid set forth below (the "IGR Pricing Grid"). In the event that the REIT Guarantor obtains two Investment Grade Ratings (which, for the purposes of this sentence only, shall include a credit rating from Fitch) and the Borrower elects to replace the Pricing Grid with the IGR Pricing Grid, then the Applicable Margin shall be determined by reference to the IGR Pricing Grid as follows: (i) if the lower of the two Investment Grade Ratings is one level below the higher of the Investment Grade Ratings as set forth in the IGR Pricing Grid, then the Applicable Margin shall be the higher of the two Investment Grade Ratings, and (ii) if the lower of the two Investment Grade Ratings is two or more levels below the higher of the Investment Grade Ratings as set forth in the IGR Pricing Grid, then the Applicable Margin shall be the level of the IGR Pricing Grid that is one level below the highest Investment Grade Rating received by the REIT Guarantor. If at any time when the REIT Guarantor has three (3) Investment Grade Ratings (which, for the purposes of this sentence only, shall include a credit rating from Fitch), such Investment Grade Ratings are not equivalent, then (A) if the difference between the highest and the lowest of such Investment Grade Ratings is one ratings category (e.g. Baa2 by Moody's and BBB- by S&P or Fitch), the Applicable Margin shall be the level of the IGR Pricing Grid based on the highest of the Investment Grade Ratings, and (B) if the difference between such Investment Grade Ratings is two ratings categories (e.g. Baa1 by Moody's and BBB- by S&P or Fitch) or more, the Ratings-Based Applicable Margin shall be the level of the IGR Pricing Grid based on the average of the two (2) highest Investment Grade Ratings, provided that if such average is not a recognized rating category, then the Applicable Margin shall be the level of the IGR Pricing Grid based on the second highest Investment Grade Rating. If the REIT Guarantor has neither a Credit Rating from Moody's nor S&P, then the highest pricing will apply."

3. Representations and Warranties.

(a) The Loan Parties hereby represent, warrant and covenant with Administrative Agent and Lenders that, as of the date hereof:

(i) All representations and warranties made in the Credit Agreement and other Loan Documents are true and correct in all material respects on and as of the Effective Date with the same effect as though made on and as of such date, except to the extent that such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct in all material respects of such earlier date (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties shall be true and correct in all respects).

(ii)There exists no Default or Event of Default under any of the Loan Documents.

4. Conditions to Effectiveness. This Amendment shall not be effective (the "First Amendment Effective Date") until each of the following conditions precedent has been fulfilled to the reasonable satisfaction of the Administrative Agent:

(a) This Amendment shall have been duly executed and delivered by the Loan Parties, the Administrative Agent and the Lenders.

(b) All action on the part of the Loan Parties necessary for the valid execution, delivery and performance by the Loan Parties of this Amendment shall have been duly and effectively taken. The Lenders shall have received such customary corporate resolutions, certificates and other customary corporate documents as the Administrative Agent shall reasonably request.

(c) After giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

5. This Amendment, which may be executed in multiple counterparts, constitutes the entire agreement of the parties regarding the matters contained herein and shall not be modified by any prior oral or written discussions. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging transmission (e.g. PDF by email) shall be effective as delivery of a manually executed counterpart of this Amendment. The Loan Parties hereby ratify, confirm and reaffirm all of the terms and conditions of the Credit Agreement, and each of the other Loan Documents, and further acknowledges and agrees that all of the terms and conditions of the Credit Agreement shall remain in full force and effect except as expressly provided in this Amendment. This Amendment constitutes a Loan Document for all purposes under the Credit Agreement.

6. Any determination that any provision of this Amendment or any application hereof is invalid, illegal or unenforceable in any respect and in any instance shall not affect the validity, legality or enforceability of such provision in any other instance, or the validity, legality or enforceability of any other provisions of this Amendment.

7. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

**[SIGNATURES ON FOLLOWING PAGE]**

It is intended that this Amendment take effect as an instrument under seal as of the date first written above.

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

By: CareTrust GP, LLC, its general partner

By: CareTrust REIT, Inc., its sole member

By: /s/ William M. Wagner___
Name: William M. Wagner
Title: Chief Financial Officer, Treasurer and Secretary

**CARETRUST REIT, INC.**, a Maryland corporation

By: /s/ William M. Wagner_______________
Name: William M. Wagner
Title: Chief Financial Officer, Treasurer and Secretary

**CARETRUST CAPITAL CORP.,** a Delaware corporation

By: /s/ William M. Wagner_______________
Name: William M. Wagner
Title: Chief Financial Officer, Treasurer and Secretary

*[SIGNATURES CONTINUE ON FOLLOWING PAGE]*

**CARETRUST GP, LLC**
**CTR ARVADA PREFERRED, LLC**
**CTR CASCADIA PREFERRED, LLC,** each a Delaware limited liability company

By: /s/ William M. Wagner_______________
Name: William M. Wagner
Title: Chief Financial Officer, Treasurer and Secretary

**4TH STREET HOLDINGS LLC**
**18TH PLACE HEALTH HOLDINGS LLC**
**49TH STREET HEALTH HOLDINGS LLC**
**51ST AVENUE HEALTH HOLDINGS LLC**
**ANSON HEALTH HOLDINGS LLC**
**ARAPAHOE HEALTH HOLDINGS LLC**
**ARROW TREE HEALTH HOLDINGS LLC**
**AVENUE N HOLDINGS LLC**
**BIG SIOUX RIVER HEALTH HOLDINGS LLC**
**BOARDWALK HEALTH HOLDINGS LLC**
**BOGARDUS HEALTH HOLDINGS LLC**
**BURLEY HEALTHCARE HOLDINGS LLC**
**CASA LINDA RETIREMENT LLC**
**CEDAR AVENUE HOLDINGS LLC**
**CHERRY HEALTH HOLDINGS LLC**
**CM HEALTH HOLDINGS LLC**
**COTTONWOOD HEALTH HOLDINGS LLC**
**DALLAS INDEPENDENCE LLC**
**DIXIE HEALTH HOLDINGS LLC**
**EMMETT HEALTHCARE HOLDINGS LLC**
**ENSIGN BELLFLOWER LLC**
**ENSIGN HIGHLAND LLC**
**ENSIGN SOUTHLAND LLC**
**EVERGLADES HEALTH HOLDINGS LLC**
**EXPO PARK HEALTH HOLDINGS LLC**
**EXPRESSWAY HEALTH HOLDINGS LLC**
**FALLS CITY HEALTH HOLDINGS LLC**
**FIFTH EAST HOLDINGS LLC**
**FIG STREET HEALTH HOLDINGS LLC**
**FLAMINGO HEALTH HOLDINGS LLC**
**FORT STREET HEALTH HOLDINGS LLC**
**GAZEBO PARK HEALTH HOLDINGS LLC**
**GILLETTE PARK HEALTH HOLDINGS LLC**

*[SIGNATURES CONTINUE ON FOLLOWING PAGE]*

**GOLFVIEW HOLDINGS LLC**
**GRANADA INVESTMENTS LLC**
**GUADALUPE HEALTH HOLDINGS LLC**
**HILLENDAHL HEALTH HOLDINGS LLC**
**HILLVIEW HEALTH HOLDINGS LLC**
**IRVING HEALTH HOLDINGS LLC**
**IVES HEALTH HOLDINGS LLC**
**JEFFERSON RALSTON HOLDINGS LLC**
**JORDAN HEALTH PROPERTIES LLC**
**JOSEY RANCH HEALTHCARE HOLDINGS LLC**
**KINGS COURT HEALTH HOLDINGS LLC**
**LAFAYETTE HEALTH HOLDINGS LLC**
**LEMON RIVER HOLDINGS LLC**
**LOCKWOOD HEALTH HOLDINGS LLC**
**LONG BEACH HEALTH ASSOCIATES LLC**
**LOWELL HEALTH HOLDINGS LLC**
**LOWELL LAKE HEALTH HOLDINGS LLC**
**LUFKIN HEALTH HOLDINGS LLC**
**MEADOWBROOK HEALTH ASSOCIATES LLC**
**MEMORIAL HEALTH HOLDINGS LLC**
**MESQUITE HEALTH HOLDINGS LLC**
**MISSION CCRC LLC**
**MOENIUM HOLDINGS LLC**
**MOUNTAINVIEW COMMUNITYCARE LLC**
**NORTHSHORE HEALTHCARE HOLDINGS LLC**
**OLESON PARK HEALTH HOLDINGS LLC**
**OREM HEALTH HOLDINGS LLC**
**PAREDES HEALTH HOLDINGS LLC**
**PLAZA HEALTH HOLDINGS LLC**
**POLK HEALTH HOLDINGS LLC**
**PRAIRIE HEALTH HOLDINGS LLC**
**PRICE HEALTH HOLDINGS LLC**
**QUEEN CITY HEALTH HOLDINGS LLC**
**QUEENSWAY HEALTH HOLDINGS LLC**
**RB HEIGHTS HEALTH HOLDINGS LLC**
**REGAL ROAD HEALTH HOLDINGS LLC**
**RENEE AVENUE HEALTH HOLDINGS LLC**
**RILLITO HOLDINGS LLC**
**RIO GRANDE HEALTH HOLDINGS LLC**
**SALMON RIVER HEALTH HOLDINGS LLC**
**SALT LAKE INDEPENDENCE LLC**
**SAN CORRINE HEALTH HOLDINGS LLC**
**SARATOGA HEALTH HOLDINGS LLC**
**SILVER LAKE HEALTH HOLDINGS LLC**
**SILVERADA HEALTH HOLDINGS LLC**
**SKY HOLDINGS AZ LLC**

*[SIGNATURES CONTINUE ON FOLLOWING PAGE]*

**SNOHOMISH HEALTH HOLDINGS LLC**
**SOUTH DORA HEALTH HOLDINGS LLC**
**STILLHOUSE HEALTH HOLDINGS LLC**
**TEMPLE HEALTH HOLDINGS LLC**
**TENTH EAST HOLDINGS LLC**
**TERRACE HOLDINGS AZ LLC**
**TRINITY MILL HOLDINGS LLC**
**TROUSDALE HEALTH HOLDINGS LLC**
**TULALIP BAY HEALTH HOLDINGS LLC**
**VALLEY HEALTH HOLDINGS LLC**
**VERDE VILLA HOLDINGS LLC**
**WAYNE HEALTH HOLDINGS LLC**
**WILLITS HEALTH HOLDINGS LLC**
**WILLOWS HEALTH HOLDINGS LLC**
**WISTERIA HEALTH HOLDINGS LLC**, each a Nevada limited liability company

By: /s/ William M. Wagner_______________
Name: William M. Wagner
Title: Chief Financial Officer, Treasurer and Secretary

**ADMINISTRATIVE AGENT AND LENDERS:**

**KEYBANK NATIONAL ASSOCIATION**, as the Administrative Agent, as the Issuing Bank, as the Swingline Lender and as a Lender

By: /s/ Eric Hafertepen________________
Name: Eric Hafertepen
Title: Vice President, Real Estate Capital

**BMO HARRIS BANK N.A.**, as a Lender

By: /s/ Lloyd Baron___________________
Name: Lloyd Baron
Title: Director

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**CAPITAL ONE, NATIONAL ASSOCIATION**, as a Lender

By: /s/ Bruce Chen____________________
Name: Bruce Chen
Title: Authorized Signatory

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**WELLS FARGO BANK, N.A.**, as a Lender

By: /s/ Darin Mullis_________________
Name: Darin Mullis
Title: Managing Director

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**BARCLAYS BANK PLC**, as a Lender

By: /s/ Craig Malloy________________
Name: Craig Malloy
Title: Director

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**RAYMOND JAMES BANK, N.A.**, as a Lender

By: /s/ Matt Stein____________________
Name: Matt Stein
Title: Senior Vice President

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**FIFTH THIRD BANK**, as a Lender

By: /s/ Thomas Avery_____________
Name: Thomas Avery
Title: Director

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**THE HUNTINGTON NATIONAL BANK**, as a Lender

By: /s/ Eva S. McQuillen______________
Name: Eva S. McQuillen
Title: Vice President

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**FIRST BANK, A MISSOURI STATE CHARTERED BANK**, as a Lender

By: /s/ Phillip M. Lykens____________
Name: Phillip M. Lykens
Title: Senior Vice President

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**BANK OF AMERICA, N.A.**, as a Lender

By: /s/ Sebastian Lurie_______________
Name: Sebastian Lurie
Title: Senior Vice President

[Signature page to First Amendment to Amended and Restated Credit and Guaranty Agreement]

**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: August 6, 2019

**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, Treasurer and Secretary

Date: August 6, 2019

**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 June 30, 2019, 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: | August 6, 2019 |

| | |
|---|---|
| | /s/ William M. Wagner |
| Name: | William M. Wagner |
| Title: | Chief Financial Officer, Treasurer and Secretary |
| Date: | August 6, 2019 |