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

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

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

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

PROSPECTUS SUPPLEMENT

(To prospectus dated May 4, 2017)

$300,000,000

CTR Partnership, L.P.

CareTrust Capital Corp.

5.25% Senior Notes due 2025

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

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

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

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

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

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

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

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

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

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

Joint Book-Running Managers

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

Co-Managers

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

Prospectus Supplement dated May 10, 2017.

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

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

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

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

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

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

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

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

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

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

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

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

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

CareTrust REIT, Inc.

905 Calle Amanecer, Suite 300

San Clemente, California 92673

(949) 542-3130

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

access to debt and equity capital markets;

fluctuating interest rates;

the ability to retain our key management personnel;

the ability to maintain our status as a REIT;

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

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

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

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

MARKET AND INDUSTRY DATA

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

TENANT INFORMATION

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

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

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SUMMARY

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

Our Company

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

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

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

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

Our Portfolio Summary

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

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

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

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

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

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Properties by Type:

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

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

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

Occupancy by Property Type:

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

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

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

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Property Type Rental Income:

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

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

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

Geographic Concentration Rental Income:

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

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

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

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ILFs Operated by CareTrust:

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

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

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

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

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

Our Industry

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

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

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

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

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

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

Our Competitive Strengths

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

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

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

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

Ability to Identify Talented Operators. We have purchased 65 properties since the Spin-Off and have increased revenues from $48.8 million for the year ended December 31, 2013, the last full fiscal year prior to the Spin-Off, to $104.7 million for the year ended December 31, 2016, which has resulted in a reduction in Ensign s share of our total revenues from approximately 100% for the year ended December 31, 2013 to approximately 58% for the year ended December 31, 2016, in each case exclusive of tenant reimbursements. As a result of our management team s operating experience and network of relationships and insight, we believe that we are able to identify and pursue working relationships with qualified local, regional and national healthcare providers and seniors housing operators. We expect to continue our disciplined focus on pursuing investment opportunities, primarily with respect to stabilized assets but also some strategic investment in new and/or improving properties, while seeking dedicated and engaged operators who possess local market knowledge, have solid operating records and emphasize quality services and outcomes. We intend to support these operators by providing strategic capital for facility acquisition, upkeep and modernization. Our management team s experience gives us a key competitive advantage in objectively evaluating an operator s financial position, care and service programs, operating efficiencies and likely business prospects.

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

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

Our Business Strategies

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

The key components of our business strategies include:

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

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

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

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

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

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

Recent Acquisitions

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

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

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

Redemption of 2021 Notes

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

Our Corporate Information

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

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Corporate Structure

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

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

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The Offering

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

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

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

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

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

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

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

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

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Summary Consolidated Financial and Other Data

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risks Related to the Notes and the Offering

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

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

- require us to dedicate a substantial portion of our cash flow from operations to make principal and interest payments on our indebtedness, thereby reducing our cash flow available to fund working capital, capital expenditures and other general corporate purposes;

- require us to maintain certain debt coverage and other financial ratios at specified levels, thereby reducing our financial flexibility;

- make it more difficult for us to satisfy our financial obligations, including the Notes and borrowings under the Credit Facility;

- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;

- expose us to increases in interest rates for our variable rate debt;

- limit, along with the financial and other restrictive covenants in our indebtedness, our ability to borrow additional funds on favorable terms or at all to expand our business or ease liquidity constraints;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

making investments or other restricted payments;

entering into transactions with affiliates;

issuing stock of or interests in subsidiaries;

engaging in non-healthcare related business activities;

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

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selling assets;

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

making acquisitions; and

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

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

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

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

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

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

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

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

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

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

- the sum of its debts, including contingent liabilities, were greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets were less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts or contingent liabilities as they become due.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Medicare requires that extensive financial information be reported on a periodic basis and in a specific format or content. These requirements are numerous, technical and complex and may not be fully understood or

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implemented by billing or reporting personnel. With respect to certain types of required information, the False Claims Act may be violated by mere negligence or recklessness in the submission of information to the government even without any intent to defraud. New billing systems, new medical procedures and procedures for which there is not clear guidance may all result in liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, under the terms of the Tax Matters Agreement that we entered into with Ensign (the Tax Matters Agreement), we generally are responsible for any taxes imposed on Ensign that arise from the failure of the Spin-Off to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Sections 368(a)(1)(D) and 355 of the Code, to the extent such failure to qualify is attributable to certain actions,

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events or transactions relating to our stock, assets or business, or a breach of the relevant representations or any covenants made by us in the Tax Matters Agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representation letter provided in connection with the tax opinion relating to the Spin-Off. Our indemnification obligations to Ensign and its subsidiaries, officers and directors are not limited by any maximum amount. If we are required to indemnify Ensign under the circumstance set forth in the Tax Matters Agreement, we may be subject to substantial tax liabilities.

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

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

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

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

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

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

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

Because of his former position with Ensign, our chief executive officer, Gregory K. Stapley, owns shares of Ensign common stock. Mr. Stapley also owns shares of our common stock. His individual holdings of shares of

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our common stock and Ensign common stock may be significant compared to his respective total assets. These equity interests may create, or appear to create, conflicts of interest when he is faced with decisions that may not benefit or affect CareTrust REIT and Ensign in the same manner.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our assets may be subject to impairment charges.

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

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

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

Risks Related to Our Status as a REIT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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USE OF PROCEEDS

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

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

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

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CAPITALIZATION

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

on an actual basis; and

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

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

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

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

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

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RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

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

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

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

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

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

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

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

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

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

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

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

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

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

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

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

Overview

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

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

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

Recent Developments

Offerings of Common Stock

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

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

At-The-Market Offering of Common Stock

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

Unsecured Revolving Credit Facility and Term Loan

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

Recent Acquisitions

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

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

Recent Disposition

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

Lease Amendment

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

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

Results of Operations

Basis of Presentation

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

Operating Results

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

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

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

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

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

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

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

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

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

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

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

* Not meaningful

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

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

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

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

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

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

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

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

Cash Flows

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

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

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

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

$1.2 million change in operating assets and liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

Indebtedness

Credit Facility

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

Senior Unsecured Notes

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

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

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

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

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

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

General Electric Capital Corporation Loan

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

Obligations and Commitments

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

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

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

Capital Expenditures

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

Critical Accounting Policies

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

The combined statements of operations, prior to the Spin-Off, reflect allocations of general corporate expenses from Ensign including, but not limited to, executive management, finance, legal, information technology, human resources, employee benefits administration, treasury, risk management, procurement, and

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other shared services. See Note 6, *Related Party Transactions* in the Notes to Consolidated and Combined Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 incorporated by reference herein for additional information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Financing Costs. External costs incurred from placement of our debt are capitalized and amortized on a straight-line basis over the terms of the related borrowings, which approximates the effective interest method. For our senior unsecured notes payable, senior unsecured term loan and our mortgage notes payable, deferred financing costs are netted against the outstanding debt amounts on the balance sheet. For our Credit Facility, deferred financing costs are included in assets on our balance sheet.

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

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

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

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

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

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

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

Impact of Inflation

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

Off-Balance Sheet Arrangements

None.

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MANAGEMENT

Directors

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

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

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

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

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

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

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

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

Executive Officers

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

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

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

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

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

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

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

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DESCRIPTION OF OTHER INDEBTEDNESS

Unsecured Revolving Credit Facility and Term Loan

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

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

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

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

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

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

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

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

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

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DESCRIPTION OF NOTES

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

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

General

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

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

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

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

Subject to the covenant described below under Covenants Limitation on Indebtedness, the Issuers are entitled to issue additional notes under the indenture without the consent of holders. The Notes and any additional notes subsequently issued under the indenture will be treated as a single class for all purposes under the indenture, including waivers, amendments, redemptions and offers to purchase (other than special redemptions or offers to purchase related to a particular transaction or an escrow funding and specific to an issuance of Notes). Additional notes will not necessarily be fungible with the Notes for U.S. federal income tax purposes.

Capital Corp.

Capital Corp. is a direct wholly owned subsidiary of the Partnership formed solely for the purpose of facilitating the offering of notes by acting as a co-issuer of such notes. Capital Corp. is nominally capitalized and does not have any operations or revenues. As a result, prospective purchasers of the Notes should not expect Capital Corp. to participate in servicing the obligations under the Notes. See Limitations on Activities of Capital Corp.

Notes Guarantees and Subsidiary Guarantors

On the Issue Date, the Notes will be guaranteed by Parent, the General Partner and each of the Subsidiaries of the Partnership that guarantees obligations under the Credit Agreement (the *Subsidiary Guarantors*). As of the Issue Date, all of our Restricted Subsidiaries will guarantee the obligations under the Credit Agreement and accordingly will guarantee the obligations under the Notes.

The Notes Guarantees will be unconditional (subject to the release provisions described below under Covenants Future Guarantees by Restricted Subsidiaries) regardless of the enforceability of the Notes and the indenture but will be limited to the extent necessary to avoid being characterized as a fraudulent conveyance. The Notes will not be guaranteed any Unrestricted Subsidiaries we may create in the future or any future Restricted Subsidiaries that are not required to become (or are released as) Subsidiary Guarantors in accordance with Covenants Future Guarantees by Restricted Subsidiaries. As of the Issue Date, we expect that there will not be any Unrestricted Subsidiaries, and that all of the Partnership s Subsidiaries will be Subsidiary Guarantors. However, as described in the definition of Unrestricted Subsidiary, any Subsidiary of Parent (other than the Issuers) may be designated in the future as an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to the restrictive covenants in the indenture.

Subject to certain exceptions, each future Domestic Restricted Subsidiary of the Issuers that subsequently guarantees Indebtedness under the Credit Agreement, any other syndicated loan facility or any capital markets Indebtedness of the Issuers or a Subsidiary Guarantor will be required to execute a Subsidiary Guarantee. See Covenants Future Guarantees by Restricted Subsidiaries.

Pursuant to the indenture, and giving effect to the release provisions described below under Covenants Future Guarantees by Restricted Subsidiaries, a Subsidiary Guarantor may consolidate with, merge with or into, or transfer all or substantially all its assets to any other Person as described below under Covenants Consolidation, Merger and Sale of Assets, and the Capital Stock of a Subsidiary Guarantor may be sold or otherwise disposed of to another Person as described below under Covenants Limitation on Asset Sales. The Subsidiary Guarantee of a Subsidiary Guarantor also will be released under specified circumstances as described under Covenants Future Guarantees by Restricted Subsidiaries.

Optional Redemption

Optional Redemption. Except as described below, the Issuers are not entitled to redeem any Notes prior to June 1, 2020. The Notes will be redeemable at the option of the Issuers, in whole or in part, at any time, and from time to time, on and after June 1, 2020, at the following redemption prices (expressed as percentages of the principal amount thereof) if redeemed during the 12-month period commencing June 1 of the years indicated below, in each case together with accrued and unpaid interest thereon, if any, to, but not including, the redemption date (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date):

Year	Redemption Price
2020	103.938%
2021	102.625%
2022	101.313%

2023 and thereafter	100.000%

Make-Whole Redemption. Prior to June 1, 2020, the Issuers will be entitled, at their option, to redeem, at any time, and from time to time, all or a portion of the Notes at a redemption price equal to 100% of

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the principal amount of the Notes *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date).

Applicable Premium means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (i) the redemption price of such Note on June 1, 2020 (such redemption price being described in the first paragraph in this Optional Redemption section exclusive of any accrued and unpaid interest) *plus* (ii) all required remaining scheduled interest payments due on such Note through June 1, 2020 (but excluding accrued and unpaid interest to such redemption date), computed using a discount rate equal to the Adjusted Treasury Rate at such redemption date, over (B) the principal amount of such Note on such redemption date.

Adjusted Treasury Rate means, with respect to any redemption date, (1) the yield as of the earlier of (a) such redemption date and (b) the date on which such Notes are defeased or satisfied and discharged, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after June 1, 2020, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated by the Issuers on the third Business Day immediately preceding the redemption date, *plus*, in the case of each of clauses (1) and (2), 0.50%.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes from the redemption date to June 1, 2020, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to June 1, 2020.

Comparable Treasury Price means, with respect to any redemption date, if clause (2) of the Adjusted Treasury Rate definition is applicable, the average of three, or such lesser number as is obtained by the Issuers, Reference Treasury Dealer Quotations for such redemption date.

Quotation Agent means the Reference Treasury Dealer selected by the Issuers.

Reference Treasury Dealer means KeyBanc Capital Markets Inc. and its successors and assigns, BMO Capital Markets Corp. and its successors and assigns and Barclays Capital Inc. and its successors and assigns.

Reference Treasury Dealer Quotations means with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuers, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day immediately preceding such redemption date.

Optional Redemption With Proceeds of Equity Offerings. At any time, and from time to time, on or prior to June 1, 2020, the Issuers are entitled, at their option, to use an amount equal to all or a portion of the Net Cash Proceeds of one or more Equity Offerings to redeem up to 40% of the principal amount of the Notes (together with any additional notes) issued under the indenture at a redemption price of 105.25% of the principal amount thereof *plus* accrued and unpaid interest thereon, if any, to, but not including, the redemption date (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date); provided, however, that:

(1) at least 60% of the principal amount of Notes originally issued under the indenture remains outstanding immediately after such redemption; and

(2) the Issuers complete such redemption not more than 120 days after the consummation of any such Equity Offering.

The Issuers or their Affiliates are entitled to acquire Notes by means other than a redemption from time to time, including through an Offer to Purchase, open market purchases, privately negotiated transactions, tender offers, exchange offers or otherwise, so long as such acquisition does not otherwise violate the terms of the indenture, upon such terms and at such prices as the Issuers or their Affiliates may determine, which may be more or less than the consideration for which the Notes offered hereby are being sold and may be less than any redemption price then in effect and could be for cash or other consideration.

Selection and Notice of Redemption for Optional Redemptions

In the event that the Issuers elect to redeem less than all of the Notes, selection of the Notes for redemption will be made by the trustee either:

(1) in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are then listed; or

(2) if the Notes are not so listed, on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate and in accordance with DTC procedures.

No Notes of a principal amount of $2,000 or less will be redeemed in part, and no redemption shall result in a holder holding a Note of less than the minimum denomination. Notice of redemption will be mailed by first-class mail or given as otherwise provided in accordance with the procedures of DTC at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed or given more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the indenture. In connection with any redemption of Notes (including with the Net Cash Proceeds of an Equity Offering), any such redemption may, at the Issuers discretion, be subject to satisfaction of one or more conditions precedent, including any related Equity Offering. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuers discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (or waived by the Issuers in their sole discretion), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied (or waived by the Issuers in their sole discretion) by the redemption date, or by the redemption date so delayed. Unless the Issuers default in the payment of the redemption price, on and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption.

Sinking Fund

There will be no sinking fund payments for the Notes, and the Notes are not subject to mandatory redemption.

Ranking

The Notes will be senior unsecured obligations of the Issuers, and rank equally in right of payment with other existing and future unsecured senior Indebtedness of the Issuers (including the Credit Facility). The Notes Guarantee by each Guarantor will be an unsecured senior obligation of such Guarantor and will rank equally in

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right of payment with all existing and future unsecured senior Indebtedness of such Guarantor (including the Credit Facility). The Notes and the Notes Guarantees, respectively, will be effectively subordinated to all of the Issuers and the Guarantors secured Indebtedness to the extent of the value of the assets securing such Indebtedness, and structurally subordinated to all Indebtedness of any Subsidiaries of the Issuers that are not Subsidiary Guarantors. See Notes Guarantees and Subsidiary Guarantors for a description of which entities will guarantee the Notes. As of March 31, 2017, on a *pro forma* basis after giving effect to the Transactions:

(i) we would have had on a consolidated basis approximately $400.7 million of Indebtedness outstanding (consisting of $300.0 million principal amount outstanding of Notes, a $100.0 million unsecured term loan provided by the Credit Agreement and $0.7 million of outstanding borrowings under the revolving credit facility provided by the Credit Agreement); and

(ii) we would have had on a consolidated basis $399.3 million in borrowing capacity, subject to a borrowing base calculation, available under the revolving credit facility provided by the Credit Agreement.

Suspension of Covenants

During a Suspension Period, Parent and its Restricted Subsidiaries will not be subject to the following corresponding provisions of the indenture:

Covenants Limitation on Indebtedness ;

Covenants Maintenance of Total Unencumbered Assets ;

Covenants Limitation on Restricted Payments ;

Covenants Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries ;

Covenants Future Guarantees by Restricted Subsidiaries ;

Covenants Limitation on Transactions with Affiliates ;

Covenants Limitation on Asset Sales ; and

clause (3) of the first paragraph of Consolidation, Merger and Sale of Assets.

All other provisions of the indenture will apply at all times during any Suspension Period so long as any Notes remain outstanding thereunder.

Suspension Period means any period:

(1) beginning on the date that:

(A) the Notes have Investment Grade Status;

(B) no Default or Event of Default has occurred and is continuing; and

(C) the Issuers have delivered an Officer s Certificate to the trustee certifying that the conditions set forth in clauses (A) and (B) above are satisfied; and

(2) ending on the date (the *Reversion Date*) that the Notes cease to have Investment Grade Status.

During a Suspension Period, Parent s Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the definition of Unrestricted Subsidiary.

On each Reversion Date, calculations under the reinstated Restricted Payments covenant will be made as if the Restricted Payments covenant had been in effect since the Issue Date; provided that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant

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was suspended; provided further, that the amount available to be made as a Restricted Payment shall not be reduced to below zero solely as a result of Restricted Payments made during the Suspension Period but may be reduced to below zero as a result of negative cumulative Funds from Operations during the Suspension Period for the purpose of the first bullet under clause (C) of the first paragraph of such covenant.

On each Reversion Date, all Indebtedness, Liens and dividend and other payment restrictions Incurred during the Suspension Period prior to such Reversion Date will be deemed to have been outstanding on the Issue Date. For purposes of the Limitation on Asset Sales covenant, on each Reversion Date, the unutilized Excess Proceeds will be reset to zero. No Default or Event of Default will be deemed to have occurred on the Reversion Date (or thereafter) under any Suspended Covenant solely as a result of any actions taken by Parent of any of its Restricted Subsidiaries, or events occurring, during the Suspension Period. For purposes of the Maintenance of Total Unencumbered Assets covenant, if the Issuers and their Restricted Subsidiaries are not in compliance with such covenant as of a Reversion Date, no Default or Event of Default will be deemed to have occurred unless such noncompliance continues for 120 days following the Reversion Date, provided that neither the Issuers nor any of their Restricted Subsidiaries shall incur any Secured Indebtedness until such time that the requirements of such covenant have been satisfied.

There can be no assurance that the Notes will ever achieve an investment grade rating or Investment Grade Status or that any such rating or status will be maintained.

Covenants

The indenture will contain, among others, the following covenants:

Limitation on Indebtedness

(1) Parent and the General Partner will not Incur any Indebtedness (including Acquired Indebtedness) other than guarantees of Indebtedness issued on the Issue Date, other Indebtedness existing on the Issue Date, and guarantees of Indebtedness of the Issuers or any other Restricted Subsidiary of Parent provided such Indebtedness is permitted by and Incurred in accordance with this covenant. The Issuers will not, and will not permit any of their Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness) if, immediately after giving effect to the Incurrence of such additional Indebtedness and on a pro forma basis (including the receipt and pro forma application of the proceeds therefrom), the aggregate principal amount of all outstanding Indebtedness of Parent and its Restricted Subsidiaries on a consolidated basis is greater than 60% of Parent s Adjusted Total Assets.

(2) The Issuers will not, and will not permit any of their Restricted Subsidiaries to, Incur any Secured Indebtedness (including Acquired Indebtedness) if, immediately after giving effect to the Incurrence of such additional Secured Indebtedness and on a *pro forma* basis (including the receipt and *pro forma* application of the proceeds therefrom), the aggregate principal amount of all outstanding Secured Indebtedness of the Issuers and their Restricted Subsidiaries on a consolidated basis would be greater than 40% of Parent s Adjusted Total Assets.

(3) The Issuers will not, and will not permit any of their Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); provided, however, that the Issuers or any of the Subsidiary Guarantors

may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and on a *pro forma* basis (including the receipt and *pro forma* application of the proceeds therefrom), the Interest Coverage Ratio of Parent and its Restricted Subsidiaries on a consolidated basis would be at least 2.0 to 1.0.

(4) Notwithstanding paragraphs (1), (2) and (3) above, the Issuers or any of their Restricted Subsidiaries (except as specified below) may Incur each and all of the following (collectively, *Permitted Indebtedness*):

(A) Indebtedness of an Issuer or a Guarantor outstanding under any Credit Facility at any time in an aggregate principal amount not to exceed the greater of $400.0 million and 30.0% of the Parent s

Adjusted Total Assets (*plus*, in the case of any Indebtedness under any Credit Facility resulting from the refinancing of any Indebtedness under any Credit Facility, the aggregate amount of accrued interest, fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing);

(B) Indebtedness of the Issuers or any of their Restricted Subsidiaries owed to:

the Issuers or a Guarantor, or

any Restricted Subsidiary;

provided, however, that if the Partnership, Capital Corp. or any Guarantor is an obligor and the payee is not the Partnership, Capital Corp. or a Guarantor, the Indebtedness is subordinated in right of payment to the amounts due under the Notes, in the case of the Partnership or Capital Corp., or the Notes Guarantee, in the case of a Guarantor; provided further that any event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary of the Issuers or any subsequent transfer of such Indebtedness (other than to the Issuers or any other Restricted Subsidiary of the Issuers) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (B);

(C) Indebtedness of the Issuers or any of their Restricted Subsidiaries under Hedging Obligations (provided that such agreements (x)(i) are designed to protect the Issuers or any of their Restricted Subsidiaries against fluctuations in foreign currency exchange rates or interest rates (whether fluctuations of fixed to floating rate interest or floating to fixed rate interest) or otherwise in the ordinary course of business to hedge or mitigate risks to which the Issuers or any of their Restricted Subsidiaries are exposed in the conduct of their business or the management of their liabilities and not for speculative purposes and (ii) do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in foreign currency exchange rates or interest rates or other hedged items or by reason of fees, indemnities and compensation payable thereunder, or (y) were entered into as part of or in connection with an issuance of Convertible Indebtedness) (including, in the case of this clause (y), for the avoidance of doubt, Permitted Bond Hedge Transactions and Permitted Warrant Transactions));

(D) Indebtedness of the Issuers or any of the Subsidiary Guarantors, to the extent the net proceeds thereof are promptly or substantially concurrently:

used to purchase Notes tendered in an Offer to Purchase made as a result of (or in anticipation of, but subject to) a Change of Control,

used to redeem all the Notes as described above under Optional Redemption, deposited to defease the Notes as described below under Defeasance, or

deposited to discharge the obligations under the Notes and indenture as described below under Satisfaction and Discharge ;

(E) (i) Guarantees of Indebtedness of the Issuers or any of the Subsidiary Guarantors by Parent or the General Partner, (ii) Guarantees of Indebtedness of the Issuers or any Subsidiary Guarantor by any of their Restricted Subsidiaries provided the guarantee of such Indebtedness is permitted by and made in accordance with the Future Guarantees by Restricted Subsidiaries covenant described below, (iii) any Guarantees by a Subsidiary Guarantor of any Indebtedness of an Issuer or any other Subsidiary Guarantor, (iv) Guarantees by an Issuer of Indebtedness of any Subsidiary Guarantor, (v) Guarantees of Permitted Mortgage Indebtedness of a Restricted Subsidiary by Parent and (vi) Guarantees by any Restricted Subsidiary of Parent that is not an Issuer or Subsidiary Guarantor of Indebtedness of any other Restricted Subsidiary of Parent that is not an Issuer or Subsidiary Guarantor;

(F) Existing Indebtedness to the extent outstanding after giving effect to the intended use of proceeds of the Notes (other than Indebtedness outstanding under clause (A) above);

(G) Indebtedness represented by the Notes and the Notes Guarantees issued on the Issue Date;

(H) Indebtedness consisting of obligations to pay insurance premiums incurred in the ordinary course of business;

(I) Indebtedness in respect of any bankers acceptances, bank guarantees, letters of credit, warehouse receipt or similar facilities, and reinvestment obligations related thereto, entered into in the ordinary course of business;

(J) (a) Indebtedness in respect of workers compensation claims, health, disability or other employee benefits, self-insurance obligations, indemnities, performance, bid, completion and surety bonds or guarantees and similar types of obligations in the ordinary course of business and including statutory obligations or otherwise under applicable law and (b) deposits and advance payments received in the ordinary course of business;

(K) Indebtedness represented by cash management obligations and other obligations in respect of netting services, automatic clearinghouse arrangements, overdraft protections and similar arrangements in each case in connection with deposit accounts and honoring or drawing of an instrument against insufficient funds and endorsements for deposit;

(L) Indebtedness supported by a letter of credit procured by the Issuers or any of their Restricted Subsidiaries in a principal amount not in excess of the stated amount of such letter of credit and where the underlying Indebtedness would otherwise be permitted;

(M) guarantees: (a) Incurred in the ordinary course of business; or (b) constituting Investments that are (i) included in the calculation of the amount available to be made as Restricted Payments under clause (C) of the first paragraph of the Limitation on Restricted Payments covenant, (ii) made pursuant to clause (19) under the third paragraph under the Limitation on Restricted Payments covenant or (iii) made in reliance on clause (9), (18) or (19) of the definition of Permitted Investments ;

(N) Permitted Refinancing Indebtedness Incurred in exchange for, or the net proceeds of which are used to refund, refinance or replace, Indebtedness (other than intercompany Indebtedness) that was permitted by the indenture to be Incurred under the provisions of paragraphs (1), (2) and (3) of this covenant or clause (D), (F), (G), (N), (O), (P), (Q), (R), (S) or (T) of this paragraph (3);

(O) Indebtedness of Restricted Subsidiaries that are not the Issuers or Subsidiary Guarantors in an aggregate principal amount at any time outstanding not to exceed, when taken together with all then outstanding net Investments in Unrestricted Subsidiaries and joint ventures made in reliance on clause (9) of the definition of Permitted Investments, the greater of $75.0 million and 6.0% of the Adjusted Total Assets of such Restricted Subsidiaries; provided, however, that any Permitted

Refinancing Indebtedness Incurred under clause (N) above in respect of Indebtedness Incurred under this clause (O) shall be deemed to have been Incurred under this clause (O) for purposes of determining the amount of Indebtedness that may at any time be Incurred under this clause (O);

(P) additional Indebtedness of the Issuers and their Restricted Subsidiaries in an aggregate principal amount at any time outstanding not to exceed the greater of $75.0 million and 6.0% of Parent s Adjusted Total Assets; provided, however, that any Permitted Refinancing Indebtedness Incurred under clause (N) above in respect of Indebtedness Incurred under this clause (P) shall be deemed to have been Incurred under this clause (P) for purposes of determining the amount of Indebtedness that may at any time be Incurred under this clause (P);

(Q) Indebtedness (including Capitalized Lease Obligations and Attributable Debt) of the Issuers and their Restricted Subsidiaries Incurred to finance the purchase, lease, expansion, repair, refurbishment, renovation, improvement, construction or acquisition (whether by asset or Capital Stock of the Person owning such assets) of, or capital expenditures with respect to, property (real

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or personal) or equipment in an aggregate principal amount at any time outstanding not to exceed the greater of $75.0 million and 6.0% of Parent s Adjusted Total Assets; provided, however, that any Permitted Refinancing Indebtedness Incurred under clause (N) above in respect of such Indebtedness shall be deemed to have been Incurred under this clause (Q) for purposes of determining the amount of Indebtedness that may at any time be Incurred under this clause (Q);

(R) Acquired Indebtedness and any other Indebtedness Incurred to finance a merger, consolidation or other acquisition; provided that either (i) immediately after giving effect to the Incurrence of such Acquired Indebtedness and such other Indebtedness, as the case may be, on a *pro forma* basis (including the receipt and *pro forma* application of the proceeds therefrom) as if such Incurrence (and the related merger, consolidation or other acquisition) had occurred at the beginning of the applicable Four Quarter Period, (A) either (x) the Issuers and their Restricted Subsidiaries would be permitted to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (1) above or (y) the ratio referred to in such paragraph (1) would be equal to or less than such ratio immediately prior to such merger, consolidation or other acquisition, (B) either (x) the Issuers and their Restricted Subsidiaries would be permitted to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (2) above or (y) the ratio referred to in such paragraph (2) would be equal to or less than such ratio immediately prior to such merger, consolidation or other acquisition and (C) either (x) the Issuers and the Subsidiary Guarantors would be permitted to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (3) above or (y) the ratio referred to in such paragraph (3) would be equal to or greater than such ratio immediately prior to such merger, consolidation or other acquisition; or (ii) the aggregate principal amount of such Acquired Indebtedness or other Indebtedness at any time outstanding Incurred pursuant to this clause (R)(ii) does not exceed $10.0 million;

(S) Permitted Mortgage Indebtedness of any Restricted Subsidiary of Parent that is not an Issuer or Subsidiary Guarantor that would be permitted to be Incurred under the provisions of paragraphs (1), (2) and (3) of this covenant, if such Restricted Subsidiary was a Subsidiary Guarantor;

(T) Convertible Indebtedness of Parent that would be permitted to be Incurred under the provisions of paragraphs (1), (2) and (3) of this covenant, if Parent was an Issuer; or

(U) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations that are permitted under the indenture and are Incurred in connection with the disposition of any business, assets or Restricted Subsidiary.

(5) Notwithstanding any other provision of this Limitation on Indebtedness covenant, the maximum amount of Indebtedness that Parent or any of its Restricted Subsidiaries may Incur pursuant to this Limitation on Indebtedness covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, due solely to the result of fluctuations in the exchange rates of currencies.

(6) For purposes of determining any particular amount of Indebtedness under this Limitation on Indebtedness covenant, guarantees, Liens or obligations with respect to letters of credit supporting Indebtedness otherwise

included in the determination of such particular amount shall not be included.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (A) through (U) of paragraph (4) above or is entitled to be Incurred pursuant to paragraphs (1), (2) and (3) above, the Issuers shall, in their sole discretion, be entitled to classify all or a portion of such item of Indebtedness on the date of its Incurrence or issuance and determine the order of such Incurrence or issuance (and may later reclassify such item of Indebtedness) and may divide and classify such Indebtedness in more than one of the types of Indebtedness described. At any time that the Parent would be entitled to have Incurred any then outstanding Indebtedness under paragraphs (1), (2) and (3) of this covenant, such Indebtedness shall be automatically reclassified into Indebtedness Incurred pursuant to those paragraphs. Notwithstanding the foregoing, any Indebtedness Incurred and outstanding under the revolving credit facility provided by the Credit Agreement on or prior to the Issue Date shall be deemed to have been Incurred under clause (A) of paragraph (4) above and may not be reclassified. Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness, but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness. For the avoidance of doubt, the outstanding principal amount of any particular Indebtedness shall be counted only once and any obligations arising under any guarantee, Lien, letter of credit or similar instrument supporting such Indebtedness shall not be double counted.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided, however, that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, *plus* the amount of any reasonable premium (including reasonable tender premiums), defeasance costs and any reasonable fees and expenses incurred in connection with the issuance of such new Indebtedness. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

A change in GAAP that results in an obligation existing at the time of such change, which is not at the time of such change classified as Indebtedness, becoming Indebtedness will not be deemed to be an Incurrence of Indebtedness.

Maintenance of Total Unencumbered Assets

The Issuers and their Restricted Subsidiaries will maintain at all times Total Unencumbered Assets of not less than 150% of the aggregate outstanding principal amount of the Unsecured Indebtedness of the Issuers and their Restricted Subsidiaries on a consolidated basis.

Limitation on Restricted Payments

Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on or with respect to Capital Stock of Parent or any Restricted Subsidiary of Parent held by Persons other than Parent or any of its Restricted Subsidiaries, other than (i) dividends or distributions payable solely in shares of Capital Stock of Parent or any of its Restricted Subsidiaries (other than Disqualified Stock) and (ii) pro rata dividends or other distributions made by a Restricted Subsidiary that is not Wholly Owned to minority stockholders (or owners of equivalent interests in the event the Subsidiary is not a corporation);

(2) purchase, redeem, retire or otherwise acquire for value any shares of Capital Stock of Parent held by any Person, other than (i) Capital Stock held by Parent or a Restricted Subsidiary of Parent or (ii) solely in

Capital Stock of Parent (other than Disqualified Stock);

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness of the Issuers that is subordinated in right of payment to the Notes or Indebtedness of a Subsidiary Guarantor that is subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor, in each case excluding (i) any intercompany Indebtedness between or among Parent or any of its Restricted

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Subsidiaries and (ii) the payment, purchase, redemption, repurchase, defeasance, discharge, acquisition or retirement of such subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such payment, purchase, redemption, repurchase, defeasance, discharge, acquisition or retirement; or

(4) make an Investment, other than a Permitted Investment, in any Person;

(such payments or any other actions described in clauses (1) through (4) above being collectively *Restricted Payments*) if, at the time of, and after giving effect to, the proposed Restricted Payment:

(A) a Default or Event of Default shall have occurred and be continuing,

(B) the Issuers could not Incur at least $1.00 of Indebtedness in compliance with both paragraphs (1) and (3) of the Limitation on Indebtedness covenant, or

(C) the aggregate amount of all Restricted Payments made after May 30, 2014 (and not returned or rescinded and subject to the last paragraph of this covenant) shall exceed the sum of, without duplication:

95% of the aggregate amount of the Funds From Operations (or, if the Funds From Operations is a loss, *minus* 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the Spin-Off Effective Date and ending on the last day of the last fiscal quarter immediately preceding the Transaction Date for which reports have been filed with the SEC or provided to the trustee pursuant to the SEC Reports and Reports to Holders covenant or for which internal financial statements are available, *plus*

100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by Parent or the Partnership after May 30, 2014 from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of Parent, including from an issuance or sale permitted by the indenture of Indebtedness or Disqualified Stock of Parent or any of its Restricted Subsidiaries subsequent to May 30, 2014 upon conversion, exercise or exchange of such Indebtedness or Disqualified Stock into or for Capital Stock (other than Disqualified Stock) of Parent or the Partnership, *plus*, without duplication, the amount of any cash, and the fair market value of property or assets or marketable securities (excluding, for the avoidance of doubt, the securities converted or exchanged), received by Parent or its Restricted Subsidiaries upon such conversion, exercise or exchange (in each case, exclusive of any Disqualified Stock), *plus*

an amount equal to (i) the net reduction in Investments (other than reductions in Permitted Investments) in any Person after May 30, 2014 resulting from payments of interest on Indebtedness, dividends or other distributions, repayments of loans or advances, or other transfers of assets, in each case to Parent or any of its Restricted Subsidiaries or from the Net Cash Proceeds, and the fair market value of property or assets or marketable securities received, from the sale or other disposition of any such Investment (including, without limitation, through satisfaction, expiration, reduction, release, repurchase, purchase, discharge, defeasance, retirement, redemption, repayment or cancellation of such Investment and sales of Capital Stock or other securities of such other Person) (except, in each case, to the extent any such payment or proceeds are included in the calculation of Funds From Operations), and (ii) with respect to any Unrestricted Subsidiary that has been redesignated as a Restricted Subsidiary or that has been merged or consolidated with or into, or which has transferred or conveyed its assets to, or has been liquidated into, Parent or a Restricted Subsidiary of Parent, in each case after May 30, 2014, the amount of Parent s and its Restricted Subsidiaries Investment in such Subsidiary (directly or indirectly) as of the date of such redesignation, merger, consolidation, transfer, conveyance or liquidation (valued, in the case of each of clauses (i) and (ii), as provided in the definition of Investments), not to exceed, in each case, the amount of Investments previously made by Parent and its Restricted Subsidiaries in such Person or Unrestricted Subsidiary and treated as a Restricted Payment, *plus*

the fair market value of property or assets or Capital Stock representing interests in Persons (other than that of Parent or the Partnership) acquired in exchange for an issuance of Capital Stock (other than Disqualified Stock or Capital Stock issued in exchange for Capital Stock of Parent or the Partnership utilized pursuant to clause (3) or (4) of the second succeeding paragraph) of Parent or the Partnership subsequent to May 30, 2014, *plus*

without duplication, in the event Parent or any Restricted Subsidiary of Parent makes any Investment in a Person that, as a result of or in connection with such Investment, becomes (including by redesignation) a Restricted Subsidiary of Parent, an amount not to exceed the amount of Investments previously made by Parent and its Restricted Subsidiaries in such Person and that was treated as a Restricted Payment.

As of March 31, 2017, the Parent had approximately $531.3 million of Restricted Payments capacity under this basket.

Notwithstanding the foregoing, Parent and any of its Restricted Subsidiaries may declare or pay any dividend or make any distribution or take other action (that would have otherwise been a Restricted Payment) which the Board of Directors of Parent believes in good faith is necessary to (i) maintain Parent s status as a real estate investment trust under the Code or (ii) avoid any excise tax or any income tax imposed on Parent, in each case including, but not limited to, pro rata dividends or other distributions by the Partnership to minority unitholders as a result of a distribution from the Partnership to Parent for the purpose of funding any such dividend, distribution or other action); provided that no Default or Event of Default shall have occurred and be continuing.

The foregoing provisions shall not be violated by reason of:

(1) the payment of any dividend or distribution or the consummation of any redemption within 60 days after the date of declaration thereof or the giving of a redemption notice related thereto, as the case may be, if, at the date of declaration or notice, such payment would comply with the foregoing paragraph;

(2) the payment, repayment, purchase, redemption, repurchase, defeasance, discharge or other acquisition or retirement for value of Indebtedness that is subordinated in right of payment to the Notes or to a Notes Guarantee including premium, if any, and accrued and unpaid interest, with the proceeds of, or in exchange for, Indebtedness Incurred pursuant to paragraphs (1), (2) and (3) or (4)(N) of the covenant described under Limitation on Indebtedness ;

(3) (a) the making of any Restricted Payment in exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of Parent or the Partnership (other than any Disqualified Stock or any Capital Stock sold to a Restricted Subsidiary of Parent or to an employee stock ownership plan or any trust established by Parent) or from substantially concurrent contributions to the equity capital of Parent or the

Partnership (collectively, including any such contributions, *Refunding Capital Stock*) (with any sale or contribution within 60 days deemed as substantially concurrent); and (b) the declaration and payment of accrued dividends (and any premium) on any Capital Stock redeemed, repurchased, purchased, retired, defeased, discharged or acquired out of the proceeds of the sale of Refunding Capital Stock within 60 days of such sale; provided, that the amount of any such proceeds or contributions that are utilized for any Restricted Payment pursuant to this clause (3) shall be excluded from the amount described in the second bullet of clause (4)(C) of this covenant;

(4) the making of any principal payment on, or the repayment, repurchase, purchase, redemption, retirement, defeasance, discharge or other acquisition for value of Indebtedness of the Issuers that is

subordinated in right of payment to the Notes or Indebtedness of a Guarantor that is subordinated in right of payment to the Notes Guarantee of such Guarantor, including premium, if any, and accrued and unpaid interest, in exchange for, or out of the proceeds of an issuance of, shares of Capital Stock (other than Disqualified Stock) of Parent or the Partnership or from contributions to the equity capital of Parent or the Partnership, in each case within 90 days of such principal payment, repayment, repurchase, purchase, redemption, retirement, defeasance, discharge or other acquisition;

(5) payments or distributions to dissenting holders of limited partnership units of the Partnership or stockholders of Parent or any direct or indirect parent company of the Partnership pursuant to applicable law pursuant to or in connection with a consolidation, merger or transfer of assets that complies with the provisions of the indenture described under Consolidation, Merger and Sale of Assets ;

(6) the repurchase, purchase, redemption or other acquisition or retirement for value of any shares of Capital Stock of Parent held by any current or former officer, director, consultant or employee or manager of Parent or any of its Restricted Subsidiaries (or any permitted transferees, assigns, estates, trusts or heirs of any of the foregoing); provided, however, the aggregate amount paid by Parent and its Restricted Subsidiaries pursuant to this clause (6) shall not exceed $5.0 million in any calendar year (excluding for purposes of calculating such amount the amount paid for Capital Stock repurchased, redeemed, acquired or retired with the cash proceeds from the repayment of outstanding loans previously made by Parent or a Restricted Subsidiary thereof for the purpose of financing the repurchase, purchase, redemption or other acquisition or retirement of such Capital Stock), with unused amounts in any calendar year being carried over for up to two succeeding calendar year periods until used; provided further, that such amount in any calendar year may be increased by an amount not to exceed: (A) the net cash proceeds from the sale of Capital Stock (other than Disqualified Stock) of Parent, in each case, to officers, directors, consultants or employees or managers of Parent or any of its Restricted Subsidiaries that occurs after May 30, 2014, to the extent such cash proceeds (i) have not otherwise been applied to permit the payment of any other Restricted Payment or (ii) are not attributable to loans made by Parent or a Restricted Subsidiary thereof for the purpose of financing the repurchase, purchase, redemption or other acquisition or retirement of such Capital Stock, *plus* (B) the cash proceeds of key man life insurance policies received by Parent and its Restricted Subsidiaries after May 30, 2014, *less* (without duplication of clause (A)(i) above) (C) the amount of any Restricted Payments previously made using the amounts from clause (A) and (B) of this clause (6); provided further, however, that cancellation of Indebtedness owing to Parent from any officer, director, consultant or employee or manager of Parent or any Restricted Subsidiary thereof in connection with a repurchase of Capital Stock of Parent shall not be deemed to constitute a Restricted Payment for purposes of the indenture;

(7) the repurchase of Capital Stock deemed to occur (i) upon the exercise of options, rights, warrants or other equivalents, or upon conversion or exchange, if such Capital Stock represents all or a portion of the exercise, conversion or exchange price thereof, and (ii) in connection with the withholding of a portion of the Capital Stock granted or awarded to an officer, director, consultant or employee or manager to pay for the taxes payable by such officer, director, consultant or employee or manager upon such grant or award;

(8) upon or in connection with or following the occurrence of a Change of Control (or similarly defined term in other Indebtedness or Disqualified Stock) and, if applicable, within 90 days after completion of the Offer to Purchase (including the purchase of all Notes validly tendered and not withdrawn) pursuant to the covenant

described below under the caption Repurchase of Notes upon a Change of Control, any repayment, repurchase, purchase, redemption, defeasance, discharge or other acquisition or retirement for value of any Indebtedness of the Issuers or any Guarantor that is subordinated in right of payment to the Notes or to any Notes Guarantee, respectively, or any Disqualified Stock that is required to be repurchased or redeemed or otherwise acquired pursuant to the terms thereof as a result of such Change of Control (or similarly defined term in other Indebtedness or Disqualified Stock), at a purchase price not greater than 101% of the outstanding principal amount, accreted value or liquidation preference thereof (*plus* accrued and unpaid interest, dividends and liquidated damages, if any);

(9) within 90 days after completion of any Offer to Purchase Notes pursuant to the covenant described below under the caption Limitation on Asset Sales (including the purchase of all Notes tendered), any repayment, repurchase, purchase, redemption, defeasance, discharge or other acquisition or retirement for value of any Indebtedness of the Issuers or any Guarantor that is subordinated in right of payment to the Notes or to any Notes Guarantee, respectively, or any Disqualified Stock that is required to be repurchased or redeemed or otherwise acquired pursuant to the terms thereof as a result of such Asset Sale (or similarly defined term in such other Indebtedness), at a purchase price not greater than 100% of the outstanding principal amount, accreted value or liquidation preference thereof (*plus* accrued and unpaid interest, dividends and liquidated damages, if any);

(10) the payment of cash in lieu of the issuance of fractional shares of Capital Stock upon exercise, exchange or conversion of securities exercisable, exchangeable or convertible into Capital Stock of Parent or the Partnership;

(11) Restricted Payments made pursuant to any Spin-Off Agreement or otherwise in connection with the Spin-Off and the other transactions and fees and expenses related thereto;

(12) the Purging Distribution;

(13) the declaration of or payment of any cash dividend or other distribution in respect of Capital Stock of Parent or any other direct or indirect parent company of the Issuers constituting Preferred Stock, so long as the Interest Coverage Ratio contemplated by paragraph (2) of the covenant described above under the caption Limitation on Indebtedness would be greater than or equal to 2.0 to 1.0 after giving effect to such payment; provided that at the time of payment of such dividend or distribution no Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(14) the declaration and payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) issued by the Partnership or Parent after the Issue Date; provided that the amount of dividends pursuant to this clause (13) shall not exceed the aggregate amount of cash actually received by the Partnership or Parent from the sale of such Designated Preferred Stock; provided that, at the time of payment of such dividend, no Default or Event of Default shall have occurred and be continuing (or would result therefrom);

(15) Restricted Payments made pursuant to an exchange of or conversion into Capital Stock of Parent, including the redemption of Common Units for Common Stock of Parent pursuant to the terms of the Partnership Agreement;

(16) the declaration and payment of dividends to holders of Disqualified Stock issued in accordance with the indenture;

(17) the distribution, as a dividend or otherwise, of Capital Stock of, or Indebtedness owed to Parent or a Restricted Subsidiary of Parent by, Unrestricted Subsidiaries;

(18) to the extent constituting Restricted Payments, payments to counterparties under Hedging Obligations;

(19) (i) the making of cash payments in connection with any conversion or purchase of Convertible Indebtedness in an aggregate amount since May 30, 2014 not to exceed the sum of (a) the principal amount of such Convertible Indebtedness and any accrued and unpaid interest thereon plus (b) any payments received by Parent pursuant to the exercise, settlement, unwinding or termination of any related Permitted Bond Hedge Transaction; and

(ii) (a) any payments in connection with a Permitted Bond Hedge Transaction and (b) the exercise, settlement, unwinding or termination of any related Permitted Warrant Transaction (I) by delivery of shares of common stock of Parent upon settlement thereof, (II) by (A) set-off against the related Permitted Bond Hedge Transaction or (B) payment of an early termination amount thereof in common stock upon any early termination thereof or (III) by a cash payment not to exceed the amount received upon any exercise, settlement, unwinding or termination of a related Permitted Bond Hedge Transaction; and

(20) additional Restricted Payments in an aggregate amount not to exceed the greater of $50.0 million and 5.0% of Parent s Adjusted Total Assets.

provided, however, that, except in the case of clauses (1) and (3), no Default or Event of Default shall have occurred and be continuing or occur as a direct consequence of the actions or payments set forth therein.

The net amount of any Restricted Payment permitted pursuant to the second paragraph of this covenant and clause (1) of the immediately preceding paragraph shall be included in calculating the amount available for Restricted Payments, if any, pursuant to clause (C) of the first paragraph of this covenant with respect to any subsequent Restricted Payments. The amount of any Restricted Payment permitted pursuant to clauses (2) through (20) of the immediately preceding paragraph shall be excluded in calculating the amount available for Restricted Payments, if any, pursuant to clause (C) of the first paragraph of this covenant with respect to any subsequent Restricted Payments. The net amount of all Restricted Payments or portion thereof (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued to or by Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. In determining whether any Restricted Payment is permitted by this covenant, Parent and its Restricted Subsidiaries may allocate all or any portion of such Restricted Payment among the categories described in clauses (1) through (20) of the immediately preceding paragraph or among such categories and the types of Restricted Payments described in the first paragraph of this covenant (including categorization in whole or in part as a Permitted Investment); provided that, at the time of such allocation, all such Restricted Payments, or allocated portions thereof, would be permitted under the various provisions of this covenant.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Issuers will not, and will not permit any of their Restricted Subsidiaries to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary of the Issuers to:

pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary owned by the Issuers or any other Restricted Subsidiary of the Issuers,

pay any Indebtedness owed to the Issuers or any other Restricted Subsidiary of the Issuers,

make loans or advances to the Issuers or any other Restricted Subsidiary of the Issuers, or

transfer its property or assets to the Issuers or any other Restricted Subsidiary of the Issuers.

The foregoing provisions shall not restrict any encumbrances or restrictions:

(1) existing under, by reason of or with respect to, the indenture, the Notes, the Notes Guarantees, the Credit Agreement, any Existing Indebtedness, any other agreement in effect on the Issue Date as in effect on the Issue Date, and any Spin-Off Agreement as in effect on the Issue Date, and any amendments, modifications, restatements, extensions, increases, supplements, refundings, refinancing, renewals or replacements of such agreements; provided, however, that the encumbrances and restrictions in any such amendments, modifications, restatements, extensions, increases, supplements, refundings, refinancing, renewals or replacements are not materially more restrictive, taken as a whole, with respect to such dividend or other payment restrictions than those contained in those agreements on the Issue Date or such other date, as applicable;

(2) existing under, by reason of or with respect to any Credit Facility or other Indebtedness permitted under the indenture (and not included in clause (1) above); provided, however, that the encumbrances

and restrictions contained in the agreement or agreements governing such Credit Facility or other Indebtedness (x) (A) are not materially more restrictive, taken as a whole, than those contained in the Credit Agreement (with respect to other credit agreements or Indebtedness other than under an indenture and other than Permitted Mortgage Indebtedness or other mortgage Indebtedness) or the indenture (with respect to other indentures), in each case, as in effect on the Issue Date, or (B) with respect to Permitted Mortgage Indebtedness or other mortgage Indebtedness, (i) are not materially more disadvantageous to the holders of the Notes than is customary in comparable financings and (ii) will not materially affect the Issuers ability to make principal or interest payments on the Notes (in each case as determined by Parent in good faith at the time any such Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction)) or (y) apply only during the occurrence of an event of default with respect to such Credit Facility or other Indebtedness;

(3) existing under, by reason of or with respect to applicable law, rule, regulation, decree or administrative or court order or contained in any license, permit or other accreditation with a regulatory authority entered into the ordinary course of business;

(4) existing with respect to any Person (including Indebtedness or Capital Stock of such Person) or the property or assets of such Person acquired by Parent or any Restricted Subsidiary of Parent (or any such Person that otherwise becomes a Restricted Subsidiary of Parent including by designation or by merger or consolidation or sale of all or substantially all of its assets into or to Parent or another Restricted Subsidiary of Parent), existing at the time of such acquisition (or such Person so becoming a Restricted Subsidiary of Parent) and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired (or such Restricted Subsidiary) and any amendments, modifications, restatements, extensions, increases, supplements, refundings, refinancing, renewals or replacements thereof; provided, however, that the encumbrances and restrictions in any such amendments, modifications, restatements, extensions, increases, supplements, refundings, refinancing, renewals or replacements are entered into in the ordinary course of business or not materially more restrictive, taken as a whole, than those contained in the instruments or agreements with respect to such Person or its property or assets as in effect on the date of such acquisition (or such Person so becoming a Restricted Subsidiary of Parent);

(5) existing under, by reason of or with respect to provisions in joint venture, operating or similar agreements entered into in connection with a Permitted Business and customary provisions in leases entered into in the ordinary course of business;

(6) in the case of the last bullet in the first paragraph of this covenant:

that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to, or that is, a lease, license, conveyance or contract or similar property or asset,

other encumbrances or restrictions contained in or with respect to the Master Leases and the properties subject thereto, existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of Parent or any Restricted Subsidiary of Parent not otherwise prohibited by the indenture,

existing under, by reason of or with respect to (i) purchase money obligations for property acquired in the ordinary course of business or (ii) capital leases or operating leases, including purchase money Indebtedness, Capitalized Lease Obligations and other Indebtedness pursuant to be Incurred under paragraph (4)(Q) of Permitted Indebtedness, that impose encumbrances or restrictions on the property so acquired or covered thereby, or (iii) a contract with respect to an Asset Sale, Sale and Leaseback Transaction, stock sale agreement or other transfer, conveyance or disposition permitted under the indenture, which encumbrances or restrictions are applicable only to the property, assets or Capital Stock that are the subject of such contracts, or

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arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of Parent or any Restricted Subsidiary of Parent in any manner material to Parent and its Restricted Subsidiaries taken as a whole;

(7) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of the Capital Stock of, or property and assets of, such Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the closing of such sale or other disposition;

(8) existing under, by reason of or with respect to Indebtedness permitted to be Incurred pursuant to paragraph (4)(N) of, or other Permitted Refinancing Indebtedness permitted to be Incurred under, the covenant described under Limitation on Indebtedness; provided, that the encumbrances and restrictions contained in the agreements governing such Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(9) contained in the terms of any Indebtedness or any agreement pursuant to which such Indebtedness was issued if:

the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement,

the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined by the good faith judgment of Parent), and

Parent, in its good faith, determines that such an encumbrance or restriction will not materially affect the Issuers ability to make principal or interest payments on the Notes;

(10) any encumbrance or restriction pursuant to Hedging Obligations or under Permitted Non-Recourse Guarantees;

(11) restrictions on deposits made to secure letters of credit or surety or other bonds issued in connection therewith or deposits made in the ordinary course of business with respect to insurance premiums, worker s compensation, statutory obligations, utility deposits, rental obligations, unemployment insurance, performance of tenders, surety and appeal bonds and other similar obligations (or to secure letters of credit or surety or other bonds relating thereto);

(12) restrictions on the ability of any Restricted Subsidiary to make Investments in or transfer assets to any Person that is not a Subsidiary of such Restricted Subsidiary or that is not a direct or indirect parent of such Restricted Subsidiary; and

(13) any encumbrances or restrictions of the type referred imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, restructurings, replacements or other refinancings of those agreements, instruments or obligations referred to in clauses (1) through (12) above, provided that the amendments, modifications, restatements, renewals, increases, supplements, refundings, restructurings, replacements or other refinancings are no more restrictive, taken as a whole, with respect to such encumbrances or restrictions than those contained in those agreements prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, restructuring, replacement or other refinancing.

Nothing contained in this covenant shall prevent Parent or any Restricted Subsidiary of Parent from (a) restricting the sale or other disposition of property or assets of Parent or any of its Restricted Subsidiaries that secure Indebtedness of the Issuers or any of their Restricted Subsidiaries or (b) creating, Incurring, assuming or suffering to exist any Liens otherwise permitted by the indenture. For purposes of determining compliance with this covenant, (1) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to

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distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock, and (2) the subordination of loans or advances made to a Restricted Subsidiary to other Indebtedness Incurred by such Restricted Subsidiary, or other subordination provisions in any Indebtedness, shall not be deemed a restriction on the ability to make loans or advances.

Future Guarantees by Restricted Subsidiaries

Parent will not permit any Domestic Restricted Subsidiary of the Issuers to guarantee any Indebtedness under the Credit Agreement, any other syndicated loan facility or any capital markets Indebtedness of the Issuers or a Subsidiary Guarantor (*Guaranteed Indebtedness*), unless such Restricted Subsidiary within 30 calendar days after so guaranteeing such Guaranteed Indebtedness executes and delivers a supplemental indenture to the indenture providing for a Subsidiary Guarantee by such Restricted Subsidiary; provided, however, that this paragraph shall not be applicable to any guarantee of any Person that existed (or any other guarantee required pursuant to the terms of any Acquired Indebtedness of any Person, which Acquired Indebtedness existed) at the time such Person became (including by redesignation) a Restricted Subsidiary of, or was merged into, the Issuers or a Restricted Subsidiary and was not Incurred in connection with, or in contemplation of, such person becoming a Restricted Subsidiary. Parent may elect, in its sole discretion, to cause any Subsidiary that is not otherwise required to be a Subsidiary Guarantor to become a Subsidiary Guarantor, in which case such Subsidiary shall not be required to comply with the 30 calendar day period described above. For the avoidance of doubt, Indebtedness of a Person that is guaranteed by an Issuer or a Subsidiary Guarantor shall not be deemed to be Guaranteed Indebtedness solely as a result of such guarantee by such Issuer or Subsidiary Guarantor.

If the Guaranteed Indebtedness:

- ranks equally with the Notes (or the applicable Subsidiary Guarantee) in right of payment, then the guarantee of such Guaranteed Indebtedness shall rank equally with, or subordinate to, the Subsidiary Guarantee issued pursuant to this covenant in right of payment; or

- is subordinate in right of payment to the Notes (or the applicable Subsidiary Guarantee), then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee issued pursuant to this covenant at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes (or the applicable Subsidiary Guarantee).

Any such Subsidiary Guarantee by a Restricted Subsidiary shall be automatically and unconditionally released and discharged:

(1) upon any sale, exchange or transfer (including through merger or consolidation), to any Person that is not a Subsidiary of Parent of Capital Stock held by Parent and its Restricted Subsidiaries in, or all or substantially all the assets of, such Subsidiary Guarantor (which sale, exchange or transfer is not prohibited by the indenture) such that, immediately after giving effect to such transaction, such Subsidiary Guarantor would no longer constitute a Restricted Subsidiary of Parent,

(2)

in connection with the merger or consolidation of such Subsidiary Guarantor with (a) an Issuer or (b) any other Guarantor (provided that in the case of this clause (b) the surviving entity remains or becomes a Guarantor upon consummation thereof),

(3) if Parent designates such Restricted Subsidiary as an Unrestricted Subsidiary in accordance with the indenture,

(4) upon the Legal Defeasance or Covenant Defeasance or satisfaction and discharge of the indenture,

(5) upon a liquidation or dissolution or winding-up of such Restricted Subsidiary not prohibited by the indenture,

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(6) upon the release or discharge of the Indebtedness or guarantee that resulted in the creation of such Subsidiary Guarantee (and any other guarantee given as a result thereof), except a discharge or release by or as a result of payment under such guarantee, or

(7) upon payment in full of the principal of, and accrued and unpaid interest on, the Notes.

In addition, any Notes Guarantee provided by a Subsidiary Guarantor shall provide by its terms that it shall be automatically and unconditionally released and discharged if (i) such Subsidiary ceases to guarantee obligations under the Credit Agreement or ceases to constitute a co-borrower with respect to the Credit Agreement, in either case in connection with a Permitted Mortgage Indebtedness financing transaction by such entity and (ii) the proceeds from any such financing transaction are applied solely for one or more of the uses described in clauses (1) through (7) of the third paragraph under the Limitation on Asset Sales covenant.

Limitation on Transactions with Affiliates

Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, renew or extend any transaction (including the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any Affiliate of Parent or any of its Restricted Subsidiaries, in each case involving consideration in excess of $2.5 million, except upon terms that are not materially less favorable to Parent or such Restricted Subsidiary than could be obtained, at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor, in a comparable arm s length transaction (to the extent there is such a transaction) with a Person that is not such an Affiliate.

The foregoing paragraph does not limit, and shall not apply to:

(1) transactions (A) approved by a majority of the disinterested directors of the Board of Directors of Parent or (B) for which Parent or any Restricted Subsidiary of Parent delivers to the trustee a written opinion of a nationally recognized investment banking, appraisal or accounting firm stating that the transaction is fair to Parent or such Restricted Subsidiary from a financial point of view;

(2) any transaction solely between or among Parent and any of its Restricted Subsidiaries or solely between or among Restricted Subsidiaries of Parent (in each case, including any entity that becomes (including by redesignation) a Restricted Subsidiary of Parent as a result of such transaction);

(3) the payment of reasonable fees and compensation to, and indemnification, reimbursement of expenses and similar arrangements on behalf of, current, former or future directors of Parent or any Restricted Subsidiary of Parent;

(4) the issuance or sale of Capital Stock (other than Disqualified Stock) of Parent or the Partnership;

(5) any Restricted Payments not prohibited by the Limitation on Restricted Payments covenant or any Permitted Investment;

(6) any contracts, instruments or other agreements or arrangements in each case as in effect on the Issue Date, and any transactions pursuant thereto or contemplated thereby, or any amendment, modification or supplement thereto or any replacement thereof entered into from time to time, as long as such agreement or arrangements as so amended, modified, supplemented or replaced, taken as a whole, is not materially more disadvantageous to Parent and its Restricted Subsidiaries at the time executed than the original agreement or arrangements as in effect on the Issue Date;

(7) any employment, consulting, service or termination agreement, or customary indemnification arrangements, entered into by Parent or any Restricted Subsidiary of Parent with current, former or future directors, officers and employees of Parent or such Restricted Subsidiary and the payment of compensation and reimbursement of expenses and the providing of other benefits (including retirement, health, disability, option, deferred compensation, insurance and other employment benefits) to such directors, officers and employees of Parent or any Restricted Subsidiary of Parent (including

amounts paid pursuant to employee benefit plans, employee stock option or similar plans and including issuances of Capital Stock or other securities, loans or other payments, grants and awards), in each case in the ordinary course of business;

(8) loans and advances to officers and employees of Parent or any Restricted Subsidiary of Parent or guarantees in respect thereof (or cancellation of such loans, advances or guarantees), for bona fide business purposes, including for reasonable moving and relocation, entertainment and travel expenses and similar expenses, made in the ordinary course of business;

(9) transactions with a Person that is an Affiliate of Parent solely because Parent, directly or indirectly, owns Capital Stock of, or controls such Person;

(10) any transaction with a Person who is not an Affiliate immediately before the consummation of such transaction that becomes an Affiliate as a result of such transaction;

(11) payments to an Affiliate in respect of the Notes or any other Indebtedness of the Issuers or any Restricted Subsidiary on the same basis as concurrent payments made or offered to be made in respect thereof to non-Affiliates, any contribution to the capital of Parent or its Restricted Subsidiaries and the issuance of Capital Stock of Parent or its Restricted Subsidiaries and the granting of registration and other customary rights in connection therewith;

(12) any transactions (a) pursuant to the Transactions or the Spin-Off Agreements, and any actions pursuant thereto or contemplated thereby, (b) with Ensign or any of its Affiliates pursuant to the contracts or agreements described in this prospectus supplement, via incorporation by reference or otherwise, or (c) in the case of each of clauses (a) and (b), any amendment, modification, or supplement thereto or replacement thereof, as long as such agreement or arrangement, as so amended, modified, supplemented or replaced, taken as a whole, is not materially more disadvantageous to Parent and its Restricted Subsidiaries than the original agreement or arrangement in existence on the Issue Date;

(13) the entering into or amending of any tax sharing, allocation or similar agreement between Parent and the Partnership and any payments thereunder;

(14) transactions between Parent or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because a director of such Person is also a director of Parent or any of its Restricted Subsidiaries or any direct or indirect parent of Parent; provided, however, that such director abstains from voting as a director of Parent or such Restricted Subsidiary or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(15) transactions with joint ventures and Subsidiaries thereof and Unrestricted Subsidiaries relating to the provision of management services, overhead or similar services or transactions that are approved by a

majority of the disinterested members of Parent s Board of Directors (a director shall be disinterested if he or she has no interest in such joint venture or Unrestricted Subsidiary other than through Parent and its Restricted Subsidiaries); provided that no Affiliate of Parent (other than Parent s Restricted Subsidiaries) has an interest (other than indirectly through Parent and other than such joint venture or Unrestricted Subsidiary) in any such joint venture or Unrestricted Subsidiary;

(16) any transaction with a joint venture, partnership, limited liability company or other entity that would constitute an Affiliate Transaction solely because Partnership or a Restricted Subsidiary owns an equity interest in such joint venture, partnership, limited liability company or other entity; and

(17) pledges of Capital Stock of Unrestricted Subsidiaries.

Notwithstanding the foregoing, any transaction or series of related transactions covered by the first paragraph of this covenant and not covered by clauses (2) through (17) of the immediately foregoing paragraph, the aggregate amount of which exceeds $10.0 million of consideration, must be approved or determined to be fair in the manner provided for in clause (1)(A) or (B) of the immediately foregoing paragraph.

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Limitation on Asset Sales

Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate any Asset Sale, unless:

(1) the consideration received (or to be received) by Parent or such Restricted Subsidiary is at least equal to the fair market value (determined at the time of contractually agreeing to such Asset Sale) of the assets or Capital Stock sold or disposed of; and

(2) at least 75% of the consideration received (or to be received) consists of cash, Temporary Cash Investments or Replacement Assets, or a combination of cash, Temporary Cash Investments or Replacement Assets; provided, however, that, with respect to the sale of one or more properties up to 75% of the consideration may consist of Indebtedness of the purchaser of such properties so long as such Indebtedness is secured by a first priority Lien on the property or properties sold.

For purposes of this provision, each of the following shall be deemed to be cash:

(a) any liabilities of Parent or any Restricted Subsidiary of Parent (as shown on the most recent consolidated balance sheet of Parent and its Restricted Subsidiaries or in the footnotes thereto, or if Incurred or accrued subsequent to the date of such balance sheet, such liabilities that would have been shown on Parent s or such Restricted Subsidiary s balance sheet or in the footnotes thereto if such Incurrence or accrual had taken place on the date of such balance sheet, in each case other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Notes Guarantee) that are assumed by the transferee of any such assets pursuant to an agreement that releases Parent or any such Restricted Subsidiary from further liability with respect to such liabilities or that are assumed by contract or operation of law;

(b) any securities, notes or other obligations received (or to be received) by Parent or any such Restricted Subsidiary from such transferee that are converted by the Issuers or such Restricted Subsidiary into cash or Temporary Cash Investments within 180 days of receipt (to the extent of the cash or Temporary Cash Investments received in that conversion);

(c) any Designated Non-cash Consideration received by Parent or any such Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (i) $25.0 million and (ii) an amount equal to 2.0% of Parent s Adjusted Total Assets, with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value; and

(d) any stock or assets of the kind referred to in clauses (2), (5) or (6) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Cash Proceeds from an Asset Sale, Parent or any such Restricted Subsidiary may apply such Net Cash Proceeds to:

(1) prepay, repay, redeem, defease, discharge, repurchase or purchase Pari Passu Indebtedness of an Issuer or a Guarantor that is Secured Indebtedness (in each case other than Indebtedness owed to Parent or an Affiliate of Parent);

(2) make an Investment in (provided such Investment is in the form of Capital Stock), acquire all or substantially all of the assets of, a Person engaged in a Permitted Business if such Person is, or will become as a result thereof, a Restricted Subsidiary of Parent or acquire Permitted Mortgage Investments;

(3) prepay, repay, redeem, defease, discharge, repurchase or purchase Pari Passu Indebtedness of an Issuer or of any Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary of Parent that is not an Issuer or a Subsidiary Guarantor; provided, however, that if Parent, the Issuers or a Subsidiary Guarantor shall so prepay, repay, redeem, defease, discharge or purchase any such Pari Passu

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Indebtedness of the Issuer or of any Subsidiary Guarantor, the Issuers will equally and ratably reduce obligations under the Notes through (x) open market purchases (to the extent such purchases are at or above 100% of the principal amount thereof), (y) as provided under Optional Redemption or (z) by making an Offer to Purchase (in accordance with the procedures set forth below);

(4) fund (x) all or a portion of an optional redemption of the Notes as described under Optional Redemption, (y) open market purchases of the Notes (to the extent such purchases are at or above 100% of the principal amount thereof) or (z) an Offer to Purchase (in accordance with the procedures set forth below);

(5) make a capital expenditure;

(6) acquire Replacement Assets to be used or that are useful in a Permitted Business; or

(7) any combination of the foregoing;

provided, that Parent will be deemed to have complied with the provisions described in clauses (2), (5) and (6) of this paragraph if and to the extent that, within 365 days after the Asset Sale that generated the Net Cash Proceeds, Parent or any of its Restricted Subsidiaries has entered into and not abandoned or rejected a binding agreement to apply such Net Cash Proceeds in compliance with the provisions described in clauses (2), (5) and (6) of this paragraph, and such application of such Net Cash Proceeds is thereafter completed within 180 days after the end of such 365-day period. Pending the final application of any such Net Cash Proceeds, Parent may temporarily reduce the revolving Indebtedness under any Credit Facility or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the indenture. The amount of such Net Cash Proceeds not applied (or to be committed to be applied) as set forth in this paragraph by the end of the applicable period shall constitute *Excess Proceeds*.

If, as of the first day of any calendar month, the aggregate amount of Excess Proceeds not previously subject to an Offer to Purchase pursuant to this covenant totals at least $25.0 million, the Issuers must commence, not later than the fifteenth Business Day of such month, and consummate an Offer to Purchase from the holders of the Notes and, to the extent required by the terms of any Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness on a *pro rata* basis an aggregate principal amount of Notes (and Pari Passu Indebtedness, as applicable) equal to the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the Notes (and Pari Passu Indebtedness or such lesser price provided in the terms of such Pari Passu Indebtedness), *plus*, in each case, accrued and unpaid interest (if any) to, but not including, the Payment Date. If any Excess Proceeds remain after consummation of an Offer to Purchase, Parent may use such Excess Proceeds for any purpose not prohibited by the indenture. If the aggregate purchase price of the Notes and the other Pari Passu Indebtedness validly tendered (and not withdrawn) into such Offer to Purchase exceeds the amount of Excess Proceeds, Parent shall select the Notes and such other Pari Passu Indebtedness (to the extent such selection is not prohibited by the terms thereof) to be purchased on a pro rata basis but in round denominations, which in the case of the Notes will be denominations of $2,000 initial principal amount and multiples of $1,000 thereafter. Upon completion of each Offer to Purchase, the amount of Excess Proceeds related to such Asset Sale Offer shall be reset at zero. Parent may satisfy the foregoing obligation with respect to any Net Cash Proceeds prior to the expiration of the relevant 365-day period (as such period may be extended as described in the immediately preceding paragraph). Nothing in this paragraph shall preclude the Issuers from making an Offer to Purchase even if the amount of Excess Proceeds not previously subject to an Offer to Purchase pursuant to this covenant totals less than $25.0 million.

The Credit Agreement contains restrictions on the Issuers ability to purchase Notes with Asset Sale proceeds. Any future credit agreements or other agreements may contain similar restrictions. In the event an Asset Sale occurs at a time when the Issuers are prohibited from purchasing Notes, the Issuers could seek the consent of its lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Issuers do not obtain such a consent or repay such borrowings, the Issuers would remain prohibited from so purchasing Notes. In such case, the Issuers failure to purchase tendered Notes would constitute a default under the indenture which could, in turn, constitute a default under such other Indebtedness.

The provisions under the indenture relative to the Issuers obligation to make an Offer to Purchase the Notes as a result of an Asset Sale may be waived or modified with the written consent of the holders of a majority in then outstanding principal amount of the Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Asset Sale provisions of the indenture by virtue of such compliance.

Consolidation, Merger and Sale of Assets

None of Parent, General Partner, nor either of the Issuers will consolidate with or merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries (taken as a whole) property and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to, any Person or permit any Person to merge with or into Parent, General Partner or an Issuer, as applicable, unless:

(1) Parent, General Partner or such Issuer, as applicable, shall be the continuing Person, or the Person (if other than Parent, General Partner or such Issuer, as applicable) formed by such consolidation or into which Parent, General Partner or such Issuer, as applicable, is merged or that acquired such property and assets of Parent, General Partner or such Issuer, as applicable shall be a corporation, limited liability company, partnership (including a limited partnership) or trust organized and existing under the laws of the United States of America or any state or jurisdiction thereof and shall expressly assume, by a supplemental indenture, executed and delivered to the trustee, all of the obligations of Parent, General Partner or such Issuer, as applicable, under its Notes Guarantee (in the case of Parent or General Partner) and under the indenture (provided, however, that Capital Corp. may not consolidate or merge with or into any Person other than a corporation satisfying such requirement so long as the Partnership is not a corporation);

(2) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction and any related financing transactions (including the application of the proceeds thereof) as if the same had occurred at the beginning of the applicable Four Quarter Period, on a *pro forma* basis, (A) either (x) the Issuers and their Restricted Subsidiaries, or any Person becoming the successor obligor of the Notes, as the case may be, would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to paragraph (1) under Covenants Limitation on Indebtedness or (y) the ratio referred to in such paragraph (1) would be equal to or less than such ratio immediately prior to such merger, consolidation or other acquisition, (B) either (x) the Issuers and their Restricted Subsidiaries, or any Person becoming the successor obligor of the Notes, as the case may be, would be permitted to Incur at least \$1.00 of additional Indebtedness pursuant to paragraph (2) under Covenants Limitation on Indebtedness or (y) the ratio referred to in such paragraph (2) would be equal to or less than such ratio immediately prior to such merger, consolidation or other acquisition and (C) either (x) the Issuers and the Subsidiary Guarantors, or any Person becoming the successor obligor of the Notes, as the case may be, would be

permitted to Incur at least $1.00 of additional Indebtedness pursuant to paragraph (3) under Covenants Limitation on Indebtedness or (y) the ratio referred to in such paragraph (3) would be equal to or greater than such ratio immediately prior to such merger, consolidation or other acquisition; and

(4) Parent, General Partner or such Issuer, as applicable, delivers to the trustee an Officer s Certificate and an opinion of counsel, in each case stating that such consolidation, merger or transfer and such

supplemental indenture complies with this covenant and that all conditions precedent provided for herein relating to such transaction have been complied with and, with respect to the opinion of counsel, that the supplemental indenture constitutes a valid and binding obligation enforceable against Parent, General Partner or such Issuer, as applicable, or the Person (if other than Parent, General Partner or such Issuer, as applicable) formed by such consolidation or into which Parent, General Partner or such Issuer, as applicable, is merged or that acquired all or substantially all of Parent s, General Partner s or such Issuer s and their Restricted Subsidiaries property and assets;

provided, however, that clause (3) above does not apply (x) if the principal purpose of such transaction is to change the state of domicile or incorporation of Parent or to form or collapse a holding company structure or to convert Parent, General Partner or such Issuer, as applicable, into a corporation, partnership, limited partnership, limited liability company or trust organized under the laws of the jurisdiction of organization of Parent or under the laws of the United States, any state thereof or the District of Columbia (provided, however, that Capital Corp. may not consolidate or merge with or into any Person other than a corporation satisfying such requirement so long as the Partnership is not a corporation) or (y) to a consolidation or merger or sale, conveyance, transfer or other disposition of all or substantially all of Parent s, General Partner s or such Issuer s and their Restricted Subsidiaries (taken as a whole) property and assets to a Wholly Owned Restricted Subsidiary of Parent that is a Subsidiary Guarantor; provided further, however, that any such transaction shall not have as one of its purposes the evasion of the foregoing limitations.

Parent will not permit (except as provided in the provisions governing release of a Notes Guarantee upon the sale, disposition or transfer of a Subsidiary Guarantor as described under Covenants Future Guarantees by Restricted Subsidiaries above) any Subsidiary Guarantor to consolidate with or merge with or into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of its assets to any Person unless:

(1) the resulting, surviving or transferee Person (if not such Subsidiary) shall be a Person organized and existing under the laws of the jurisdiction under which such Subsidiary Guarantor was organized or under the laws of the United States of America, or any State thereof or the District of Columbia, and such Person shall expressly assume, by a supplemental indenture, all the obligations of such Subsidiary Guarantor, if any, under its Subsidiary Guarantee;

(2) immediately after giving effect to such transaction or transactions on a *pro forma* basis (and treating any Indebtedness that becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been issued by such Person at the time of such transaction), no Default or Event of Default shall have occurred and be continuing; and

(3) Parent delivers to the trustee an Officer s Certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplemental indenture, if any, complies with the indenture and, with respect to the opinion of counsel, that the supplemental indenture constitutes a valid and binding obligation enforceable against the Issuers, the Subsidiary Guarantors, Parent and the surviving Persons.

Notwithstanding the foregoing two paragraphs of this covenant:

an Issuer or any Guarantor may consolidate or merge with or into, or sell, convey, transfer or otherwise dispose of all of its property and assets to, an Issuer or another Guarantor;

any Restricted Subsidiary of Parent that is not an Issuer or a Subsidiary Guarantor may consolidate or merge with or into, or sell, convey, transfer or otherwise dispose of all of its property and assets to, Parent or any of its Restricted Subsidiaries;

in addition, any Restricted Subsidiary of Parent may (i) merge with an Affiliate of Parent or a Restricted Subsidiary of Parent if the principal purpose of such transaction is to change the state of domicile or incorporation of such Restricted Subsidiary or to form or collapse a holding company structure or (ii) convert into a corporation, partnership, limited partnership, limited liability company or

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trust organized under the laws of the jurisdiction of organization of such Restricted Subsidiary or under the laws of the United States, any state thereof or the District of Columbia.

Notwithstanding any of the foregoing, for the avoidance of doubt, the lease of all or substantially all of the assets or real estate assets of Parent and its Restricted Subsidiaries (taken as a whole) or of any of its Restricted Subsidiaries shall not be subject to this covenant.

The paragraphs above include a phrase relating to the conveyance or transfer of all or substantially all of the property and assets of the specified Person. Although there is a limited body of case law interpreting the phase substantially all, there is no precise definition of the phrase under applicable law.

Repurchase of Notes upon a Change of Control

Except as described in the third paragraph of this covenant, the Issuers must commence, within 30 days after the occurrence of a Change of Control , and, subject to the terms and conditions of such Offer to Purchase, thereafter consummate an Offer to Purchase all Notes then outstanding, at a purchase price equal to 101% of the principal amount of the Notes, *plus* accrued and unpaid interest (if any) to, but not including, the Payment Date.

There can be no assurance that the Issuers will have sufficient funds available at the time of any Change of Control to make any debt payment (including repurchases of Notes) required by the foregoing covenant (as well as any covenant that may be contained in other securities of the Issuers that might be outstanding at the time).

The Issuers will not be required to make an Offer to Purchase as a result of a Change of Control if a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to an Offer to Purchase made by the Issuers and purchases all Notes validly tendered and not withdrawn under such Offer to Purchase or if notice of redemption has been given pursuant to Optional Redemption above. Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control , subject to one or more conditions precedent, including but not limited to the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

If holders of not less than 90% in aggregate principal amount of the outstanding notes held by non-Affiliates validly tender and do not withdraw such notes in an Offer to Purchase and the Issuers, or any third party making the Offer to Purchase in lieu of the Issuers as described above, purchases all of the notes validly tendered and not withdrawn by such holders, the Issuers or such third party will have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following such purchase pursuant to the Offer to Purchase, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof *plus* accrued and unpaid interest to, but not including, the date of redemption.

The Change of Control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of Parent and, thus, the removal of incumbent management. The Change of Control purchase feature is a result of negotiations between the underwriters of this offering and Parent. As of the Issue Date, we have no present intention to engage in a transaction involving a Change of Control, although it is possible that we could decide to do so in the future. Subject to the limitations discussed below, we could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the indenture, but that could increase the amount of Indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings. Restrictions on our ability to Incur additional Indebtedness are contained in the covenant described under Covenants Limitations on Indebtedness. Such restrictions in the indenture can be waived only with the consent of the holders of a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes). Except for the limitations contained in such covenants, however, the indenture will not contain any covenants or provisions that may afford holders of the Notes protection in the event of a highly leveraged transaction.

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The Credit Agreement also provides that the occurrence of certain change of control events with respect to Parent would constitute a default thereunder. Future credit agreements that Parent enters into may contain similar provisions. Such defaults could result in amounts outstanding under the Credit Agreement and such other agreements being declared immediately due and payable or lending commitments being terminated. In the event a Change of Control occurs at a time when the Issuers are prohibited from purchasing Notes, the Issuers could seek the consent of its lenders or other counterparties to the purchase of Notes or could attempt to refinance the borrowings, as applicable, that contain such prohibition. If the Issuers do not obtain such a consent or repay such borrowings, as applicable, the Issuers would remain prohibited from purchasing Notes. In such case, the Issuers failure to purchase tendered notes would constitute a default under the indenture which could, in turn, constitute a default under such other Indebtedness.

The definition of Change of Control includes a phrase relating to the sale, exchange or other transfer of all or substantially all of the properties or assets of Parent and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuers to repurchase such Notes as a result of a sale, exchange or other transfer of less than all of the assets of Parent and its Subsidiaries taken as a whole to another Person or group may be uncertain. Because Parent and its Subsidiaries are in the business of leasing their assets, the lease of all or substantially all of the assets of Parent and its Subsidiaries would not constitute a Change of Control.

The provisions under the indenture relative to the Issuers obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of the holders of a majority in then outstanding principal amount of the Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the indenture, the Issuers will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under the Change of Control provisions of the indenture by virtue of such compliance.

SEC Reports and Reports to Holders

Whether or not Parent is then required to file reports with the SEC, Parent shall file with the SEC (i) all quarterly and annual reports that would be required to be filed with the SEC on Forms 10-Q and 10-K if the Parent were required to file such reports and (ii) all current reports that would be required to be filed with the SEC on Form 8-K if the Parent were required to file such reports (including giving effect to any extension period under Rule 12b-25 under the Exchange Act) if it was subject thereto; provided, however, that, if filing such documents by Parent with the SEC is not permitted under the Exchange Act, Parent (i) shall, within 15 days after the time Parent would be required to file such information with the SEC if it were subject to Section 13 or 15(d) under the Exchange Act (including giving effect to any extension period under Rule 12b-25 under the Exchange Act), provide such documents and reports to the trustee and upon written request supply copies of such documents and reports to any holder of Notes (which in each case may be delivered pursuant to applicable DTC procedures) and (ii) shall post such documents and reports on a website (which may be non-public) to which any holder of Notes, prospective investors that certify that they are qualified institutional buyers, institutional accredited investors or able to acquire the Notes in reliance on Regulation S under the Securities Act, securities analysts and market makers are given access; provided, however, that the trustee shall have no liability whatsoever to determine if such materials have been so posted. Notwithstanding the foregoing, if the Parent satisfies its obligations in the preceding sentence by posting documents and reports on a website (other than pursuant to the SEC s EDGAR service or similar service), (a) the Parent will not be required to furnish any information, certificates or reports required by (i) Section 302 or Section 404 of the Sarbanes-Oxley Act of 2002, or related Items 307 or 308 of Regulation S-K, (ii) Regulation G or Item 10(e) of Regulation S-K promulgated by the

SEC with respect to any non-GAAP financial measures contained therein, or (iii) Rule 3-09 of

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Regulation S-X, (b) such reports will not be required to contain the separate financial information contemplated by Rule 3-10 or Rule 3-16 of Regulation S-X and (c) such reports shall not be required to present compensation or beneficial ownership information.

The availability of the foregoing materials on the SEC s EDGAR service (or any successor thereto) shall be deemed to satisfy Parent s obligations to furnish such materials to the trustee or the holders; provided, however, that the trustee shall have no obligation whatsoever to determine whether or not such information, documents or reports have been filed pursuant to the EDGAR service (or its successor).

Delivery of such reports, information and documents to the trustee is for informational purposes only and the trustee s receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of its covenants under the indenture (as to which the trustee is entitled to rely exclusively on officers certificates). The trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, our compliance with the covenants or with respect to any reports or other documents filed with the SEC or website under the indenture, or participate in any conference calls. Delivery of reports to the trustee shall not constitute knowledge of, or notice to, the trustee of the information contained therein.

In the event that another parent entity of the Issuers becomes a Guarantor of the Notes, the obligations to furnish the reports and other information described above may be satisfied by furnishing such reports filed by, or such information of, such other parent Guarantor, and the availability of such other parent Guarantor s information on the SEC s EDGAR service (or any successor thereto) shall be deemed to satisfy such obligations.

So long as not prohibited by the SEC, at any time that either (x) one or more Subsidiaries of Parent is an Unrestricted Subsidiary or (y) Parent holds directly any material assets (including Capital Stock) other than the Capital Stock of the Issuers and, in either case, such Unrestricted Subsidiary or other assets taken together would represent 5% or more of the Total Assets of Parent and its Subsidiaries as of the latest quarterly financial statements, then the quarterly and annual financial information required by this covenant will include a reasonably detailed presentation, either in Management s Discussion and Analysis of Financial Condition and Results of Operations or any other comparable section, of the financial condition and results of operations of the Issuers and their Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries and other material assets of Parent.

Parent shall also, within a reasonably prompt period of time following the disclosure of the annual and quarterly information required above, conduct a conference call with respect to such information and results of operations for the relevant reporting period; provided that the foregoing obligation shall be satisfied to the extent such conference call, to which holders of the Notes have access, is conducted with Parent s public stockholders. No fewer than three Business Days prior to the later of (i) the disclosure of the annual, quarterly and periodic information required above and (ii) the date of the conference call required to be held in accordance with the preceding sentence, Parent shall issue a press release to the appropriate internationally recognized wire services announcing the date that such information will be available and the time and date of such conference call.

Notwithstanding anything herein to the contrary, Parent will not be deemed to have failed to comply with any of its obligations under this covenant for purposes of clause (4) under Events of Default until 30 days after the date any report is required to be filed or provided pursuant to this covenant.

Limitations on Activities of Capital Corp.

Capital Corp. will not hold any material assets, become liable for any material obligations or engage in any significant business activities; provided that Capital Corp. may be a co-obligor or guarantor with respect to Indebtedness if the Partnership is an obligor on such Indebtedness and the net proceeds of such Indebtedness are received by (or applied at the direction of) the Partnership, Capital Corp. or one or more Subsidiary Guarantors. At any time after the Partnership becomes a corporation by conversion, merger or otherwise, Capital Corp. may

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consolidate or merge with or into the Partnership or any Restricted Subsidiary of Parent (without such Restricted Subsidiary becoming a co-obligor in respect of the Notes).

Events of Default

The following are Events of Default under the indenture:

(1) default in the payment of principal of, or premium, if any, on any Note when they are due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when due and payable, and such default continues for a period of 30 days;

(3) default in the performance or breach of the provisions of the indenture described under Covenants Consolidation, Merger and Sale of Assets, or the failure by the Issuers to make or consummate an Offer to Purchase in accordance with the covenants described above under the captions Covenants Limitation on Asset Sales or Repurchase of Notes upon a Change of Control ;

(4) Parent defaults in the performance of or breaches any other covenant or agreement of Parent in the indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for 60 consecutive days after written notice by the trustee or the holders of 25% or more in aggregate principal amount of the Notes;

(5) there occurs with respect to any issue or issues of Indebtedness of Parent or any Significant Subsidiary of Parent:

an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and such Indebtedness has not been discharged in full or such acceleration has not been rescinded or annulled within 30 days of such acceleration (the *accelerated debt*), and/or

the failure to make a principal payment at the final (but not any interim) fixed maturity of such Indebtedness and such defaulted payment shall not have been made, waived or extended within 30 days of such payment default (the *payment default debt*), and

in each case, the aggregate principal amount of such accelerated debt and payment default debt exceeds $50.0 million;

(6) any final and non-appealable judgment or order (not covered by insurance) for the payment of money shall be rendered against Parent or any Significant Subsidiary of Parent and shall not be paid or discharged for a period of 60 consecutive days following entry of such final judgment or order and during such 60-day period a stay of enforcement of such final judgment or order, by reason of a pending appeal or otherwise, shall not be in effect, and the aggregate amount for such unpaid or undischarged final judgments shall exceed $50.0 million;

(7) a court of competent jurisdiction enters a decree or order for:

relief in respect of Parent or any Significant Subsidiary of Parent in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect,

appointment of a receiver, liquidator, assignee custodian, trustee, sequestrator or similar official of Parent or any Significant Subsidiary of Parent or for all or substantially all of the property and assets of Parent or any Significant Subsidiary of Parent, or

the winding up or liquidation of the affairs of Parent or any Significant Subsidiary of Parent and, in each case, such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(8) Parent or any Significant Subsidiary of Parent:

- commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under such law,

- consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of Parent or such Significant Subsidiary or for all or substantially all of the property and assets of Parent or such Significant Subsidiary, or

- effects any general assignment for the benefit of its creditors.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above that occurs with respect to Parent or the Issuers) occurs and is continuing under the indenture, the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuers (and to the trustee if such notice is given by the holders), may, and the trustee at the request of the holders of at least 25% in aggregate principal amount of the Notes then outstanding shall, declare the principal of, premium, if any, and accrued interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued interest shall be immediately due and payable. In the event of a declaration of acceleration because an Event of Default set forth in clause (5) above has occurred and is continuing, such declaration of acceleration shall be automatically rescinded and annulled if the event triggering such Event of Default pursuant to clause (5) shall be remedied or cured by Parent or the relevant Significant Subsidiary or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto.

If an Event of Default specified in clause (7) or (8) above occurs with respect to Parent or the Issuers, the principal of, premium, if any, and accrued interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder. The holders of at least a majority in principal amount of the outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) by written notice to the Issuers and to the trustee, may waive all past defaults (other than a payment default as described under clause (6) under Modification and Waiver) and rescind and annul a declaration of acceleration and its consequences if:

- all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

- the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

As to the waiver of defaults, see Modification and Waiver.

The holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee. However, the trustee may refuse to follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of Notes not joining in the giving of such direction (it being understood that the Trustee shall not have an affirmative duty to ascertain whether or not any such direction is unduly prejudicial to any other holder) and may take any other action it deems proper that is not inconsistent with any such direction received from holders of Notes. A holder may not pursue any remedy with respect to the indenture or the Notes unless:

(1) the holder gives the trustee written notice of a continuing Event of Default;

(2) the holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the trustee to pursue the remedy;

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(3) such holder or holders offer the trustee indemnity satisfactory to the trustee against any losses, any costs, liabilities or expenses;

(4) the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding Notes do not give the trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or to bring suit for the enforcement of any such payment on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the holder.

The indenture will require Parent to deliver, on or before a date not more than 120 days after the end of each fiscal year, an Officer s Certificate certifying that a review has been conducted of the activities of Parent and its Restricted Subsidiaries and of Parent s performance under the indenture and that Parent has fulfilled all obligations thereunder, or, if there has been a default in fulfillment of any such obligation, specifying each such default and the nature and status thereof. Parent will also be obligated to notify the trustee in writing of any default or defaults in the performance of any covenants or agreements under the indenture within 30 days of becoming aware of any such default unless such default has been cured before the end of the 30 day period.

Defeasance

The Issuers may, at their option and at any time, elect to have their obligations and the obligations of the Guarantors discharged with respect to the indenture and the outstanding Notes and Notes Guarantees (*Legal Defeasance*) and cure all then existing Events of Default. Legal Defeasance means that the Issuers and the Guarantors shall be deemed to have paid and discharged the entire indebtedness represented by the Notes and the Notes Guarantees, and the indenture shall cease to be of further effect as to all outstanding Notes and Notes Guarantees, except as to

(1) rights of holders to receive payments in respect of the principal of and interest on the Notes when such payments are due from the trust funds referred to below,

(2) the Issuers obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust,

(3) the rights, powers, trust, duties, and immunities of the trustee, and the Issuers obligations in connection therewith, and

(4) the Legal Defeasance provisions of the indenture.

In addition, the Issuers may, at their option and at any time, elect to have their obligations and the obligations of the Guarantors released with respect to most of the covenants under the indenture, except as described otherwise in the indenture (*Covenant Defeasance*), and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default. In the event Covenant Defeasance occurs, certain Events of Default (not including the events described in clauses (1), (2) and, solely with respect to the Issuers, (7) and (8) under Events of Default) will no longer apply. The Issuers may exercise their Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuers must irrevocably deposit with the trustee, in trust, for the benefit of the holders, U.S. legal tender, U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient

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(without reinvestment) in the opinion or based on a report of a nationally recognized firm of independent public accountants, investment bank or appraisal firm selected by the Issuers, to pay the principal of and interest on the Notes on the stated date for payment or on the redemption date of the Notes; provided that, with respect to any redemption pursuant to Optional Redemption that requires the payment of the Applicable Premium, the redemption price deposited shall be sufficient for purposes of the indenture to the extent that the redemption price so deposited with the trustee is calculated using an amount equal to the Applicable Premium computed using the Adjusted Treasury Rate as of the third business day preceding the date of such deposit with the trustee;

(2) in the case of Legal Defeasance, the Issuers shall have delivered to the trustee an opinion of counsel in the United States confirming that:

(A) the Issuers have received from, or there has been published by the Internal Revenue Service, a ruling, or

(B) since the Issue Date, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon this opinion of counsel shall confirm that, the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred,

(3) in the case of Covenant Defeasance, the Issuers shall have delivered to the trustee an opinion of counsel in the United States reasonably acceptable to the trustee confirming that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred,

(4) no Default shall have occurred and be continuing on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit and any similar and substantially simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens on the funds deposited in connection therewith),

(5) the Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other material agreement or material instrument (other than the indenture) to which Parent or any of its Subsidiaries is a party or by which Parent or any of its Subsidiaries is bound (other than any such default relating to any Indebtedness being repaid, discharged, defeased, redeemed or repurchased from any borrowing of funds to be applied to such deposit and any similar and substantially simultaneous deposit relating to such Indebtedness, and the granting of Liens on the funds deposited in connection therewith), and

(6) the Issuers shall have delivered to the trustee an Officer s Certificate and an opinion of counsel, each stating that the conditions provided for in, in the case of the Officer s Certificate, clauses (1) through (5) and, in the case of the opinion of counsel, clauses (2) and/or (3) of this paragraph have been complied with.

Notwithstanding the foregoing, the opinion of counsel required by clause (2) above with respect to a Legal Defeasance need not to be delivered if all Notes not theretofore delivered to the trustee for cancellation (x) have become due and payable, or (y) will become due and payable at stated maturity within one year or are to be called for redemption within one year under irrevocable written arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the Issuers.

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Satisfaction and Discharge

The indenture (and the Notes and the Notes Guarantees) will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in the indenture) as to all outstanding Notes when:

(1) either:

(A) all the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuers and thereafter repaid to the Issuers or discharged from such trust) have been delivered to the trustee for cancellation; or

(B) all Notes not theretofore delivered to the trustee for cancellation (1) have become due and payable or (2) will become due and payable within one year, or are to be called for redemption within one year, under arrangements reasonably satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the Issuers, and the Issuers have irrevocably deposited or caused to be deposited with the trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of maturity or redemption, as the case may be, together with irrevocable written instructions from the Issuers directing the trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; provided that, with respect to any redemption pursuant to Optional Redemption that requires the payment of the Applicable Premium, the redemption price deposited shall be sufficient for purposes of the indenture to the extent that the redemption price so deposited with the trustee is calculated using an amount equal to the Applicable Premium computed using the Adjusted Treasury Rate as of the third business day preceding the date of such deposit with the trustee;

(2) the Issuers have paid all other sums then due and payable under the indenture by Parent or the Issuers; and

(3) the Issuers have delivered to the trustee an Officer s Certificate and an opinion of counsel stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Modification and Waiver

Except as described below in clauses (1) through (9) of this paragraph and in the immediately following paragraph, modifications and amendments of the indenture may be made by the Issuers and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); provided, however, that no such modification or amendment may, without the consent of each holder affected thereby (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes):

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note (in each case other than the provisions relating to the covenants described under the captions Repurchase of Notes upon a Change of Control or Covenants Limitation on Asset Sales),

(2) reduce the principal amount of, or premium, if any, or interest on, any Note (in each case other than the provisions relating to the covenants described under the captions Repurchase of Notes upon a Change of Control or Covenants Limitation on Asset Sales),

(3) change the place of payment of principal of, or premium, if any, or interest on, any Note,

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note,

(5) reduce the above-stated percentages of outstanding Notes the consent of whose holders is necessary to modify or amend the indenture,

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of the declaration of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the Notes then outstanding and a waiver of the payment default that resulted from such acceleration, so long as all other existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived),

(7) voluntarily release a Guarantor of the Notes, except as permitted by the indenture,

(8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose holders is necessary for waiver of compliance with provisions of the indenture or for waiver of defaults, or

(9) subordinate the Notes or the Notes Guarantees as to right of payment to any other Indebtedness of the Issuers or any Notes Guarantor.

Notwithstanding the preceding, without the consent of any holder, Parent, the Issuers, the Subsidiary Guarantors and the trustee may amend the indenture:

(1) to cure any ambiguity, omission, defect, mistake or inconsistency, as evidenced by an officer s certificate;

(2) to provide for the assumption by a successor corporation or other entity of the obligations of Parent, the Issuers or any Subsidiary Guarantor under the indenture, the Notes and the Notes Guarantees;

(3) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(4) to add guarantees with respect to the Notes, including any Subsidiary Guarantees, or to secure the Notes;

(5) to add to the covenants of Parent, the Issuers or a Restricted Subsidiary of Parent for the benefit of the holders or to surrender any right or power conferred upon Parent, the Issuers or a Restricted Subsidiary of Parent or to add additional Events of Default;

(6) to make any change that does not adversely affect the rights of any Holder in any material respect;

(7)

to comply with any requirement of the SEC in order to effect or maintain the qualification of the indenture under the Trust Indenture Act;

(8) to make any amendment to the provisions of the indenture relating to the transfer and legending of Notes; provided, however, that (a) compliance with the indenture as so amended would not result in Notes being transferred in violation of the Securities Act or any other applicable securities law and (b) such amendment does not materially and adversely affect the rights of holders to transfer Notes;

(9) to conform the text of the indenture or the Notes Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a recitation of a provision of the indenture or the Notes Guarantees or the Notes as set forth in an Officer s Certificate delivered to the trustee;

(10) to evidence and provide for the acceptance of appointment by a successor trustee, provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of the indenture;

(11) to release a Subsidiary Guarantor from its Subsidiary Guarantee as permitted by and in accordance with the indenture;

(12) to provide for a reduction in the minimum denominations of the Notes;

(13) to comply with the rules of any applicable securities depositary; or

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(14) to provide for the issuance of additional notes and related guarantees in accordance with the limitations set forth in the indenture.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the indenture becomes effective, Parent is required to give to holders a notice (which may be given in accordance with applicable DTC procedures) briefly describing such amendment. However, the failure to give such notice to all holders, or any defect therein, will not impair or affect the validity of the amendment.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

The indenture provides that no recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of Parent, the Issuers or the Guarantors in the indenture, or in any of the Notes or Notes Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, member, manager, partner, officer, director, employee or controlling person in their capacity as such of Parent, the Issuers or the Subsidiary Guarantors or of any successor Person thereof. Each holder, by accepting the Notes, waives and releases all such liability.

Concerning the Trustee

Wells Fargo Bank, National Association will act as trustee under the indenture. The indenture provides that, except during the continuance of a Default, the trustee will not be liable, except for the performance of such duties as are specifically set forth in the indenture. If an Event of Default has occurred and is continuing, the trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the indenture as a prudent person would exercise under the circumstances in the conduct of such person s own affairs.

The indenture and provisions of the Trust Indenture Act incorporated by reference into the indenture contain limitations on the rights of the trustee, should it become a creditor of Parent or the Issuers, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The trustee is permitted to engage in other transactions; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The trustee shall be entitled to make a deduction or withholding from any payment which it makes under the indenture for or on account of any present or future taxes, duties or charges if and to the extent so required by any applicable law and any current or future regulations or agreements thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto or by virtue of the relevant Holder failing to satisfy any certification or other requirements in respect of the Notes, in which event the trustee shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so withheld or deducted and shall have no obligation to gross up any payment hereunder or pay any additional amount as a result of such withholding tax. In connection with any proposed exchange of a certificated Note for a global Note, the Issuers or DTC shall be required to use commercially reasonable efforts to provide or cause to be provided to the trustee any information in the Issuers or DTC s possession in the ordinary course of business that is reasonably necessary to allow the trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The trustee shall be entitled rely on information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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Certain Definitions

Set forth below are definitions of certain terms contained in the indenture that are used in this description. Please refer to the indenture for the definition of other capitalized terms used in this description that are not defined below.

Acquired Indebtedness means Indebtedness of a Person existing at the time such Person is merged into or consolidated with Parent or any of its Restricted Subsidiaries or becomes (including by redesignation) a Restricted Subsidiary of Parent or that is assumed in connection with an Asset