Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from _______________ to _______________

Commission File Number: 001-36499

New Senior Investment Group Inc.

(Exact name of registrant as specified in its charter)

Delaware	80-0912734
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, NY	10105
(Address of principal executive offices)	(Zip Code)

(212) 479-3140
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, $0.01 par value per share: 82,148,869 shares outstanding as of May 4, 2018.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of New Senior Investment Group Inc.'s ("New Senior," the "Company," "we," "us" or "our") investments, the stability of our earnings, and our financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to:

- uncertainty regarding the outcome of our ongoing exploration of strategic alternatives, including whether it will result in any transaction being consummated;
- risks associated with the anticipated agreements contemplating termination of the triple net leases with certain affiliates of Holiday Retirement ("Holiday");
- our ability to comply with the terms of our financings, which depends in part on the performance of our operators;
- any increase in our borrowing costs as a result of rising interest rates or other factors;
- our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due or as needed to comply with the terms of our covenants or to facilitate our ability to sell assets;
- our ability to manage our liquidity and sustain distributions to our stockholders, particularly in light of the cash shortfall described in our risk factors under Item 1A. and under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources";
- our dependence on our property managers and tenants to operate our properties successfully and in compliance with the terms of our agreements with them, applicable law and the terms of our financings;
- factors affecting the performance of our properties, such as increases in costs (including, but not limited to, the costs of labor, supplies, insurance and property taxes);
- concentration risk with respect to Holiday, which, for the three months ended March 31, 2018, accounted for 71.6% of net operating income ("NOI") from our Managed Properties segment and 93.4% of NOI from our Triple Net Lease Properties segment;
- risks associated with a change of control in the ownership or senior management of Holiday;
- our ability and the ability of our property managers and tenants to obtain and maintain adequate property, liability and other insurance from reputable, financially stable providers;
- changes of federal, state and local laws and regulations relating to employment, fraud and abuse practices, Medicaid reimbursement and licensure, etc., including those affecting the healthcare industry that affect our costs of compliance or increase the costs, or otherwise affect the operations or our property managers or tenants;
- the ability of our property managers, tenants and their respective guarantors to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to us and third parties;
- the ability and willingness of our tenants to make the rent and other payments due to us under our leases, and the possibility that we will not be able to derive the full benefit of the original terms of our leases;
- our ability to reposition our leased properties on the same or better terms upon the expiration or earlier termination of our leases;
- the quality and size of our investment pipeline, our ability to execute investments at attractive risk-adjusted prices, our ability to finance our investments on favorable terms, and our ability to deploy investable cash in a timely manner;
- our ability to sell properties on favorable terms and to realize the anticipated benefits from any such dispositions;
- changes in economic conditions generally and the real estate, senior housing and bond markets specifically;
- our stock price performance and any disruption or lack of access to the capital markets or other sources of financing;
- the impact of any current or future legal proceedings and regulatory investigations and inquiries on us, FIG LLC (our "Manager") or our operators;
- potential conflicts of interest relating to our external management structure, the fact that Holiday is majority-owned by private equity funds managed by our Manager (or its affiliates), or other factors, and our ability to effectively manage and resolve actual, potential or perceived conflicts of interest;
- effects of the recently completed merger of Fortress Investment Group LLC with affiliates of SoftBank Group Corp. ("Softbank");

- our ability to maintain effective internal control over financial reporting and our reliance on our operators for timely delivery of accurate property-level financial results;
- our ability to maintain our qualification as a Real Estate Investment Trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business; and
- our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and the fact that maintaining such exemption imposes limits on our business strategy.

Although we believe that the expectations reflected in any forward-looking statements contained herein are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management’s views only as of the date of this report. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Quarterly Report on Form 10-Q and the Company’s other public filings, which are available without charge through the Securities and Exchange Commission’s (“SEC”) website at http://www.sec.gov.

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding contractual provisions are required to make the statements in this report not misleading.

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

Assets	March 31, 2018 (Unaudited)	December 31, 2017
Real estate investments:		
Land	$ 182,238	$ 182,238
Buildings, improvements and other	2,333,016	2,329,524
Accumulated depreciation	(297,035)	(275,794)
Net real estate property	2,218,219	2,235,968
Acquired lease and other intangible assets	69,139	264,438
Accumulated amortization	(59,406)	(249,198)
Net real estate intangibles	9,733	15,240
Net real estate investments	2,227,952	2,251,208
Cash and cash equivalents	120,834	137,327
Straight-line rent receivables	85,771	82,445
Receivables and other assets, net	38,190	37,047
Total Assets	$ 2,472,747	$ 2,508,027
Liabilities and Equity		
Liabilities		
Mortgage notes payable, net	$ 1,902,901	$ 1,907,928
Due to affiliates	8,957	9,550
Accrued expenses and other liabilities	89,709	84,664
Total Liabilities	$ 2,001,567	$ 2,002,142
Commitments and contingencies (Note 13)		
Equity		
Preferred stock $0.01 par value, 100,000,000 shares authorized and none issued or outstanding as of both March 31, 2018 and December 31, 2017	$ —	$ —
Common stock $0.01 par value, 2,000,000,000 shares authorized, 82,148,869 shares issued and outstanding as of both March 31, 2018 and December 31, 2017	821	821
Additional paid-in capital	898,135	898,132
Accumulated deficit	(427,776)	(393,068)
Total Equity	$ 471,180	$ 505,885
Total Liabilities and Equity	$ 2,472,747	$ 2,508,027

See notes to consolidated financial statements.

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(dollars in thousands, except share data)

	Three Months Ended March 31,	
	2018	**2017**
Revenues		
Resident fees and services	$ 75,343	$ 86,726
Rental revenue	23,875	28,247
Total revenues	99,218	114,973
Expenses		
Property operating expense	52,099	59,584
Depreciation and amortization	26,725	37,518
Interest expense	21,923	23,066
Acquisition, transaction and integration expense	2,888	348
Management fees and incentive compensation to affiliate	3,752	3,824
General and administrative expense	3,752	4,011
Loss on extinguishment of debt	—	375
Other expense	1,380	135
Total expenses	112,519	128,861
Gain on sale of real estate	—	4,199
Loss before income taxes	(13,301)	(9,689)
Income tax expense	48	206
Net loss	$ (13,349)	$ (9,895)
Net loss per share of common stock		
Basic and diluted (A)	$ (0.16)	$ (0.12)
Weighted average number of shares of common stock outstanding		
Basic and diluted (B)	82,148,869	82,140,750
Dividends declared per share of common stock	$ 0.26	$ 0.26

(A) Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period.

(B) All outstanding options were excluded from the diluted share calculation as their effect would have been anti-dilutive.

See notes to consolidated financial statements.

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
(dollars in thousands, except share data)

	Common Stock				
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Total Equity
Equity at December 31, 2017	82,148,869	$ 821	$ (393,068)	$ 898,132	$ 505,885
Fair value of stock options issued	—	—	—	3	3
Dividends declared	—	—	(21,359)	—	(21,359)
Net loss	—	—	(13,349)	—	(13,349)
Equity at March 31, 2018	82,148,869	$ 821	$ (427,776)	$ 898,135	$ 471,180

See notes to consolidated financial statements.

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2018	**2017**
Cash Flows From Operating Activities		
Net loss	$ (13,349)	$ (9,895)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of tangible assets and amortization of intangible assets	26,749	37,555
Amortization of deferred financing costs	2,132	2,465
Amortization of deferred revenue, net	331	190
Amortization of premium on mortgage notes payable	—	(144)
Non-cash straight line rent	(3,326)	(4,581)
Gain on sale of real estate	—	(4,199)
Loss on extinguishment of debt	—	375
Provision for uncollectible receivables	345	645
Other non-cash expense	1,322	87
Changes in:		
Receivables and other assets, net	(796)	(198)
Due to affiliates	(593)	(549)
Accrued expenses and other liabilities	2,915	(297)
Net cash provided by operating activities	$ 15,730	$ 21,454
Cash Flows From Investing Activities		
Proceeds from the sale of real estate, net	$ —	$ 14,956
Capital expenditures, net of insurance proceeds	(3,561)	(4,386)
Net cash (used in) provided by investing activities	$ (3,561)	$ 10,570
Cash Flows From Financing Activities		
Principal payments of mortgage notes payable	$ (7,159)	$ (4,900)
Repayments of mortgage notes payable	—	(14,730)
Payment of exit fee on extinguishment of debt	—	(178)
Payment of deferred financing costs	(587)	—
Purchase of interest rate caps	(280)	—
Payment of common stock dividend	(21,359)	(21,357)
Net cash used in financing activities	$ (29,385)	$ (41,165)
Net decrease in cash, cash equivalents and restricted cash	(17,216)	(9,141)
Cash, cash equivalents and restricted cash, beginning of period	157,485	97,517
Cash, cash equivalents and restricted cash, end of period	$ 140,269	$ 88,376
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest expense	$ 19,633	$ 20,679
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Issuance of common stock	$ —	$ 139

Continued on next page

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(dollars in thousands)

	Three Months Ended March 31,	
	2018	**2017**
Reconciliation of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 137,327	$ 58,048
Restricted cash [(A)]	20,158	39,469
Total, beginning of period	$ 157,485	$ 97,517
Cash and cash equivalents	$ 120,834	$ 50,338
Restricted cash [(A)]	19,435	38,038
Total, end of period	$ 140,269	$ 88,376

(A) Primarily consists of (i) amounts held by lenders in tax, insurance, replacement reserve and other escrow accounts and (ii) security deposits and is included in "Receivables and other assets, net" in the Consolidated Balance Sheets.

See notes to consolidated financial statements.

1. ORGANIZATION

New Senior is a REIT primarily focused on investing in private pay senior housing properties. As of March 31, 2018, we owned a diversified portfolio of 133 primarily private pay senior housing properties located across 37 states. We are listed on the New York Stock Exchange ("NYSE") under the symbol "SNR" and are headquartered in New York, New York.

We operate in two reportable segments: (1) Managed Properties and (2) Triple Net Lease Properties.

Managed Properties – We have engaged property managers to manage 81 of our properties on a day-to-day basis under the Managed Properties segment. These properties consist of 51 independent living ("IL") facilities and 30 assisted living/memory care ("AL/MC") facilities. Our managed properties are managed by Holiday Retirement ("Holiday"), a portfolio company that is majority owned by private equity funds managed by an affiliate of FIG LLC (the "Manager"), a subsidiary of Fortress Investment Group LLC ("Fortress"), FHC Property Management LLC (together with its subsidiaries, "Blue Harbor"), an affiliate of the Manager, Jerry Erwin Associates, Inc. ("JEA"), Thrive Senior Living LLC ("Thrive"), Grace Management, Inc. ("Grace") and Watermark Retirement Communities, Inc. ("Watermark"), collectively, the "Property Managers," under property management agreements (the "Property Management Agreements"). Under the Property Management Agreements, the Property Managers are responsible for the day-to-day operations of our senior housing properties and are entitled to a management fee in accordance with the terms of the Property Management Agreements.

Our Property Management Agreements have initial five-year or ten-year terms, with successive, automatic one-year renewal periods. We pay property management fees of 5% to 7% of effective gross income pursuant to our Property Management Agreements with Holiday and, in some cases, Holiday is eligible to earn an incentive fee based on operating performance. We pay property management fees of 3% to 7% of gross revenues and, for certain properties, i) a property management fee based on a percentage of net operating income and ii) when eligible, an incentive fee based on operating performance, pursuant to our property management agreements with other managers.

Triple Net Lease Properties – We own 52 properties subject to triple net lease arrangements (substantially all of which are leased to Holiday). These properties consist of 51 IL properties and 1 rental Continuing Care Retirement Communities ("CCRC") property. In a triple net lease arrangement, the lessee agrees to operate and maintain the property at its own expense, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees. Our triple net lease agreements have initial terms of approximately 15 or 17 years and include renewal options and annual rent increases ranging from 2.5% to 4.5%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP'') for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of New Senior and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. We consolidate those entities in which we have control over significant operating, financial and investing decisions of the entity. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included on Form 10-K for the year ended December 31, 2017, as filed with the SEC.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

Use of Estimates

Management is required to make estimates and assumptions when preparing financial statements in conformity with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from management's estimates.

Significant Accounting Policies

There were no material changes to our significant accounting policies disclosed in our Form 10-K for the year ended December 31, 2017.

Recently Adopted Accounting Pronouncements

On January 1, 2018, we adopted ASU 2014-09, *Revenues from Contracts with Customers* ("ASC 606") using the modified retrospective method of adoption. This standard requires revenue to be recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services. The adoption did not result in an adjustment to beginning retained earnings and did not have a significant impact on our consolidated financial statements. Substantially all of our revenue is generated through our triple net lease and managed property leasing arrangements, which are specifically excluded from ASC 606, and are accounted for under other applicable GAAP standards. We account for ancillary revenue under ASC 606. The timing and pattern of revenue recognition of our ancillary revenue under ASC 606 is consistent with that under the prior accounting model.

Additionally, real estate sales are within the scope of ASC 606, as amended by ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASU 2017-05"). ASU 2017-05 clarifies the scope of subtopic 610-20, *Other Income - Gains and Losses from Derecognition of Nonfinancial Assets,* and adds guidance for partial sales of nonfinancial assets. Under these models, income recognition for real estate sales is largely based on the transfer of control versus continuing involvement under the current guidance. As a result, more transactions may qualify as sales of real estate and gains or losses may be recognized earlier. Sales of our real estate are generally not executory across points in time and our performance obligations from these contracts are expected to fall within a single period.

On January 1, 2018, we adopted ASU 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, which requires that the statement of cash flows include a reconciliation and explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This standard impacts the presentation of our Consolidated Statements of Cash Flows as activity between cash and cash equivalents and restricted cash is no longer presented in our operating, financing or investing activities. Upon adoption, the changes in classification within the statement of cash flows is applied retrospectively to all periods presented. The adoption of this standard resulted in a $0.4 million decrease to the amount of net cash provided by operating activities and a $1.1 million decrease to the amount of net cash provided by investing activities for the three months ended March 31, 2017.

On January 1, 2018, we adopted ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on how certain cash receipts and cash payments are to be presented and classified on the statement of cash flows. The adoption of this standard did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The effective date of the standard will be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, and early adoption is permitted. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. We continue to assess the guidance and the impact it may have on our consolidated financial statements and have initiated a review to identify non-lease components, if any, in our lease agreements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments*. This standard replaces the current incurred loss methodology with a methodology that reflects expected credit losses. Under this methodology, a company would recognize an impairment allowance equal to its current estimate of all contractual cash flows that it does not expect to collect from financial assets measured at amortized cost. The effective date of the standard will be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, and early adoption is permitted beginning after December 15, 2018. We are assessing the impact this guidance may have on our consolidated financial statements.

3. DISPOSITIONS

We did not have any dispositions during the three months ended March 31, 2018.

During the three months ended March 31, 2017, we sold two AL/MC properties in the Managed Properties segment for a sale price of $15.5 million, and recognized a gain on sale of $4.2 million, net of selling costs. In connection with this sale, we repaid $14.7 million of debt.

4. SEGMENT REPORTING

We operate in two reportable business segments: Managed Properties and Triple Net Lease Properties. Under our Managed Properties segment, we invest in senior housing properties throughout the United States and engages property managers to manage those senior housing properties. Under our Triple Net Lease Properties segment, we invest in senior housing and healthcare properties throughout the United States and lease those properties to healthcare operating companies under triple net leases that obligate the tenants to pay all property-related expenses, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees.

We evaluate performance of the combined properties in each reportable business segment based on segment NOI. We define NOI as total revenues less property-level operating expenses, which include property management fees and travel cost reimbursements. We believe that net income, as defined by GAAP, is the most appropriate earnings measurement. However, we believe that segment NOI serves as a useful supplement to net income because it allows investors, analysts and management to measure unlevered property-level operating results and to compare our operating results between periods and to the operating results of other real estate companies on a consistent basis. Segment NOI should not be considered as an alternative to net income as determined in accordance with GAAP.

Depreciation and amortization, interest expense, acquisition, transaction and integration expense, management fees and incentive compensation to affiliate, general and administrative expense, loss on extinguishment of debt, other expense, gain on sale of real estate and income tax expense are not allocated to individual segments for purposes of assessing segment performance. There are no intersegment sales or transfers.

(dollars in tables in thousands, except share data)

	Three Months Ended March 31, 2018			Three Months Ended March 31, 2017		
	Triple Net Lease Properties	Managed Properties	Consolidated	Triple Net Lease Properties	Managed Properties	Consolidated
Revenues						
Resident fees and services	$ —	$ 75,343	$ 75,343	$ —	$ 86,726	$ 86,726
Rental revenue	23,875	—	23,875	28,247	—	28,247
Less: Property operating expense	—	52,099	52,099	—	59,584	59,584
Segment NOI	$ 23,875	$ 23,244	$ 47,119	$ 28,247	$ 27,142	$ 55,389
Depreciation and amortization			26,725			37,518
Interest expense			21,923			23,066
Acquisition, transaction and integration expense			2,888			348
Management fees and incentive compensation to affiliate			3,752			3,824
General and administrative expense			3,752			4,011
Loss on extinguishment of debt			—			375
Other expense			1,380			135
Total expenses			60,420			69,277
Gain on sale of real estate			—			4,199
Loss before income taxes			(13,301)			(9,689)
Income tax expense			48			206
Net loss			$ (13,349)			$ (9,895)

Property operating expense includes property management fees, property-level payroll expense and travel reimbursement costs. See Note 10 for additional information on these expenses related to Blue Harbor and Holiday.

Assets by reportable business segment are reconciled to total assets as follows:

	March 31, 2018		December 31, 2017	
	Amount	Percentage	Amount	Percentage
Managed Properties	$ 1,419,198	57.4%	$ 1,430,957	57.1%
Triple Net Lease Properties	970,246	39.2%	980,666	39.1%
All other assets [(A)]	83,303	3.4%	96,404	3.8%
Total assets	$ 2,472,747	100.0%	$ 2,508,027	100.0%

(A) Primarily consists of corporate cash which is not directly attributable to our reportable business segments.

Rental revenue attributable to our triple net leases with Holiday accounted for 22.5% and 19.4% of our total revenues for the three months ended March 31, 2018 and 2017, respectively.

(dollars in tables in thousands, except share data)

The following table presents the percentage of total revenues by geographic location:

	As of and for the three months ended March 31, 2018		As of and for the three months ended March 31, 2017	
	Number of Communities	% of Total Revenue	Number of Communities	% of Total Revenue
Florida	15	12.9%	24	19.2%
California	11	11.6%	11	9.7%
Texas	13	9.2%	19	12.2%
North Carolina	9	7.5%	9	6.5%
Pennsylvania	7	7.2%	7	5.8%
Oregon	9	5.8%	9	4.8%
Other	69	45.8%	71	41.8%
Total	133	100.0%	150	100.0%

5. REAL ESTATE INVESTMENTS

	March 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value
Land	$ 182,238	$ —	$ 182,238	$ 182,238	$ —	$ 182,238
Building and improvements	2,218,277	(224,335)	1,993,942	2,216,461	(208,540)	2,007,921
Furniture, fixtures and equipment	114,739	(72,700)	42,039	113,063	(67,254)	45,809
Total real estate investments	$ 2,515,254	$ (297,035)	$ 2,218,219	$ 2,511,762	$ (275,794)	$ 2,235,968

Depreciation expense was $21.2 million and $23.2 million for the three months ended March 31, 2018 and 2017, respectively.

The following table summarizes our real estate intangibles:

	March 31, 2018				December 31, 2017			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted Average Remaining Amortization Period
Above/below market lease intangibles, net	$ 1,607	$ (404)	$ 1,203	12.7 years	$ 1,607	$ (380)	$ 1,227	12.9 years
In-place lease and other intangibles	67,532	(59,002)	8,530	29.4 years	262,831	(248,818)	14,013	18.3 years
Total intangibles	$ 69,139	$ (59,406)	$ 9,733		$ 264,438	$ (249,198)	$ 15,240	

Amortization expense was $5.5 million and $14.3 million for the three months ended March 31, 2018 and 2017, respectively.

During the three months ended March 31, 2018, we wrote-off $195.3 million of fully amortized in-place lease and other intangible assets.

(dollars in tables in thousands, except share data)

We evaluated long-lived assets, primarily consisting of our real estate investments, for impairment indicators. In performing this evaluation, market conditions and our current intentions with respect to holding or disposing of the asset are considered. Where indicators of impairment are present, we evaluated whether the sum of the expected future undiscounted cash flows is less than book value. Based on such assessment, the future undiscounted cash flows of the underlying operations exceeds the carrying value of such real estate investments, including definite lived intangible assets. Therefore, we did not recognize any impairment loss during the periods presented.

6. STRAIGHT-LINE RENT RECEIVABLES

Rental revenue from the Triple Net Lease Properties segment is recognized on a straight-line basis over the applicable term of the lease when collectability is reasonably assured. Recognizing rental revenue on a straight-line basis typically results in recognizing revenue in excess of cash amounts contractually due from our tenants during the first half of the lease term, creating a straight-line rent receivable. Our straight-line rent receivable was $85.8 million and $82.4 million as of March 31, 2018 and December 31, 2017, respectively.

We assess the collectability of straight-line rent receivables on an ongoing basis. This assessment is based on several qualitative and quantitative factors, including and as appropriate, the payment history of the triple net lease tenant, the tenant's ability to satisfy its lease obligations, the value of the underlying collateral or deposit, if any, and current economic conditions. We considered the timeliness of lease payments, compliance with lease terms, security and other deposits posted by the tenants and collateral provided by the lease guarantors and determined no reserve was necessary for the periods presented.

7. RECEIVABLES AND OTHER ASSETS, NET

	March 31, 2018	December 31, 2017
Escrows held by lenders (A)	$ 16,659	$ 16,936
Prepaid expenses	4,355	4,490
Resident receivables, net	2,826	2,672
Deferred tax assets, net	5,413	5,475
Security deposits	2,776	3,222
Income tax receivable	816	802
Other assets and receivables	5,345	3,450
Total receivables and other assets	$ 38,190	$ 37,047

(A) Represents amounts held by lenders in tax, insurance, replacement reserve and other escrow accounts that are related to mortgage notes collateralized by New Senior's properties.

The following table summarizes the allowance for doubtful accounts and the related provision for uncollectible receivables:

	Three Months Ended March 31,	
	2018	2017
Balance, beginning of period	$ 938	$ 976
Provision for uncollectible receivables	345	645
Write-offs, net of recoveries	(448)	(502)
Balance, end of period	$ 835	$ 1,119

The provision for resident receivables and related write-offs are included in "Property operating expense" in the Consolidated Statements of Operations.

(dollars in tables in thousands, except share data)

8. MORTGAGE NOTES PAYABLE, NET

	March 31, 2018					December 31, 2017	
	Outstanding Face Amount	Carrying Value (A)	Maturity Date	Stated Interest Rate	Weighted Average Maturity (Years)	Outstanding Face Amount	Carrying Value (A)
Managed Properties							
Fixed Rate	$ 562,985	$ 559,806	Aug 2019 - Sep 2025	3.65% to 4.93%	6.3	$ 563,526	$ 560,182
Floating Rate (B)	638,043	633,668	Oct 2020 - May 2022	1M LIBOR + 2.20% to 1M LIBOR + 2.70%	3.8	640,880	636,166
Triple Net Lease Properties							
Fixed Rate (C)	666,102	658,686	Jan 2021 - Jan 2024	3.80% to 7.40%	4.1	669,656	660,646
Floating Rate (D)	50,809	50,741	Apr 2019	3M LIBOR + 3.00%	1.1	51,036	50,934
Total	$ 1,917,939	$ 1,902,901			4.6	$ 1,925,098	$ 1,907,928

(A) The totals are reported net of deferred financing costs of $15.0 million and $17.2 million as of March 31, 2018 and December 31, 2017, respectively.
(B) Substantially all of these loans have LIBOR caps that range between 3.30% and 3.71% as of March 31, 2018.
(C) Includes loans with an outstanding face amount of $335.0 million and $285.1 million, as of March 31, 2018, for which we bought down the interest rates to 4.00% and 3.80%, respectively, through January 2019. The interest rates will increase to 4.99% and 4.55%, respectively, thereafter.
(D) We have an option to extend the maturity date to April 2020, subject to a fee of 0.125% of the then-outstanding principal balance.

During the three months ended March 31, 2017, we repaid $14.7 million of debt associated with the sale of two properties in the Managed Properties segment and recognized a loss on extinguishment of debt of $0.4 million, which represents the write-off of related unamortized deferred financing costs and other exit fees.

During the three months ended March 31, 2018, we exercised an option to extend a balloon payment of $50.7 million from April 2018 to April 2019.

The carrying value of the collateral relating to the fixed rate and floating rate mortgages was $1.5 billion and $0.8 billion as of both March 31, 2018 and December 31, 2017, respectively.

Our mortgage notes payable contain various customary financial and other covenants, in some cases including Debt Service Coverage Ratio and Project Yield, as defined in the agreements. We were in compliance with the covenants in our mortgage notes payable agreements as of March 31, 2018.

The fair values of mortgage notes payable as of both March 31, 2018 and December 31, 2017 was $1.9 billion. Mortgage notes payable are not measured at fair value in the Consolidated Balance Sheets. The disclosed fair value of mortgage notes payable, classified as level 3 within the fair value hierarchy, is based on a discounted cash flow valuation model. Significant inputs in the model include amounts and timing of expected future cash flows and market yields which are constructed based on inputs implied from similar debt offerings.

(dollars in tables in thousands, except share data)

Interest rate caps

During the three months ended March 31, 2018, we renewed an interest rate cap on our floating rate debt which carries a LIBOR cap rate of 3.66%, has a notional value of $591.2 million and is effective through April 1, 2020. Our interest rate caps are level 2 instruments and we estimate the fair value based on pricing models that consider inputs including forward yield curves, cap strike rates, cap volatility and discount rates. We recognized fair value losses of $0.1 million for both the three months ended March 31, 2018 and 2017 which are included in “Other expense” in the Consolidated Statements of Operations and “Other non-cash expense” in the Consolidated Statements of Cash Flows. The fair value was $0.2 million as of March 31, 2018 and is included in “Receivables and other assets, net” in the Consolidated Balance Sheets. The fair value as of December 31, 2017 was not material.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2018	December 31, 2017
Security deposits payable	$ 47,103	$ 46,291
Escrow liabilities [(A)]	6,100	6,664
Accounts payable	12,105	9,794
Mortgage interest payable	6,455	6,297
Deferred community fees, net	4,772	4,612
Rent collected in advance	2,745	2,091
Property tax payable	3,563	3,331
Other liabilities	6,866	5,584
Total accrued expenses and other liabilities	$ 89,709	$ 84,664

(A) Represents amounts held by lenders in tax, insurance, replacement reserve and other escrow accounts that are related to mortgage notes collateralized by New Senior’s triple net lease properties.

10. TRANSACTIONS WITH AFFILIATES

Management Agreements

We are party to a management agreement (the “Management Agreement”) with the Manager, under which the Manager advises us on various aspects of our business and manages our day-to-day operations, subject to the supervision of our board of directors. For its management services, the Manager is entitled to a base management fee of 1.5% per annum of our gross equity. Gross equity is generally defined as the equity invested by Drive Shack Inc. (“Drive Shack”) (including cash contributed to us) as of the completion of the spin-off from Drive Shack, plus the aggregate offering price from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions (calculated without regard to depreciation and amortization) and repurchases of common stock, calculated and payable monthly in arrears in cash. We incurred management fees of $3.8 million during both the three months ended March 31, 2018 and 2017, under the Management Agreement, which are included in “Management fees and incentive compensation to affiliate” in the Consolidated Statements of Operations. As of March 31, 2018 and December 31, 2017, we had a payable for management fees of $1.2 million and $1.3 million, respectively, which is included in “Due to affiliates” in the Consolidated Balance Sheets.

(dollars in tables in thousands, except share data)

The Manager is entitled to receive, on a quarterly basis, incentive compensation on a cumulative, but not compounding basis, in an amount equal to the product of (A) 25% of the dollar amount by which (1)(a) funds from operations (as defined in the Management Agreement) before the incentive compensation per share of common stock, plus (b) gains (or losses) from sales of property per share of common stock, plus (c) internal and third party acquisition-related expenses, plus (d) unconsummated transaction expenses, and plus (e) other non-routine items (as defined in the Management Agreement), exceed (2) an amount equal to (a) the weighted average value per share of the equity invested by Drive Shack in the assets of New Senior (including cash contributed to us) as of the completion of the spin-off and the price per share of our common stock in any offerings by us (adjusted for prior capital dividends or capital distributions, which shall be calculated without regard to depreciation and amortization and repurchases of common stock) multiplied by (b) a simple interest rate of 10% per annum, multiplied by (B) the weighted average number of shares of common stock outstanding. The Manager did not earn incentive compensation during the three months ended March 31, 2018 or 2017. The Manager is also entitled to receive, upon the successful completion of an equity offering, options with respect to 10% of the number of shares sold in the offering with an exercise price equal to the price paid by the purchaser in the offering.

Because the Manager's employees perform certain legal, accounting, due diligence, asset management and other services that outside professionals or outside consultants otherwise would perform, the Manager is paid or reimbursed, pursuant to the Management Agreement, for the cost of performing such tasks, provided that such costs and reimbursements are no greater than those which would be paid to outside professionals or consultants on an arm's-length basis. We are also required to pay all operating expenses, except those specifically required to be borne by the Manager under the Management Agreement. We are required to pay expenses that include, but are not limited to, issuance and transaction costs incidental to the sourcing, evaluation, acquisition, management, disposition, and financing of our investments, legal, underwriting, sourcing, asset management and accounting and auditing fees and expenses, the compensation and expenses of independent directors, the costs associated with the establishment and maintenance of any credit facilities and other indebtedness (including commitment fees, legal fees, closing costs, etc.), expenses associated with other securities offerings, the costs of printing and mailing proxies and reports to our stockholders, costs incurred by employees or agents of the Manager for travel on our behalf, costs associated with any computer software or hardware that is used by us, costs to obtain liability insurance to indemnify directors and officers and the compensation and expenses of our transfer agent.

The following table summarizes our reimbursement to the Manager for costs incurred for tasks and other services performed by the Manager under the Management Agreement:

	Three Months Ended March 31,	
	2018	2017
Included in:		
General and administrative expense	$ 1,777	$ 2,020
Acquisition, transaction and integration expense	487	362
Total reimbursements to the Manager	$ 2,264	$ 2,382

As of March 31, 2018 and December 31, 2017, we had a payable for Manager reimbursements of $0.8 million and $1.3 million, respectively, which is included in "Due to affiliates" in the Consolidated Balance Sheets.

Property Management Agreements

Within our Managed Properties segment, we are party to Property Management Agreements with Blue Harbor, an affiliate of Fortress, and Holiday, a portfolio company that is majority owned by a private equity fund managed by an affiliate of Fortress, to manage most of its senior housing properties. Pursuant to these Property Management Agreements, we pay monthly property management fees. For AL/MC properties managed by Blue Harbor and Holiday, we pay management fees equal to 6% of effective gross income for the first two years and 7% thereafter. For IL properties managed by Blue Harbor and Holiday, we generally pay management fees equal to 5% of effective gross income. For certain property management agreements, we may also pay an incentive fee based on operating performance of the properties. No incentive fees were incurred during the three months ended March 31, 2018 and 2017. Property management fees are included in "Property operating expense" in the Consolidated Statements of Operations. Other amounts paid to affiliated managers that are included in property operating expense are payroll expense and travel reimbursement costs. The payroll expense is structured as a reimbursement to the Property Manager, who is the employer of record.

(dollars in tables in thousands, except share data)

The following table summarizes property management fees and reimbursements paid to Property Managers affiliated with Fortress:

	Three Months Ended March 31,	
	2018	2017
Property management fees	$ 3,881	$ 4,927
Travel reimbursement costs	56	85
Property-level payroll expenses	19,361	24,891

As of March 31, 2018 and December 31, 2017, we had payables for property management fees of $1.3 million and $1.4 million, respectively, and property-level payroll expenses of $5.6 million and $5.6 million, respectively, which are included in “Due to affiliates” in the Consolidated Balance Sheets. The Property Management Agreements with affiliated managers have initial terms of 5 or 10 years and provide for automatic one-year extensions after the initial term, subject to termination rights.

Triple Net Lease Agreements

Within our Triple Net Lease segment, we are party to triple net leases with Holiday. Pursuant to the leases, the tenant is required to pay monthly rent payments in accordance with the lease terms. Such payments amounted to $19.2 million and $18.6 million for the three months ended March 31, 2018 and 2017, respectively.

11. INCOME TAXES

New Senior is organized and conducts its operations to qualify as a REIT under the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). However, certain of our activities are conducted through our taxable REIT subsidiary (“TRS”) and therefore are subject to federal and state income taxes at regular corporate tax rates.

The following table presents the provision for income taxes:

	Three Months Ended March 31,	
	2018	2017
Current		
Federal	$ (41)	$ —
State and local	27	71
Total current provision	(14)	71
Deferred		
Federal	58	95
State and local	4	40
Total deferred provision	62	135
Total provision for income taxes	$ 48	$ 206

(dollars in tables in thousands, except share data)

The following table presents the significant components of deferred tax assets:

	March 31, 2018	December 31, 2017
Deferred tax assets:		
Prepaid fees and rent	$ 901	$ 790
Net operating losses	4,055	4,050
Deferred rent	728	949
Tax credits	—	42
Other	74	99
Total deferred tax assets	5,758	5,930
Less valuation allowance	—	—
Net deferred tax assets	5,758	5,930
Deferred tax liabilities:		
Depreciation and amortization	345	455
Total deferred tax liabilities	345	455
Total net deferred tax assets	$ 5,413	$ 5,475

In assessing the recoverability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income by the TRS during the periods in which temporary differences become deductible and before the net operating loss carryforward expires. We have not recorded a valuation allowance against our deferred tax assets as of March 31, 2018 or December 31, 2017 as management believes that it is more likely than not that our deferred tax assets will be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Act”) was signed into law. The Act includes a number of significant changes to existing U.S. corporate income tax laws, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. We measure deferred tax assets using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Accordingly, our deferred tax assets were remeasured to reflect the reduction in the U.S. corporate income tax rate, resulting in a non-recurring $3.0 million increase in income tax expense for the year ended December 31, 2017 and a corresponding decrease of the same amount in our deferred tax assets as of December 31, 2017.

12. EQUITY

In the first quarter of 2018, strike prices for outstanding options were reduced by $1.04, reflecting the portion of our 2017 dividends which were deemed return of capital.

In March 2018, we granted options to a new director relating to 5,000 shares of common stock, the grant date fair value of which was not material.

As of March 31, 2018, approximately 1.3 million shares of our common stock were held by Fortress, through its affiliates, and its principals.

13. COMMITMENTS AND CONTINGENCIES

As of March 31, 2018, management believes there are no material contingencies that would affect our results of operations, cash flows or financial position.

Certain Obligations, Liabilities and Litigation

We are and may become subject to various obligations, liabilities, investigations, inquiries and litigation assumed in connection with or arising from our on-going business, as well as acquisitions, sales, leasing and other activities. These obligations and liabilities (including the costs associated with investigations, inquiries and litigation) may be greater than expected or may not be known in advance. Any such obligations or liabilities could have a material adverse effect on our financial position, cash flows and results of operations, particularly if we are not entitled to indemnification, or if a responsible third party fails to indemnify us.

Certain Tax-Related Covenants

If we are treated as a successor to Drive Shack under applicable U.S. federal income tax rules, and if Drive Shack failed to qualify as a REIT for a taxable year ending on or before December 31, 2015, we could be prohibited from electing to be a REIT. Accordingly, in the separation and distribution agreement entered into to effect our spin-off from Drive Shack (“Separation and Distribution Agreement”), Drive Shack (i) represented that it had no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT, (ii) covenanted to use commercially reasonable efforts to cooperate with New Senior as necessary to enable us to qualify for taxation as a REIT and receive customary legal opinions concerning REIT status, including providing information and representations to us and our tax counsel with respect to the composition of Drive Shack’s income and assets, the composition of its stockholders and its operation as a REIT, and (iii) covenanted to use its reasonable best efforts to maintain its REIT status for each of Drive Shack’s taxable years ending on or before December 31, 2015 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the Internal Revenue Service (“IRS”) to the effect that Drive Shack’s failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above).

Proceedings Indemnified and Defended by Third Parties

From time to time, we are party to certain legal actions, regulatory investigations and claims for which third parties are contractually obligated to indemnify, defend and hold us harmless. While we are presently not being defended by any tenant and other obligated third parties in these types of matters, there is no assurance that our tenants, their affiliates or other obligated third parties will defend us in these matters in the future, or that such parties will have sufficient assets, income and access to financing to enable them to satisfy their defense and indemnification obligations to us.

Environmental Costs

As a commercial real estate owner, we are subject to potential environmental costs. As of March 31, 2018, management is not aware of any environmental concerns that would have a material adverse effect on our financial position or results of operations.

Capital Improvement and Repair Commitments

We have agreed to make $1.0 million available for capital improvements during the 15 year lease periods to the triple net lease property under Watermark, none of which has been funded as of March 31, 2018. Upon funding these capital improvements, we will be entitled to a rent increase.

14. SUBSEQUENT EVENTS

These consolidated financial statements include a discussion of material events, if any, which have occurred subsequent to March 31, 2018 (referred to as subsequent events) through the issuance of the consolidated financial statements.

On May 9, 2018, we entered into an agreement (the "Lease Termination Agreement") to terminate our triple net leases with affiliates of Holiday Retirement (collectively, "Holiday"). In exchange, we will receive $116 million of total consideration, including a $70 million termination payment and $46 million of retained security deposits. The effectiveness of the lease termination is subject to us completing a refinancing of the existing debt on the portfolio, which had an outstanding face amount of approximately $666 million and a coupon of 4.15% as of March 31, 2018, on or before May 21, 2018. We expect to refinance the existing debt with a one-year $720 million secured loan bearing interest at LIBOR plus 4.0% for the first six months and increasing by 50 basis points after the sixth monthly payment date and by an additional 50 basis points after the ninth monthly payment date. We expect to incur approximately $65 million of prepayment fees and expenses refinancing the existing debt. Pursuant to the Lease Termination Agreement, we also agreed to enter into property management agreements with Holiday, whereby Holiday will manage this portfolio.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Senior. The following should be read in conjunction with the consolidated financial statements and notes thereto included within this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in Part II, Item 1A "Risk Factors."

OVERVIEW

Our Business

We are a REIT with a portfolio of 133 senior housing properties located across the United States. We are the only pure play senior housing REIT and one of the largest owners of senior housing properties. We are listed on the NYSE under the symbol "SNR" and are headquartered in New York, New York.

We conduct our business through two reportable segments: Managed Properties and Triple Net Lease Properties. See our consolidated financial statements and the related notes included in Part I, Item 1.

We are externally managed and advised by an affiliate of Fortress, subject to the supervision of our board of directors. For its services, the Manager is entitled to an annual management fee and is eligible for incentive compensation upon the satisfaction of certain performance thresholds, both as defined in, and in accordance with the terms of, the Management Agreement.

Our board of directors has approved broad investment guidelines for our Manager that permit us to invest in asset classes that differ materially from the assets we currently own.

Recent Developments

On February 23, 2018, we announced that our board of directors, together with our management team and legal and financial advisors, has been conducting a process to explore and evaluate a full range of strategic alternatives to maximize stockholder value.

There can be no assurance that this process will result in a transaction or, if a transaction is undertaken, its terms or timing. We do not intend to make any further public comment regarding the review until it has been completed. We retained J.P. Morgan Securities LLC as our financial advisor and Skadden, Arps, Slate, Meagher & Flom LLP as our legal advisor to assist in this ongoing review.

On May 9, 2018, we entered into an agreement (the "Lease Termination Agreement") to terminate our triple net leases with affiliates of Holiday Retirement (collectively, "Holiday"). In exchange, we will receive $116 million of total consideration, including a $70 million termination payment and $46 million of retained security deposits. The effectiveness of the lease termination is subject to us completing a refinancing of the existing debt on the portfolio, which had an outstanding face amount of approximately $666 million and a coupon of 4.15% as of March 31, 2018, on or before May 21, 2018. We expect to refinance the existing debt with a one-year $720 million secured loan bearing interest at LIBOR plus 4.0% for the first six months and increasing by 50 basis points after the sixth monthly payment date and by an additional 50 basis points after the ninth monthly payment date. We expect to incur approximately $65 million of prepayment fees and expenses refinancing the existing debt. Pursuant to the Lease Termination Agreement, we also agreed to enter into property management agreements with Holiday, whereby Holiday will manage this portfolio. For additional information, see Part II, Item 5. "Other Information."

MARKET CONSIDERATIONS

Senior housing is a $300 billion market, and ownership of senior housing assets is highly fragmented. Given these industry fundamentals and compelling demographics that are expected to drive increased demand for senior housing, we believe the senior housing industry could present attractive investment opportunities. However, increased competition from other buyers of senior housing assets, as well as liquidity constraints and other factors, could impair our ability to source attractive investment opportunities within the senior housing industry and thus to seek investments in the broader healthcare industry. There can be no assurance that any investments we may make will be successful, and investments in asset classes other than senior housing could involve additional risks and uncertainties.

According to data from the National Investment Center for Seniors Housing and Care ("NIC"), occupancy in the first quarter decreased 40 basis points quarter over quarter and decreased 80 basis points year over year. New Senior's occupancy results underperformed the industry in the first quarter of 2018, with same store managed occupancy down 160 basis points year over year.

Industry occupancy for IL facilities was down 60 basis points year over year, while industry occupancy for AL facilities was down 90 basis points year over year. Industry occupancy is expected to generally remain stable for the next four quarters.

Industry-wide, new supply remains high but continues to decrease. Units under construction represent 6.2% of inventory, but the ratio has decreased 100 basis points from a peak in the third quarter of 2016. The ratio of AL construction to inventory (7.8%) remains significantly higher than that for IL (4.9%).

Pressures from new competition remain significant for AL facilities in particular, including for some of those in our managed portfolio. Industry-wide for AL facilities, occupancy is at its lowest level since 2006 and labor cost growth is currently at its highest level since 2007. Industry rate growth continued its downward trend, softening to 2.2% year over year, with AL (up 2.6%) slightly outperforming IL (up 1.9%).

The value of our existing portfolio could be impaired by new construction, as well as increased availability and popularity of home health care or other alternatives to senior housing, by hampering occupancy and rate growth, along with increasing operating expenses.

RESULTS OF OPERATIONS

Segment Overview

We evaluate our business operations and allocate resources based on two segments: (i) Managed Properties and (ii) Triple Net Lease Properties. Under our Managed Properties segment, we own 81 properties managed by Property Managers under property management agreements. Under our Triple Net Lease Properties segment, we lease 52 of our properties under three triple net master leases.

Net Operating Income

We evaluate performance of these reportable business segments based on segment NOI. We consider NOI an important supplemental measure used to evaluate the operating performance of our segments because it allows investors, analysts and our management to assess our unleveraged property-level operating results and to compare our operating results between periods and to the operating results of other real estate companies on a consistent basis. We define NOI as total revenues less property operating expense.

Our Managed Properties segment is comprised of primarily independent living and assisted living senior housing properties that are operated by property managers to whom we pay a management fee. Our Triple Net Lease Properties segment comprises senior housing properties leased on a long-term basis, and our tenants are typically responsible for bearing property-related expenses including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees. Depreciation and amortization, interest expense, acquisition, transaction and integration expense, management fees and incentive compensation to affiliate, general and administrative expense, loss on extinguishment of debt, other expense (income), gain on sale of real estate and income tax expense (benefit) are not allocated to individual segments for purposes of assessing segment performance. Because of such differences in our exposure to property operating results, each segment requires a different type of management focus. As such, these segments are managed separately. In deciding how to allocate resources and assess performance, our chief operating decision maker regularly evaluates the performance of our reportable segments on the basis of NOI.

Same Store

Same store information is intended to enable management to evaluate the performance of a consistent portfolio of real estate in a manner that eliminates variances attributable to changes in the composition of our portfolio over time, due to sales and various other factors. Properties acquired, sold, transitioned to other operators or classified as held for sale during the comparable periods are excluded from the same store amounts.

Three months ended March 31, 2018 compared to three months ended March 31, 2017

The following table provides a reconciliation of our segment NOI to net loss, and compares the results of operations for the respective periods:

	Three Months Ended March 31,		Increase (Decrease)	
(dollars in thousands)	2018	2017	Amount	Percentage
Segment NOI for Managed Properties	$ 23,244	$ 27,142	$ (3,898)	(14.4)%
Segment NOI for Triple Net Lease Properties	23,875	28,247	(4,372)	(15.5)%
Total segment NOI	47,119	55,389	(8,270)	(14.9)%
Expenses				
Depreciation and amortization	26,725	37,518	(10,793)	(28.8)%
Interest expense	21,923	23,066	(1,143)	(5.0)%
Acquisition, transaction and integration expense	2,888	348	2,540	NM
Management fees and incentive compensation to affiliate	3,752	3,824	(72)	(1.9)%
General and administrative expense	3,752	4,011	(259)	(6.5)%
Loss on extinguishment of debt	—	375	(375)	NM
Other expense	1,380	135	1,245	NM
Total expenses	60,420	69,277	(8,857)	(12.8)%
Gain on sale of real estate	—	4,199	(4,199)	NM
Loss before income taxes	(13,301)	(9,689)	(3,612)	(37.3)%
Income tax expense	48	206	(158)	(76.7)%
Net loss	$ (13,349)	$ (9,895)	$ (3,454)	(34.9)%

____

NM – Not meaningful

Managed Properties

The following table presents same store and total portfolio results as of and for the three months ended March 31, 2018 and 2017:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	2018	2017	Change	%	2018	2017	Change	%
Resident fees and services	$ 70,921	$ 70,950	$ (29)	— %	$ 75,343	$ 86,726	$ (11,383)	(13.1)%
Less: Property operating expense	48,319	47,189	1,130	2.4 %	52,099	59,584	(7,485)	(12.6)%
NOI	$ 22,602	$ 23,761	$ (1,159)	(4.9)%	$ 23,244	$ 27,142	$ (3,898)	(14.4)%
Total properties	77	77			81	92		
Average available beds	8,889	8,876			9,543	11,296		
Average occupancy (%)	85.4	87.0			84.7	86.1		
Average monthly revenue per occupied bed	$ 3,113	$ 3,063			$ 3,109	$ 2,972		

Resident fees and services

Total resident fees and services decreased $11.4 million. A decrease of approximately $11.1 million is attributable to the revenue of 13 sold properties. The remaining decrease was primarily attributable to a decrease in average occupancy rates, partially offset by an increase in average rental rates.

Same store resident fees and services was flat as a decrease in average occupancy rates was offset by an increase in average rental rates.

Property operating expense

Property operating expense decreased $7.5 million. A decrease of approximately $8.5 million is attributable to the operating expenses of 13 sold properties. This decrease was partially offset by higher labor and utilities costs.

Property operating expense includes property management fees and travel reimbursements paid to the Property Managers of $4.3 million and $5.2 million for the three months ended March 31, 2018 and 2017, respectively.

Same store property operating expense increased $1.1 million, primarily due to higher labor and utilities costs.

Segment NOI

Total segment NOI and same store segment NOI decreased $3.9 million and $1.2 million, respectively. See above for the variance explanations.

Triple Net Lease Properties

The following table presents same store and total portfolio results as of and for the three months ended March 31, 2018 and 2017:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	2018	2017	Change	%	2018	2017	Change	%
Rental revenue	$ 23,875	$ 23,875	$ —	—%	$ 23,875	$ 28,247	$ (4,372)	(15.5)%
NOI	$ 23,875	$ 23,875	$ —	—%	$ 23,875	$ 28,247	$ (4,372)	(15.5)%
Total properties	52	52			52	58		
Average available beds	6,309	6,307			6,309	7,541		
Average occupancy (%)	87.4	89.5			85.3	87.5		

Total segment NOI decreased $4.4 million due to the sale of six properties in the fourth quarter of 2017. As a percentage of rental revenue, segment NOI was 100% of revenue for each fiscal year as the lessee operates the property and bears the related costs, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees.

Expenses

Depreciation and amortization

Depreciation and amortization expense decreased $10.8 million, primarily due to certain intangibles becoming fully amortized and the sale of 19 properties.

Interest expense

Interest expense decreased $1.1 million, primarily due to debt repayments of $190.0 million since March 31, 2017, partially offset by higher average interest rates on our floating rate debt. The weighted average effective interest rate for the three months ended March 31, 2018 and 2017 was 4.56% and 4.32%, respectively.

Acquisition, transaction and integration expense

Acquisition, transaction and integration expense increased $2.5 million, primarily due to diligence-related costs associated with our review of strategic alternatives to maximize stockholder value.

Management fees and incentive compensation to affiliate

Management fees and incentive compensation to affiliate expense decreased $0.1 million, primarily due to capital distributions in 2017.

General and administrative expense

General and administrative expense decreased $0.3 million, primarily due to a lower reimbursement to the Manager and a decrease in professional fees.

Loss on extinguishment of debt

During the three months ended March 31, 2017, we repaid $14.7 million of debt associated with the sale of two properties and recognized a loss on extinguishment of debt of $0.4 million.

Other expense

Other expense increased $1.2 million. On March 26, 2018, Florida passed the "Emergency Environmental Control for Assisted Living Facilities" bill (the "Florida Generator Bill") which requires all assisted living facilities to have an alternative power source, such as a generator. During the fourth quarter of 2017, we sold nine Florida properties and agreed with the buyer to cover a portion of the costs to comply with this rule if it became effective. Accordingly, during the three months ended March 31, 2018, we recorded a loss of $0.9 million, which represents our current best estimate of the expected costs. The additional increase is primarily due to a higher fair value loss on our interest rate caps.

Other

Gain on sale of real estate

During the three months ended March 31, 2017, we sold two properties and recognized a gain on sale of $4.2 million.

Income tax expense

We are organized and conduct our operations to qualify as a REIT under the requirements of the Code. However, certain of our activities are conducted through our TRS and therefore are subject to federal and state income taxes. Income tax expense decreased $0.2 million, primarily due to our TRS generating less earnings.

OUR PORTFOLIO

Our portfolio is currently comprised of senior housing properties, including IL, AL/MC and CCRC properties. Our Manager will make decisions about our future investments in accordance with broad investment guidelines adopted by our board of directors. Accordingly, we may, without a stockholder vote, change the composition of our portfolio and make investments in assets that differ from, and are possibly riskier than, our current portfolio of senior housing properties.

The following table summarizes the geographic locations of our senior housing properties as of March 31, 2018:

	Managed Properties		Triple Net Lease Properties		Total	
Location	Number of Communities	Number of Beds	Number of Communities	Number of Beds	Number of Communities	Number of Beds
Arizona	1	108	1	115	2	223
Arkansas	1	113	—	—	1	113
California	9	1,049	2	235	11	1,284
Colorado	1	119	4	439	5	558
Connecticut	—	—	2	277	2	277
Florida	12	1,488	3	370	15	1,858
Georgia	2	194	—	—	2	194
Hawaii	1	123	—	—	1	123
Idaho	1	121	—	—	1	121
Illinois	1	66	1	111	2	177
Indiana	1	114	—	—	1	114
Iowa	—	—	2	215	2	215
Kansas	1	117	2	238	3	355
Kentucky	—	—	1	117	1	117
Louisiana	1	120	1	103	2	223
Massachusetts	2	255	—	—	2	255
Michigan	1	119	1	121	2	240
Mississippi	1	67	1	94	2	161
Missouri	—	—	3	320	3	320
Montana	1	127	1	115	2	242
Nebraska	1	117	—	—	1	117
Nevada	1	174	1	121	2	295
New Hampshire	4	263	—	—	4	263
New York	1	120	2	234	3	354
North Carolina	7	916	2	240	9	1,156
Ohio	3	354	—	—	3	354
Oklahoma	1	121	—	—	1	121
Oregon	3	340	6	601	9	941
Pennsylvania	3	406	4	808	7	1,214
South Carolina	1	120	—	—	1	120
South Dakota	1	114	—	—	1	114
Tennessee	3	235	1	110	4	345
Texas	5	745	8	972	13	1,717
Utah	5	593	1	117	6	710
Virginia	2	234	1	120	3	354
Washington	2	275	—	—	2	275
Wisconsin	1	117	1	116	2	233
Total	81	9,544	52	6,309	133	15,853

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity needs are to (i) fund operating expenses, (ii) meet debt service requirements, (iii) fund recurring capital expenditures and investment activities, if applicable, and (iv) make distributions to stockholders. As of March 31, 2018, we had approximately $120.8 million in liquidity, consisting of unrestricted cash and cash equivalents. A portion of this amount is held in operating accounts used to fund expenses at our managed properties and, therefore, may not be available for distribution to stockholders.

Our principal sources of liquidity are (i) cash flows from operating activities, (ii) proceeds from acquisition financing in the form of mortgage debt, and, from time to time, (iii) proceeds from the issuance of equity securities and (iv) proceeds from dispositions of assets. Our cash flows from operating activities are primarily driven by (i) rental revenues and fees received from residents of our managed properties, and (ii) rental revenues from the tenants of our triple net lease properties, less (iii) operating expenses (primarily management fees and reimbursements to our Manager, property operating expense of our managed properties, professional fees, insurance and taxes) and (iv) interest payments on the mortgage notes payable. Our principal uses of liquidity are the expenses included in cash flows from operating activities, plus capital expenditures and principal payments on debt.

We anticipate that our cash on hand combined with our cash flows provided by operating activities will be sufficient to fund our business operations, recurring capital expenditures, principal payments, and the distributions we are required to make to comply with REIT requirements over the next twelve months. Our actual distributions to stockholders have historically been higher than the REIT distribution requirement.

Our cash flows from operating activities, less capital expenditures and principal payments (which increased meaningfully in May 2017), have been, and continue to be, less than the amount of distributions to our stockholders. We have funded the shortfall using cash on hand (including the proceeds from asset sales), which increased from $50.3 million as of March 31, 2017 to $120.8 million as of March 31, 2018 primarily on account of asset sales. As noted above, a portion of this amount is held in operating accounts used to fund expenses at our managed properties and, therefore, may not be available for distribution to stockholders.

On May 10, 2018, we announced that our board of directors has not made a determination regarding the amount of any dividend on our common stock for the quarter ended March 31, 2018. Our board of directors continues to evaluate our dividend policy, particularly in light of its ongoing review of strategic alternatives as well as the fact that our cash flows from operating activities, less capital expenditures and principal payments (which increased meaningfully in May 2017), have been, and continue to be, less than the amount of distributions to our stockholders. The board is expected to make its determination by June 1, 2018. There can be no assurance that we will pay cash dividends in an amount consistent with prior quarters. Any difference between the amount of any future dividend and the amount of dividends in prior quarters could be material, and there can be no assurance that our board will declare any dividend at all. See Part II, Item IA. “Risk Factors-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters” and “-We have not established a minimum distribution payment level, and we cannot assure you of our ability to maintain our current distribution payment level or to pay any distributions in the future.”

The expectations set forth above are forward-looking and subject to a number of uncertainties and assumptions, which are described below under “Factors That Could Impact Our Liquidity, Capital Resources and Capital Obligations” as well as “Part II, Item 1A. Risk Factors.” If our expectations about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and this shortfall may occur rapidly and with little or no notice, which would limit our ability to address the shortfall on a timely basis.

Factors That Could Impact Our Liquidity, Capital Resources and Capital Obligations

The following factors could impact our liquidity, capital resources and capital obligations:

- *Holiday Lease Termination Agreement*: We entered into agreements to terminate our triple net leases with Holiday, as described in Part II, Item 5. “Other Information,” and the outcome could impact our liquidity, depending on whether we are successful in terminating such leases.

- *Access to Financing*: Decisions by investors, counterparties and lenders to enter into transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with covenant terms, industry and market trends, the availability of capital and our investors’, counterparties’ and lenders’ policies and rates applicable thereto and the relative attractiveness of alternative investment or lending opportunities.

- *Impact of Expected Additional Borrowings or Sales of Assets on Cash Flows*: The availability and timing of and proceeds from additional borrowings may be different than expected or may not occur as expected. The timing of any sale of assets, and the proceeds from any such sales, are unpredictable and may vary materially from an asset's estimated fair value and carrying value.

- *Compliance with Debt Obligations*: Our financings subject us and our operators to a number of obligations, and a failure to satisfy certain obligations, including (without limitation) a failure by the guarantors of our leases to satisfy certain financial covenants that depend in part on the performance of our leased assets as well as the performance of other properties leased by Holiday that we do not own, both of which are outside of our control, could give rise to a requirement to prepay outstanding debt or result in an event of default and the acceleration of the maturity date for repayment. We may also seek amendments to these debt covenants, and there can be no assurance that we will be able to obtain any such amendment on commercially reasonable terms, if at all.

Debt Obligations

Our mortgage notes payable contain various customary financial and other covenants, and in certain cases include a Debt Service Coverage Ratio, Project Yield or Minimum Net Worth and Liquid Assets provision, as defined in the agreements. As of March 31, 2018, we were in compliance with all of such covenants.

As noted above, our principal payments increased meaningfully in May 2017. See Note 8 to the consolidated financial statements for further information related to our mortgage notes as of March 31, 2018.

Capital Expenditures

For our Managed Properties segment, we anticipate that capital expenditures will be funded through operating cash flows from the Managed Properties. During the three months ended March 31, 2018, we funded $3.6 million of capital expenditures.

With respect to our Triple Net Lease Properties segment, the terms of these arrangements typically require the tenants to fund all necessary capital expenditures in order to maintain and improve the applicable senior housing properties. To the extent that our triple net leases with Holiday are terminated or our tenants are unwilling or unable to fund these capital expenditure obligations under the existing lease arrangements, we may fund capital expenditures with additional borrowings or cash flow from the operations of these senior housing properties. We may also provide corresponding loans or advances to tenants which would increase the rent payable to us. For further information regarding capital expenditures related to our triple net lease properties, see "Contractual Obligations" below and Note 13 to the consolidated financial statements.

Cash Flows

The following table provides a summary of our cash flows:

	Three Months Ended March 31,	
(dollars in thousands)	**2018**	**2017**
Net cash provided by (used in)		
Operating activities	$ 15,730	$ 21,454
Investing activities	(3,561)	10,570
Financing activities	(29,385)	(41,165)
Net decrease in cash, cash equivalents and restricted cash	(17,216)	(9,141)
Cash, cash equivalents and restricted cash, beginning of period	157,485	97,517
Cash, cash equivalents and restricted cash, end of period	$ 140,269	$ 88,376

Operating activities

Net cash provided by operating activities was $15.7 million and $21.5 million for the three months ended March 31, 2018 and 2017, respectively. The period-over-period decrease of $5.7 million was primarily due to the sale of 17 properties since March 31, 2017 and a decrease in average occupancy rates, partially offset by an increase in average rental rates.

Investing activities

Net cash used in investing activities was $3.6 million and net cash provided by investing activities was $10.6 million for the three months ended March 31, 2018 and 2017, respectively. The period-over-period decrease of $14.1 million was primarily due to proceeds of $15.0 million received from the sale of two properties during the three months ended March 31, 2017.

Financing activities

Net cash used in financing activities was $29.4 million and $41.2 million for the three months ended March 31, 2018 and 2017, respectively. The period-over-period decrease of $11.8 million was primarily due to debt repayments of $14.7 million during the three months ended March 31, 2017 associated with the sale of two properties, partially offset by an increase in principal payments of $2.3 million.

REIT Compliance Requirements

We are organized and conduct our operations to qualify as a REIT for U.S. federal income tax purposes. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, excluding net capital gains. We intend to pay dividends greater than all of our REIT taxable income to holders of our common stock in 2018, if, and to the extent, authorized by our board of directors. We note that a portion of this requirement may be able to be met in future years with stock dividends, rather than cash distributions, subject to limitations. We expect that our operating cash flows will exceed REIT taxable income due to depreciation and other non-cash deductions in computing REIT taxable income. However, before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our obligations. If we do not have sufficient liquid assets to enable us to satisfy the 90% distribution requirement, or if we decide to retain cash, we may sell assets, issue additional equity securities or borrow funds to make cash distributions, or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Income Tax

We are organized and conduct our operations to qualify as a REIT under the requirements of the Code. Currently, certain of our activities are conducted through our TRS and therefore are subject to federal and state income taxes at regular corporate tax rates.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2018, we do not have any off-balance sheet arrangements. We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, special purpose or variable interest entities established to facilitate off-balance sheet arrangements. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment or intend to provide additional funding to any such entities.

CONTRACTUAL OBLIGATIONS

As of March 31, 2018, we had the following material contractual obligations, including estimates of interest payments on our floating rate debt (dollars in thousands):

	Period from April 1, 2018 to December 31, 2018	2019 (A)	2020	2021	2022	Thereafter	Total
Principal payments	$ 21,060	$ 28,536	$ 29,642	$ 28,510	$ 19,812	$ 31,780	$ 159,340
Balloon payments	—	145,376	24,950	311,518	563,778	712,977	1,758,599
Subtotal	21,060	173,912	54,592	340,028	583,590	744,757	1,917,939
Interest (B)	60,437	81,881	76,885	59,058	42,083	66,785	387,129
Total obligations (C)	$ 81,497	$ 255,793	$ 131,477	$ 399,086	$ 625,673	$ 811,542	$ 2,305,068

(A) We have an option to extend a balloon payment of approximately $50 million to April 2020, subject to a fee of 0.125% of the then-outstanding principal balance.

(B) Estimated interest payments on floating rate debt is calculated using LIBOR rates in effect at March 31, 2018 and may not be indicative of actual payments. Actual payments may vary significantly due to LIBOR fluctuations. See Note 8 to the consolidated financial statements for further information about interest rates.

(C) Total obligations includes an estimate of interest payments on floating rate debt, see Note B above.

In addition to mortgage notes payable, we are a party to the Management Agreement with the Manager and property management agreements with Property Managers. See Note 13 to the consolidated financial statements for information related to our capital improvement, repair and lease commitments.

INFLATION

Our triple net leases provide for either fixed increases in base rents and/or indexed escalators, based on the Consumer Price Index. In our Managed Properties segment, resident agreements are generally month to month agreements affording us the opportunity to increase prices subject to market and other conditions.

NON-GAAP FINANCIAL MEASURES

A non-GAAP financial measure is a measure of historical or future financial performance, financial position or cash flows that excludes or includes amounts that are not excluded from or included in the most comparable GAAP measure. We consider certain non-GAAP financial measures to be useful supplemental measures of our operating performance. GAAP accounting for real estate assets assumes that the value of real estate assets diminishes predictably over time, even though real estate values historically have risen or fallen with market conditions. As a result, many industry investors look to non-GAAP financial measures for supplemental information about real estate companies.

You should not consider non-GAAP measures as alternatives to GAAP net (loss) income, which is an indicator of our financial performance, or as alternatives to GAAP cash flow from operating activities, which is a liquidity measure. Additionally, non-GAAP measures are not intended to be a measure of our ability to satisfy our debt and other cash requirements. In order to facilitate a clear understanding of our consolidated historical operating results, you should examine our non-GAAP measures in conjunction with GAAP net (loss) income, cash flow from operating activities, investing activities and financing activities, as presented in our consolidated financial statements, and other financial data included elsewhere in this report. Moreover, the comparability of non-GAAP financial measures across companies may be limited as a result of differences in the manner in which real estate companies calculate such measures.

Below is a description of the non-GAAP financial measures used by our management and reconciliations of these measures to the most directly comparable GAAP measures.

Funds From Operations and Normalized Funds From Operations

We use Funds From Operations ("FFO") and Normalized FFO as supplemental measures of our operating performance. We use the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO. NAREIT defines FFO as GAAP net income excluding gains (losses) from sales of depreciable real estate assets and impairment charges of depreciable real estate, plus real estate depreciation and amortization, and after adjustments for unconsolidated entities and joint ventures to reflect FFO on the same basis. FFO does not account for debt principal payments and is not intended as a measure of a REIT's ability to satisfy such payments or any other cash requirements.

Normalized FFO, as defined below, measures the financial performance of our portfolio of assets excluding items that, although incidental to, are not reflective of the day-to-day operating performance of our portfolio of assets. We believe that Normalized FFO is useful because it facilitates the evaluation of our portfolio's operating performance (i) between periods on a consistent basis and (ii) to the operating performance of other real estate companies. However, comparability may be limited because our calculation of Normalized FFO may differ significantly from that of other companies or because of features of our business that are not present in other companies.

We define Normalized FFO as FFO excluding the following income and expense items, as applicable: (a) acquisition, transaction and integration related costs and expenses; (b) the write off of unamortized discounts, premiums, deferred financing costs, or additional costs, make whole payments and penalties or premiums incurred as the result of early repayment of debt (collectively "Gain (Loss) on extinguishment of debt"); (c) incentive compensation recognized as a result of sales of property; (d) the remeasurement of deferred tax assets and (e) other items that we believe are not indicative of operating performance, generally reported as "Other expense (income)" in the Consolidated Statements of Operations.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") facilitates an assessment of the operating performance of our existing portfolio of assets on an unleveraged basis by eliminating the impact of our capital structure and tax position. We define Adjusted EBITDA as Normalized FFO excluding interest and taxes.

The following table sets forth a reconciliation of net loss to FFO, Normalized FFO and Adjusted EBITDA:

	Three Months Ended March 31,	
(dollars in thousands)	2018	2017
Net loss	$ (13,349)	$ (9,895)
Gain on sale of real estate	—	(4,199)
Depreciation and amortization	26,725	37,518
FFO	13,376	23,424
Acquisition, transaction and integration expense	2,888	348
Loss on extinguishment of debt	—	375
Other expense (A)	1,380	135
Normalized FFO	17,644	24,282
Interest expense	21,923	23,066
Income tax expense	48	206
Adjusted EBITDA	$ 39,615	$ 47,554

(A) Primarily includes a loss associated with the Florida Generator Bill and fair value losses on our interest rate caps.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our historical financial statements, which have been prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Our estimates are based on information available to management at the time of preparation of the financial statements, including the result of historical analysis, our understanding and experience of our operations, our knowledge of the industry and market-participant data available to us.

Actual results have historically been in line with management's estimates and judgments used in applying each of our accounting policies, and management periodically re-evaluates accounting estimates and assumptions. Actual results could differ from these estimates and materially impact our consolidated financial statements. However, we do not expect our assessments and assumptions to materially change in the future.

There were no material changes to our critical accounting policies disclosed in our Form 10-K for the year ended December 31, 2017.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 to the consolidated financial statements for information about recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices. The primary market risks that we are exposed to are interest rate risk and credit risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets and liabilities are for non-trading purposes only. In addition, we are exposed to liquidity risk.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on borrowings under our mortgage loans that are floating rate obligations. These market risks result primarily from changes in LIBOR or prime rates. We continuously monitor our level of floating rate debt with respect to total debt and other factors, including our assessment of current and future economic conditions.

For fixed rate debt, interest rate fluctuations generally affect the fair value, but do not impact our earnings or cash flows. Therefore, interest rate risk does not have a significant impact on our fixed rate debt obligations until such obligations mature or until we elect to prepay and refinance such obligations. If interest rates have risen at the time our fixed rate debt matures or is refinanced, our future earnings and cash flows could be adversely affected by additional borrowing costs. Conversely, lower interest rates at the time of maturity or refinancing may lower our overall borrowing costs.

For floating rate debt, interest rate fluctuations can affect the fair value, as well as earnings and cash flows. If market interest rates rise, our earnings and cash flows could be adversely affected by an increase in interest expense. In contrast, lower interest rates may reduce our borrowing costs and improve our operational results. We continuously monitor our interest rate exposure and may elect to use derivative instruments to manage interest rate risk associated with floating rate debt.

As of March 31, 2018 we had $688.9 million of floating rate debt, representing 35.9% of our total indebtedness, with a weighted average rate of 4.08%. A 100 basis point change in interest rates would change annual interest expense by $6.9 million on an annualized basis.

Credit Risk

We derive a portion of our revenue from long-term triple net leases in which the minimum rental payments are fixed with scheduled periodic increases.

The properties we lease to Holiday account for a significant portion of our total revenues and net operating income, and such concentration creates credit risk. Rental revenue attributable to our triple net leases with Holiday accounted for 22.5% and 19.4% of our total revenues for the three months ended March 31, 2018 and 2017, respectively. See Part II, Item 5. “Other Information” for a description of recent agreements relating to the anticipated termination of each of our triple net leases with Holiday.

We could be adversely affected if Holiday becomes unable or unwilling to satisfy its obligations to us. There is no assurance that Holiday, or our other tenants, will have sufficient assets, income and access to financing to enable it to satisfy its obligations to us. See Part II, Item 1A. “Risk Factors-Risks Related to Our Business,” “-Risks associated with our entry into new agreements to terminate each of our triple net leases with Holiday may result in a material adverse effect on our financial condition, cash flows, results of operations and liquidity” and “-We rely on a limited number of operators and are subject to Holiday concentration risk.”

Furthermore, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization that may render certain of the remedies we may have against our counterparties unenforceable, or delay our ability to pursue such remedies.

Liquidity Risk

As described further in "Risk Factors," the following factors could affect our liquidity, access to capital resources and our capital obligations.

- Our stock price performance could impair our ability to access the capital markets, and any disruption to the capital markets or other sources of financing generally could also negatively affect our liquidity.
- Our failure to comply with the terms of our financings or a default by our lease counterparties (including a failure by the lease guarantor to satisfy certain financial covenants that depend on the performance of our leased assets as well as the performance of other properties leased by Holiday that we do not own, both of which are outside of our control) could result in the acceleration of the requirement to repay our indebtedness or require us to seek amendments to such agreements, which we may not be able to obtain on commercially reasonable terms, if at all.
- The anticipated termination of each of our triple net leases with Holiday, as described in Part II, Item 5. "Other Information."
- Real estate investments are relatively illiquid, and our ability to quickly sell or exchange our properties in response to changes in economic or other conditions is limited. In the event we desire or need to sell any of our properties, the value of those properties and our ability to sell at a price or on terms acceptable to us could be adversely affected by a downturn in the real estate industry generally, weakness in the senior housing and healthcare industries or other factors.
- Because we derive substantially all of our revenues from the operators of our triple net lease and managed properties, any inability or unwillingness by these operators to satisfy their respective obligations to us or to renew their leases with us upon expiration of the terms thereof could have a material adverse effect on our liquidity, financial condition, our ability to service our indebtedness and to make distributions to our stockholders.
- To comply with the 90% distribution requirement applicable to REITs and to avoid income and excise taxes, we must make distributions to our stockholders. Our actual distributions to stockholders have historically been higher than the REIT distribution requirement. Distributions will limit our ability to finance investments and may limit our ability to engage in transactions that are otherwise in the best interests of our stockholders. Although we do not anticipate any inability to satisfy the REIT distribution requirement, from time to time, we may not have sufficient cash or other liquid assets to do so. For example, timing differences between the actual receipt of income and actual payment of deductible expenses, on the one hand, and the inclusion of that income and deduction of those expenses in arriving at our taxable income, on the other hand, or non-deductible expenses such as principal amortization or repayments or capital expenditures in excess of non-cash deductions may cause us to fail to have sufficient cash or liquid assets to enable us to satisfy the 90% distribution requirement. In the event that timing differences occur or we decide to retain cash or to distribute such greater amount as may be necessary to avoid income and excise taxation, we may seek to borrow funds, issue additional equity securities, pay taxable stock dividends, distribute other property or securities or engage in a transaction intended to enable us to meet the REIT distribution requirements. Any of these actions may require us to raise additional capital to meet our obligations; however, limitations on our ability to access capital, as described above, could have an adverse effect on our ability to make required payments on our debt obligations, make distributions to our stockholders or make future investments necessary to implement our business strategy. The terms of the instruments governing our existing indebtedness restrict our ability to engage in certain types of these transactions.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d- 15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are and may become involved in legal proceedings, including regulatory investigations and inquiries, in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, we do not expect our current and any threatened legal proceedings to have a material adverse effect on our financial position or results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material adverse effect on our financial results.

On December 30, 2016, John Cumming, a purported stockholder of the Company, filed a purported derivative complaint in the Delaware Court of Chancery against Wesley R. Edens, Susan Givens, Virgis W. Colbert, Michael D. Malone, Stuart A. McFarland, Cassia van der Hoof Holstein (collectively, the "Individual Defendants"), FIG LLC ("FIG"), Fortress Operating Entity I LP ("FOE I"), FIG Corporation ("FIG Corp."), Holiday Acquisition Holdings LLC, Fortress Investment Group LLC ("Fortress"), and nominal defendant New Senior Investment Group, Inc. (the "Complaint"). The action is captioned Cumming v. Edens, et al, C.A. No. 13007-VCS. The Complaint alleges that the defendants caused the Company to acquire a portfolio of senior-living properties from Holiday in violation of their fiduciary duties. Specifically, the Complaint alleges that the Company's board of directors and Fortress breached their fiduciary duties of care and loyalty; that defendant Susan Givens breached her fiduciary duties of care and loyalty in her capacity as an officer of the Company; and that defendants Fortress, Holiday, FIG, FOE I, and FIG Corp. aided and abetted these breaches. The lawsuit seeks declaratory relief, equitable relief and damages. Plaintiff filed an Amended Complaint on June 8, 2017 containing substantially the same allegations. The Individual Defendants, FIG, FOE I, FIG Corp., Fortress and New Senior moved to dismiss the Amended Complaint on July 21, 2017. On February 20, 2018, the Court of Chancery issued an opinion denying the defendants' motion to dismiss the Amended Complaint in its entirety. A trial date has been scheduled for late July 2019.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Form 10-Q in evaluating us and our common stock. Any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially and adversely affect our results of operations or financial condition. The risk factors generally have been separated into the following groups: risks related to our business, risks related to our Manager, risks related to our taxation as a REIT and risks related to our common stock. However, these categories do overlap and should not be considered exclusive.

RISKS RELATED TO OUR BUSINESS

There can be no assurance that our ongoing exploration of strategic alternatives will result in any transaction being consummated, and speculation and uncertainty regarding the outcome of such exploration of strategic alternatives may adversely impact our business.

On February 23, 2018, we announced that our board of directors, together with our management team and legal and financial advisors, has been conducting a process to explore a full range of strategic alternatives to maximize stockholder value, and that we retained J.P. Morgan Securities LLC as our financial advisor and Skadden, Arps, Slate, Meagher & Flom LLP as our legal advisor to assist in this review. This process is ongoing, and there can be no assurance that this process will result in a transaction or, if a transaction is undertaken, its terms or timing. Any potential transaction could be dependent upon a number of factors that may be beyond our control, including, among other factors, market conditions, industry trends, stockholder approval and the availability of financing. Even if a strategic alternative is identified, we may be affected by factors related to the feasibility and timing of consummating a transaction, including our ability, or the ability of others, to obtain required third-party consents and regulatory approvals. The process of exploring strategic alternatives involves the dedication of significant resources and the incurrence of significant costs and expenses. In addition, speculation and uncertainty regarding our exploration of strategic alternatives may cause or result in:

- disruption of our business;
- distraction of our management;
- difficulty in maintaining or negotiating and consummating new business or strategic relationships or transactions;
- increased costs and advisory fees;
- increased stock price volatility; and
- exposure to potential litigation in connection with this process and effecting any strategic alternative.

If we are unable to mitigate these or other potential risks related to the uncertainty caused by our exploration of strategic alternatives, it may disrupt our business or adversely impact our results of operations or financial condition.

We do not intend to discuss or disclose further developments during this process until it has been completed. Accordingly, speculation regarding any developments related to the review of strategic alternatives and perceived uncertainties related to the future of our company could cause our stock to trade based on factors other than our financial and operating performance and prospects as a stand-alone company.

Risks associated with our entry into new agreements to terminate each of our triple net leases with Holiday may result in a material adverse effect on our financial condition, cash flows, results of operations and liquidity.

On May 9, 2018, we entered into a Lease Termination Agreement with certain affiliates of Holiday (the "Lease Termination Agreement"), pursuant to which each of our triple net leases with Holiday (collectively, the "Master Leases"), each dated December 23, 2013, relating to 51 independent living senior housing facilities (each, a "Portfolio Property" and, collectively, the "Holiday Portfolio"), will terminate upon the satisfaction of certain conditions (the date on which all such conditions are satisfied, the "Effective Date"), including a condition that we will refinance the debt associated with the Holiday Portfolio by May 21, 2018. Pursuant to the Lease Termination Agreement, we have also agreed to enter into a property management agreement with Holiday for each Portfolio Property (each, a "Property Management Agreement") on the Effective Date. For additional information regarding the foregoing agreements, see Item 5. "Other Information" of this report.

The Lease Termination Agreement is subject to conditions and there can be no assurance that the conditions will be satisfied and that the transactions contemplated by the Lease Termination Agreement will be consummated on the current terms, the expected timeline, or at all. In the event that the Master Leases are not terminated pursuant to the Lease Termination Agreement, our existing Master Leases will remain in place and we will remain subject to credit risk related to Holiday and the guarantor under the Master Leases, as well as the other risks related to our Triple Net Lease Properties described elsewhere in this "Risk Factors" section. Holiday and the guarantor may not have sufficient assets, income and access to financing to enable it to make rental payments, or to otherwise satisfy its obligations under the Master Leases or guaranty of the applicable lease, respectively, going forward. Even if Holiday can continue to make payments under the Master Leases, Holiday may otherwise fail to comply with or cure a financial covenant breach that may qualify as an event of default under the Master Leases. If any such event were to occur, we would be in default under our financing for the Holiday Portfolio, which could have a material adverse effect on our financial position, cash flows, results of operations and liquidity. In addition, if Holiday were to default on the Master Leases, we may need to find a new tenant. There can be no assurance that we would be able to identify suitable replacement tenants, enter into new leases with such tenants on terms as favorable to us as the current leases or that we would be able to lease those properties at all. Moreover, we have incurred, and expect to continue to incur, a significant amount of expenses in connection with the Lease Termination Agreement and related financing, including legal, accounting and other expenses. In general, these expenses are payable by us whether or not the Lease Termination is completed. If it is not completed, we may incur additional significant amounts of expenses in connection with any future developments regarding the Master Leases. Finally, the Lease Termination Agreement could give rise to lawsuits or claims by stockholders or other third parties, which could adversely affect our business, financial condition or results of operations.

If all of the conditions to the effectiveness of the Lease Termination Agreement are satisfied, each Portfolio Property will be managed by Holiday pursuant to the Property Management Agreements, and such arrangement is expected to materially impact our Triple Net Lease segment, which currently accounts for a significant portion of our total revenues and NOI. Following the effective date of the Lease Termination Agreement, all but one of our properties would be Managed Properties. The change in mix of these properties from Triple Net Lease Properties to Managed Properties may adversely impact our stock price. Our Managed Properties are generally subject to more volatility in NOI than our Triple Net Lease properties which generally provide a steady and predictable cash flow. This could have an adverse effect on our results of operations and cash flows. In addition, for our Managed Properties, we are required to cover all property-related expenses, including maintenance, utilities, taxes, insurance, repairs and capital improvements, which could have an adverse effect on our liquidity. Furthermore, we will be subject to the other risks related to our Managed Properties as described elsewhere in this "Risk Factors" section.

Finally, the financing that we expect to incur in connection with the Lease Termination Agreement is short term and has a floating interest rate. This exposes us to additional interest rate risk, as our existing financing is primarily fixed rate. In addition, we will need to refinance the new debt prior to its maturity date in one year. Our ability to refinance the new debt will be subject to a number of factors, including the performance of our portfolio and market conditions. See "-Our inability to obtain financing (including through refinancing existing debt) on favorable terms, if at all, may impede our ability to grow or to make distributions to our stockholders." There can be no assurances that we will be able to refinance the new debt prior to its maturity on favorable terms or at all.

Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters.

On May 10, 2018, we announced that our board of directors has not made a determination regarding the amount of any dividend on our common stock for the quarter ended March 31, 2018. Our board of directors continues to evaluate our dividend policy, particularly in light of its ongoing review of strategic alternatives as well as the fact that our cash flows from operating activities, less capital expenditures and principal payments (which increased meaningfully in May 2017), have been, and continue to be, less than the amount of distributions to our stockholders. The board is expected to make its determination by June 1, 2018. There can be no assurance that we will pay cash dividends in an amount consistent with prior quarters. Any difference between the amount of any future dividend and the amount of dividends in prior quarters could be material, and there can be no assurance that our board will declare any dividend at all.

We cannot assure you that we will be able to successfully operate our business, execute our investment strategy or generate sufficient liquidity to make or sustain distributions to our stockholders.

Our ability to make distributions to our stockholders depends, in part, on the liquidity we generate on a recurring basis as well as the liquidity generated from episodic asset sales. A meaningful portion of our liquidity is attributable to Holiday. See "-We rely on a limited number of operators and are subject to Holiday concentration risk." The liquidity we generate on a recurring basis, which is generally equal to our cash flows from operating activities, less capital expenditures and principal payments on our debt (which increased meaningfully in May 2017), has consistently been less than the amount of distributions to our stockholders in prior quarters. We have funded the shortfall using cash on hand (including the proceeds from asset sales), which increased from $50.3 million as of March 31, 2017 to $120.8 million as of March 31, 2018 primarily on account of asset sales. A portion of that amount is held in operating accounts used to fund expenses at our managed properties and, therefore, may not be available for distribution to stockholders. For further information about factors that could affect our liquidity, see Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and Item 3A., "Quantitative and Qualitative Disclosures About Market Risk."

In the case of any future dividend, we may, but are not obligated to, fund the shortfall described above using cash generated from asset sales, but there can be no assurance that we will be able to complete any future asset sales in a timely manner or at all due to market conditions, various REIT restrictions or other factors. See "-Real estate investments are relatively illiquid" and "-The tax on prohibited transactions will limit our ability to engage in certain transactions which would be treated as prohibited transactions for U.S. federal income tax purposes." Moreover, we may decide to use cash generated from asset sales for other corporate purposes, such as new investments or capital expenditures. A failure to deploy the proceeds of asset sales into investments with an adequate cash yield could exacerbate the shortfall while increasing our reliance on liquidity generated other than through operations to fund distributions, which could further impair our ability to make distributions at the current level or even at a lower level. The reduction in the amount of any future dividend could be material. See "-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future."

Covenants in our debt instruments limit our operational flexibility (including our ability to sell assets or amend or terminate our triple net leases) and impose requirements on our operators, and breaches of these covenants could materially adversely affect our business, results of operations and financial condition.

The terms of our financings require us to comply with a number of customary financial and other covenants, such as maintaining leverage ratios, minimum tangible net worth requirements, REIT status and certain levels of debt service coverage. Our continued ability to conduct business in general is subject to compliance with these financial and other covenants, which limit our operational flexibility and depend on the compliance of our tenants with the terms of the applicable lease. The terms of the financings of our leased assets generally treat an event of default by the tenant or guarantor under the related lease and guaranty as an event of default under the financing. Therefore, our ability to comply with certain terms of our financings depends on the actions and operating results of our tenants and guarantors, which is outside of our control.

Mortgages on our properties contain customary covenants such as those that limit or restrict our ability, without the consent of the lender, to further encumber or sell the applicable properties, or to replace the applicable tenant or operator. Breaches of certain covenants may result in defaults under the mortgages on our properties and cross-defaults under certain of our other indebtedness, even if we satisfy our payment obligations to the respective obligee. Covenants that limit our operational flexibility as well as defaults resulting from the breach of any of these covenants could materially adversely affect our business, results of operations and financial condition. A failure to comply with the terms of our financings could result in the acceleration of the requirement to repay all or a portion of our outstanding indebtedness. In addition, the terms of our financings may prohibit or limit our ability to amend or terminate our triple net leases if we desired to do so, including in situations where our tenant and guarantors may not have the resources to make payments under the terms of the lease or guaranty, respectively.

Our inability to obtain financing (including through refinancing existing debt) on favorable terms, if at all, may impede our ability to grow or to make distributions to our stockholders.

We may not be able to fund all future capital needs from cash retained from operations, and we do not currently retain any cash from operations on account of the distributions we make to stockholders. See “-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters” and “-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future.” If we are unable to generate enough cash flow, we may need to rely (and have relied) on external sources of capital (including debt and equity financing) or asset sales to fulfill our capital requirements. If we cannot access these external sources of capital, we may not be able to make the investments needed to grow our business or to make distributions to stockholders. In addition, we may seek to refinance the debt on our leased assets if we anticipate that our tenant may not be able to comply with the terms of the applicable lease, which could result in an event of default and there can be no assurance that we will be able to obtain such refinancing on attractive terms or at all.

Our ability to obtain financing or refinance existing debt depends upon a number of factors, some of which we have little or no control over, including but not limited to:

- general availability of credit and market conditions, including rising interest rates and increasing borrowing costs;
- the market price of the shares of our equity securities;
- the market’s perception of our growth potential, compliance with applicable laws and our historic and potential future earnings and cash distributions;
- our degree of financial leverage and operational flexibility;
- the financing integrity of our lenders, which might impair their ability to meet their commitments to us or their willingness to make additional loans to us, and our inability to replace the financing commitment of any such lender on favorable terms, or at all;
- the stability in the market value of our properties;
- the financial performance and general market perception of our property managers and tenants;
- changes in the credit ratings on United States government debt securities or default or delay in payment by the United States of its obligations; and
- issues facing the healthcare industry, including, but not limited to, healthcare reform and changes in government reimbursement policies.

Any limitation on our access to financing as a result of these or other factors could impede our ability to grow and have a material adverse effect on our liquidity, ability to fund operations, make payments on our debt obligations, fund distributions to our stockholders, acquire properties and undertake development activities.

We rely on a limited number of operators and are subject to Holiday concentration risk.

If the conditions to the effectiveness of the transactions contemplated by the Lease Termination Agreement are not satisfied, Holiday will continue to account for substantially all of the NOI from our Triple Net Lease segment. In addition, Holiday serves as the manager of properties representing a significant portion of the NOI from our Managed Properties segment. For the three months ended March 31, 2018 and 2017, Holiday accounted for 93.4% and 78.9% respectively, of the NOI from our Triple Net Lease segment and served as the manager of properties representing 71.6% and 74.8%, respectively, of the NOI from our Managed Properties segment. As of March 31, 2018, Holiday leased 51 of the 52 properties in our Triple Net Lease segment, and managed 51 of the 81 properties in our Managed Properties segment. Holiday is majority-owned by private equity funds managed by our Manager (or its affiliates).

As of March 31, 2018, all of our managed properties were subject to management agreements with Holiday, Blue Harbor, JEA, Thrive, Grace or Watermark. We rely on our property managers' personnel, expertise, technical resources and information systems, proprietary information, good faith and judgment to manage our senior housing operations efficiently and effectively. We also rely on our property managers to set appropriate resident fees and to otherwise operate our senior housing communities in compliance with the terms of our property management agreements and all applicable laws and regulations. Although we have various rights as the property owner under our property management agreements, including various rights to set budget guidelines and to terminate and exercise remedies under those agreements as provided therein, any failure, inability or unwillingness on the part of our property managers to satisfy their respective obligations under those agreements, to efficiently and effectively manage our properties or to provide timely and accurate accounting information with respect thereto, could have a material adverse effect on us.

Holiday has changed its operating model as a result of a proposed change in labor laws, which has adversely affected occupancy levels and could continue to adversely affect the performance of our Holiday-managed properties. Under the previous operating model, Holiday staffed many of our facilities with live-in resident managers and, in certain cases, was required to pay us rent for the units occupied by the live-in resident managers. The change in the operating model eliminated live-in staffing and could therefore result in decreased revenue from certain Holiday-managed properties as well as increased expenses.

Our leased properties currently account for a significant portion of our total revenues and NOI, and because our leases are triple net leases, we depend on our tenants to pay all property-related expenses, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees in connection with the leased properties. We cannot assure you that our tenants will have sufficient assets, income and access to financing to enable them to satisfy their obligations to us, and any failure, inability or unwillingness to do so could have a material adverse effect on us. In addition, although affiliates of our tenants, including Holiday, have provided a lease guaranty in connection with their respective leases, the guarantees may not be sufficient to satisfy the tenant's obligations to us, and our tenants and guarantors may not have sufficient assets, income and access to financing to enable them to satisfy their obligations to us. If we are unable to terminate our triple net leases with Holiday, our continued reliance on Holiday for a substantial portion of our total revenues and NOI from our senior housing investments creates significant credit risk related to Holiday. If Holiday becomes unable or unwilling to satisfy its obligations to us, our financial condition, results of operations, liquidity and ability to make payments on our financings would be materially and adversely affected.

Our tenants may be unable or unwilling to satisfy their lease obligations to us, and there can be no assurance that the applicable guarantor of our leases will be able to cover any shortfall or maintain compliance with applicable financial covenants. Any failure on the part of our tenants or guarantors to satisfy their obligations to us would have a material adverse effect on our financial condition, cash flows, results of operations and liquidity.

Certain of our properties are leased on a triple net basis to two operators, including Holiday, which is majority-owned by private equity funds managed by our Manager (or its affiliates). Rental income from our triple net leases represented 50.6% of our NOI during the three months ended March 31, 2018, and Holiday accounted for 93.4% of that amount.

Our triple net leases subject us to credit and other risks from our tenants. If we are unable to terminate our triple net leases with Holiday, our tenants may not have sufficient assets, income and access to financing to enable them to make rental payments to us or to otherwise satisfy their respective obligations under our leases, and any inability or unwillingness by them to do so would have a material adverse effect on our financial condition, results of operations, liquidity and ability to make payments on our financings. 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, which could impair such tenant's ability to generate sufficient income to satisfy its obligations to us. Our tenants have also agreed to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with their respective businesses, and we cannot assure you that they will have sufficient assets, income, access to financing and insurance coverage to enable them to satisfy their respective indemnification obligations.

If any of our tenants are not able to satisfy their obligations to us, we would be entitled, among other remedies, to use any funds of such tenants then held by us and to seek recourse against the guarantor under its guaranty of the applicable lease. The guaranty of the applicable lease subjects us to credit risk from our guarantors. There can be no assurance that a guarantor will have the resources necessary to satisfy its obligations to us under its guaranty of the applicable lease in the event that a tenant fails to satisfy its lease obligations to us in full, which would have a material adverse effect on our financial condition, results of operations, liquidity and ability to make payments on our financings. In addition, a guarantor's obligations to us may be limited to an amount that is less than our damages under the related lease.

We monitor credit risk in a variety of ways, including by monitoring: (i) the tenant's EBITDARM (a supplemental measure of a property's ability to generate cash flow reported to us by our tenant and defined as earnings before interest, taxes, depreciation, amortization, rent and management fees) coverage on a portfolio-wide basis, which is the ratio of the tenant's EBITDARM for our triple net lease portfolio to the lease payments owed to us by our tenants, (ii) the lease coverage ratio applicable to each of our tenants, which is similar to EBITDARM coverage but calculated on a lease-by-lease basis in accordance with the requirements of the applicable lease, and (iii) a fixed charge coverage ratio applicable to the guarantor of our tenants' lease obligations, which is a ratio of the cash flow generated by all of the portfolios guaranteed by a given guarantor to the lease payments owed by the applicable tenants, as well as other financial covenants applicable to the guarantors of our tenants' lease obligations.

On a portfolio-wide basis, we have observed a continuous decline in tenant EBITDARM coverage for our triple net lease portfolio over the past years, and we expect this decline to continue. As of March 31, 2018, our same store triple net lease portfolio had a tenant EBITDARM coverage ratio of 1.15x, compared to 1.20x as of March 31, 2017. Given recent performance, we expect tenant EBITDARM coverage, which is reported one quarter in arrears on a trailing 12-month basis, to decline further.

With respect to lease-specific coverage ratios, our leases are subject to rent escalators, so compliance with a lease coverage ratio generally requires the performance of the leased portfolio to improve at a faster rate than the rent escalators, which has not been the case to date, particularly in our Holiday portfolio. Our tenants are generally permitted to cure non-compliance of lease covenants (as opposed to guarantor covenants) by posting cash as a "shortfall deposit," which Holiday has done for the most recent two quarters. In addition, we have and, from time to time, may waive compliance with a lease coverage ratio or the requirement to post a shortfall deposit. However, our ability to waive any future noncompliance is limited by the terms of our financings, which require us to enforce the tenant's obligations in a commercially reasonable manner.

Unlike the lease coverage ratio referenced above, the minimum fixed charge coverage ratio and other financial covenants applicable to the Holiday lease guarantor is not subject to a cash cure. The guarantor of our Holiday lease is also the guarantor of other leases Holiday has with other counterparties. The "fixed charges" of our Holiday lease guarantor include tenant obligations under our leases with Holiday as well as tenant obligations under Holiday's leases with other counterparties. These leases generally provide for periodic rent increases, so continued compliance with the guarantor covenant generally requires the performance of the leased portfolios to improve at a faster rate than the rent escalators, which has not been the case to date. The performance of the portfolios leased by Holiday from other counterparties, and guaranteed by the entity that serves as the guarantor of our Holiday leases, could adversely affect such guarantor's ability to satisfy its obligations to us.

We cannot assure you that our tenants and lease guarantors will remain in compliance with any applicable financial covenants, either through the performance of the underlying portfolio or through the use of cash cures, if permitted. A failure to comply with or cure a financial covenant, if applicable, would generally give rise to an event of a default under a lease, and such event of default could result in an event of default under our financing for the applicable property, which could have a material adverse effect on our financial position, cash flows, results of operations and liquidity.

Even if our tenants are current on their obligations to make payments to us, a breach of a non-curable financial covenant applicable to a tenant or guarantor could result in an event of default under the applicable financing, which could have a material adverse effect on our financial position, cash flows, results of operations and liquidity. The failure of any of our tenants or lease guarantors to comply with the terms of their respective leases, or the termination of any of our leases before the expiration of the original term (even in the absence of a breach by the tenant), could have a material adverse effect on our financial position, cash flows, results of operations and liquidity.

Some of our tenants have sought to, and may continue to seek to, renegotiate the terms of a lease to reduce rental payments, to avoid the requirement to fund shortfall deposits or similar obligations, or to otherwise change or terminate the lease. Our ability to change or terminate a lease may be subject to the consent of our lender for the applicable financing or may require us to prepay outstanding indebtedness, which could result in the incurrence of meaningful prepayment fees and expenses. In connection with the anticipated termination of our Holiday leases, we expect to incur prepayment fees and expenses of approximately $65 million during the second quarter of 2018.

In the event of the expiration or earlier termination of our existing leases, we may not be able to enter into new leases with terms as favorable as the terms of our existing leases.

We cannot predict whether our tenants will satisfy their obligations to us or renew their leases at the end of the applicable term. In addition we may agree to voluntarily terminate a lease prior to the end of its stated term.

If there is a default under one or more of our leases, or these leases are not renewed or they are terminated before the expiration of the original term, it may not be feasible to re-lease such properties to a new tenant. There can be no assurance that we would be able to identify suitable replacement tenants, enter into leases with new tenants on terms as favorable to us as the current leases or that we would be able to lease those properties at all.

Upon the termination of any lease, we may decide to sell the properties or to operate such properties on a managed basis. A sale would subject us to reinvestment risk, and owning the properties on a managed basis could be meaningfully less profitable than owning such properties subject to a lease.

Our tenants and guarantors may become subject to bankruptcy or insolvency proceedings.

Our tenants and guarantors may not be able to satisfy the payments due to us or otherwise comply with the terms of the applicable lease or guaranty, which may result in a tenant or guarantor bankruptcy or insolvency, or a tenant or guarantor might become subject to bankruptcy or insolvency proceedings for other reasons. Although our lease agreements provide us with the right to evict tenants, demand immediate payment of rent and exercise other remedies, the bankruptcy and insolvency laws afford certain rights to a party that has filed for bankruptcy or reorganization. A tenant in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect unpaid rent and to exercise other rights and remedies. A guarantor in bankruptcy or subject to insolvency proceedings may be able to limit or delay our ability to collect under the guaranty and to exercise other rights and remedies. The occurrence of a tenant or guarantor bankruptcy or insolvency could have a material adverse effect on us.

We may be required to fund certain expenses (e.g., real estate taxes and maintenance) to preserve the value of our property, avoid the imposition of liens on a property and/or transition a property to a new tenant. If we cannot transition a leased property to a new tenant, we may take possession of that property, which may expose us to certain successor liabilities. Should such events occur, our revenue and operating cash flow may be adversely affected.

We may not be able to complete accretive investments, and the investments we do complete may not be successful.

We may not be able to redeploy the proceeds from asset sales into new investments. We may not be able to consummate attractive acquisition opportunities because of market conditions, liquidity constraints, regulatory reasons or other factors. The current low interest rate environment may create difficulties for sourcing new investments, for instance by drive upward sales prices.

We face significant competition from other REITs, investment companies, private equity and hedge fund investors, sovereign funds, healthcare operators, lenders, developers and other institutional investors, some of whom may have greater resources and lower costs of capital than we do. Increased competition makes it more challenging for us to identify and successfully capitalize on opportunities that meet our business goals and could improve the bargaining power of property owners seeking to sell, thereby impeding our investment, acquisition and development activities. A failure to make investments at favorable prices, or to finance acquisitions on commercially favorable terms, could have a material adverse effect on our business, financial condition and results of operations.

We might never realize the anticipated benefits of the investments we do complete. We might encounter unanticipated difficulties and expenditures relating to any investments. Notwithstanding pre-acquisition due diligence, we do not believe that it is possible to fully understand a particular property before it is operated for an extended period of time, and newly acquired properties might require significant management attention. For example, we could acquire a property that contains undisclosed defects in design or construction. In addition, after our acquisition of a property, the market in which the acquired property is located may experience unexpected changes that adversely affect the property's value. The occupancy of properties that we acquire may decline during our ownership, and rents or returns that are in effect or expected at the time a property is acquired may decline thereafter. Also, our property operating costs for acquisitions may be higher than we anticipate and acquisitions of properties may not yield the returns we expect and, if financed using debt or new equity issuances, may result in stockholder dilution. For these reasons, among others, any acquisitions of additional properties may not succeed or may cause us to experience losses.

Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.

We have leveraged our assets through a variety of borrowings, including floating rate financings. Our investment guidelines do not limit the amount or type of leverage we may incur. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets. See "-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters" and "-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future."

Real estate investments are relatively illiquid.

Real estate investments are relatively illiquid, and our ability to quickly sell or exchange our properties in response to changes in economic or other conditions is limited. In the event we desire or need to sell any of our properties, the value of those properties and our ability to sell at a price or on terms acceptable to us could be adversely affected by a downturn in the real estate industry or any weakness in the senior housing industry. We are in the process of selling several assets, and there can be no assurance that we will complete these sales in a timely manner, or at all. We cannot assure you that we will recognize the full value of any property that we sell for liquidity or other reasons, and the inability to respond quickly to changes in the performance of our investments could adversely affect our business, results of operations and financial condition.

We are dependent on our operators for the performance of our managed assets, and, as a REIT, we are not able to operate our AL/MC properties.

During the three months ended March 31, 2018, 49.4% of our NOI was attributable to our managed portfolio. We have engaged third parties to operate all of our managed assets on our behalf. The income generated by our managed properties depends on the ability of our property managers to successfully manage these properties, which is a complex task. Although we have various rights pursuant to our property management agreements, we rely upon our property managers' personnel, expertise, technical resources and information systems, compliance procedures and programs, proprietary information, good faith and judgment to manage our senior housing operations efficiently and effectively. We also rely on our property managers to provide accurate property-level financial results for our properties in a timely manner and to otherwise operate our properties in compliance with the terms of our property management agreements and all applicable laws and regulations. We rely on our property managers to attract and retain skilled management personnel and property level personnel who are responsible for the day-to-day operations of our properties. A failure to effectively manage property operating expense, including, without limitation, labor costs and resident referral fees, or significant changes in our property managers' ability to manage our properties efficiently and effectively, could adversely affect the income we receive from our properties and have a material adverse effect on us. Any adverse developments in our property managers' business and affairs or financial condition could impair such property manager's ability to manage our properties efficiently and effectively and in compliance with applicable laws, which could have a material adverse effect on our business, results of operations or financial condition.

While we monitor our property managers' performance, we have limited recourse under our property management agreements to address poor performance. In some cases, poor performance may give rise to a termination right, but termination may be an unattractive remedy since we may not be able to identify a suitable alternative operator and transitioning management is subject to risks.

U.S. federal income tax laws generally restrict REITs and their subsidiaries from operating healthcare properties. Accordingly, as a REIT, we are not able to manage our AL/MC senior housing properties. Our AL/MC investments are structured to be compliant with the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA"), which permits a REIT to lease properties to a taxable REIT subsidiary ("TRS") if the TRS hires an "eligible independent contractor" ("EIK") to manage the property. Under this structure, the REIT (i.e., a disregarded subsidiary of New Senior) is the property owner, and it leases the property to the TRS (another subsidiary of New Senior). The REIT receives rent from the TRS, and the TRS is entitled to the income from the properties, less the rent paid to the REIT and a management fee paid to the EIK. In addition, the TRS pays tax on its taxable income.

Various factors can result in our managed properties performing poorly, such as weak occupancy or increased expenses.

A failure by our operators to grow or maintain occupancy could adversely affect the NOI generated by our managed properties. Unlike a typical apartment leasing arrangement that involve lease agreements with terms of up to a year or longer, resident agreements at our senior housing properties generally allow residents to terminate their agreements with 30 days' notice. In an effort to increase occupancy or avoid a decline in occupancy, our property managers may offer incentives or discounts, which could also have a material adverse effect on our results of operations.

Occupancy levels at our properties may not increase, or may decline, due to a variety of factors, including, without limitation, falling home prices, declining incomes, stagnant home sales, competition from other senior housing developments, reputational issues faced by our operators, a regulatory ban on admissions or forced closure. In addition, the senior housing sector may experience a decline in occupancy due to the state of the national, regional or local economies and the associated decision of certain residents to elect home care options instead of senior housing. Occupancy levels may also decline due to seasonal contagious illnesses such as influenza. New supply, which is expected to remain at elevated levels during 2018, is likely to continue to negatively affect occupancy at our properties. Moreover, we have recently observed declines in occupancy in our IL assets that we believe are associated with a change in operating model implemented by Holiday.

In terms of expenses, wages and employee benefits represent a significant part of the expense structure at our properties. Our AL/MC properties are particularly labor intensive. We rely on our property managers to attract and retain skilled management personnel and property level personnel who are responsible for the day-to-day operations of our properties, but, as the owner, we are responsible for the payroll expense of property-level employees (as well as the properties' other operating costs).

Our property managers may be required to pay increased compensation or offer other incentives to retain key personnel and other employees. The market for qualified nurses and healthcare professionals is highly competitive. Periodic and geographic area shortages of nurses or other trained personnel may require our property managers to increase the wages and benefits offered to their employees in order to attract and retain these personnel or to hire temporary personnel, which are generally more expensive than regular employees. Employee benefits costs, including employee health insurance and workers' compensation insurance costs, have materially increased in recent years. Increasing employee health and workers' compensation insurance costs may materially and negatively affect the NOI of our properties.

With respect to lesser skilled workers, our property managers may have to compete with numerous other employers, which could also place upward pressure on wages and increase turnover. In addition, certain states have recently increased or proposed to increase the minimum wage, which could increase our property operating expenses and adversely affect our results of operations. Changes in minimum wage laws can have an impact beyond the expense of minimum wage workers, because an increase in the minimum wage can result in an increase in wages for workers who are relatively close to the minimum wage.

We cannot assure you that labor costs at our properties will not increase or that any increase will be matched by corresponding increases in rates charged to residents. Any significant failure by our property managers to control labor costs or to pass on any such increased labor costs to residents through rate increases could have a material adverse effect on our business, financial condition and results of operations. In addition, if our tenants fail to attract and retain qualified personnel, their ability to satisfy their obligations to us could be impaired.

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

We and our operators 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 our business processes, including financial transactions and maintenance of records, which may include personal identifying information of the residents at our properties. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing this confidential information, such as individually identifiable information relating to financial accounts. Although we and our operators have taken steps to protect the security of the data maintained in our information systems, it is possible that such security measures will not be able to prevent the systems' improper functioning, or the improper 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. 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 materially and adversely affect our business, financial condition and results of operations.

Our operators may be faced with significant potential litigation and rising insurance costs that not only affect their ability to obtain and maintain adequate liability and other insurance, but also may affect, in the case of our triple net lease properties, their ability to pay their lease payments and generally to fulfill their insurance and indemnification obligations to us.

In some states, advocacy groups monitor the quality of care at assisted and independent living communities, and these groups have brought litigation against operators. Also, in several instances, private litigation by assisted and independent living community residents or their families have succeeded in winning very large damage awards for alleged neglect and we cannot assure you that we will not be subject to these types of claims. The effect of this litigation and potential litigation has been to, amongst other matters, materially increase the costs of monitoring and reporting quality of care compliance. The cost of liability and medical malpractice insurance has increased and may continue to increase so long as the present litigation environment in many parts of the United States continues. This may affect the ability of some of our property managers and tenants to obtain and maintain adequate liability and other insurance and manage their related risk exposures. In addition to causing some of our property managers and tenants to be unable to fulfill their insurance, indemnification and other obligations to us under their property management agreements or leases and thereby potentially exposing us to those risks, these litigation risks and costs could cause some of our tenants to become unable to pay rents due to us. Such nonpayment could potentially affect our ability to meet future monetary obligations under our financing arrangements.

The failure of our operators to comply with laws relating to the operation of our properties may have a material adverse effect on the ability of our tenants to provide its services, pay us rent, the profitability of our managed properties and the values of our properties.

We and our operators are subject to or impacted by extensive, frequently changing federal, state and local laws and regulations. Some of these laws and regulations include: state and local licensure laws; state laws related to patient abuse and neglect; laws protecting consumers against deceptive practices; laws relating to the operation of our properties and how our property managers and tenants conduct their operations, such as fire, health and safety laws and privacy laws; federal and state laws affecting communities that participate in Medicare and Medicaid; the Americans with Disabilities Act and similar state and local laws; and safety and health standards set by the Occupational Safety and Health Administration. We and our operators expend significant resources to maintain compliance with these laws and regulations, and responding to any allegations of noncompliance also results in the expenditure of significant resources. If we or our operators fail to comply with any applicable legal requirements, or are unable to cure deficiencies, certain sanctions may be imposed and, if imposed, may materially and adversely affect our tenants' ability to pay their rent, the profitability of our managed properties, the values of our properties, our ability to complete additional acquisitions in the state in which the violation occurred, and our reputation. Further, changes in the regulatory framework could have a material adverse effect on the ability of our tenants to pay us rent (and any such nonpayment could potentially affect our ability to meet future monetary obligations under our financing arrangements), the profitability of and the values of our properties.

We and our operators are required to comply with federal and state laws governing the privacy, security, use and disclosure of individually identifiable information, including financial information and protected health information. Under HIPAA, we and our operators are required to comply with the HIPAA privacy rule, security standards and standards for electronic healthcare transactions. State laws also govern the privacy of individual health information, and these laws are, in some jurisdictions, more stringent than HIPAA. Other federal and state laws govern the privacy of individually identifiable information. If we or our operators fail to comply with applicable federal or state standards, we or they could be subject to civil sanctions and criminal penalties, which could materially and adversely affect our business, financial condition and results of operations.

Some of our properties and their operations are subject to extensive regulations. Failure to comply, or allegations of failing to comply, could have a material adverse effect on us.

Various governmental authorities mandate certain physical characteristics of senior housing properties. Changes in laws and regulations relating to these matters may require significant expenditures. Our property management agreements and triple net leases generally require our operators to maintain our properties in compliance with applicable laws and regulations, and we expend resources to monitor their compliance. However, our monitoring efforts may fail to detect weaknesses in our operators' performance on the clinical and other aspects of their duties, which could expose us to the risk of penalties, license suspension or revocation, criminal sanctions and civil litigation. Any such actions, even if ultimately dismissed or decided in our favor, could have a material adverse effect on our reputation and results of operations. In addition, our operators may neglect maintenance of our properties if they suffer financial distress. In the case of our triple net lease properties, we may agree to fund capital expenditures in return for rent increases or other concessions. Our available financial resources or those of our tenants may be insufficient to fund the expenditures required to operate our properties in accordance with applicable laws and regulations. If we fund these expenditures, our tenants' financial resources may be insufficient to satisfy their increased rental payments to us or other incremental obligations. Failure to obtain a license or registration, or loss of a required license or registration, would prevent a property from operating in the manner intended by the property managers or tenants, which could have a material adverse effect on our property managers' ability to generate income for us or our tenants' ability to make rent payments to us. Any compliance issues could also make it more difficult to obtain or maintain required licenses and registrations.

Licensing, Medicare and Medicaid and other laws may also require some or all of our operators to comply with extensive standards governing their operations and such operations are subject to routine inspections. In addition, certain laws prohibit fraud by senior housing operators and other healthcare communities, including civil and criminal laws that prohibit false claims in Medicare, Medicaid and other programs that regulate patient referrals. In recent years, the federal and state governments have devoted increasing resources to monitoring the quality of care at senior housing communities and to anti-fraud investigations in healthcare operations generally. When violations of applicable laws are identified, federal or state authorities may impose civil monetary damages, treble damages, repayment requirements and criminal sanctions. In addition to these penalties, violation of any of these laws may subject our operators to exclusion from participation in any federal or state healthcare program. For example, if an operator is subject to a criminal conviction relating to the delivery of goods or services under the Medicare or Medicaid programs, the operator would be excluded from participation in those programs for five years. These fraud and abuse laws and regulations are complex, and we and our operators do not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. While we do not believe our operators are in violation of these prohibitions, we cannot assure you that governmental officials charged with the responsibility of enforcing the provisions of these prohibitions will not assert that an operator is in violation of such laws and regulations. Violations of law often result in significant media attention. Healthcare communities may also be subject to license revocation or conditional licensure and exclusion from or conditional Medicare or Medicaid participation. When quality of care deficiencies or improper billing are alleged or identified, various laws, including laws prohibiting patient abuse and neglect, may authorize civil money penalties or fines; the suspension, modification or revocation of a license (which could result in the suspension of operations) or Medicare or Medicaid participation; the suspension or denial of admissions of residents; the removal of residents from properties; the denial of payments in full or in part; the implementation of state oversight, temporary management or receivership; and the imposition of criminal penalties. We, our property managers and our tenants have received inquiries and requests from various government agencies and we have in the past and may in the future receive notices of potential sanctions, and governmental authorities may impose such sanctions from time to time on our properties based on allegations of violations or alleged or actual failures to cure identified deficiencies. If imposed, such sanctions may adversely affect the profitability of managed properties, the ability to maintain managed properties (including properties unrelated to the property in question) in a given state, our ability to continue to engage certain managers and our tenants' ability to pay rents to us (and any such nonpayment could potentially affect our ability to meet future monetary obligations or could trigger an event of default under our financing arrangements). Any such claims could also result in material civil litigation. Federal and state requirements for change in control of healthcare communities, including, as applicable, approvals of the proposed operator for licensure, certificate of need ("CON"), Medicare and Medicaid participation, and the terms of our debt may also limit or delay our ability to find substitute tenants or property managers. If any of our property managers or tenants becomes unable to operate our properties, or if any of our tenants becomes unable to pay its rent because they have violated government regulations or payment laws, we may experience difficulty in finding a substitute tenant or property manager or selling the affected property for a fair and commercially reasonable price, and the value of an affected property may decline materially.

The impact of the comprehensive healthcare regulation enacted in 2010 on us and our operators cannot accurately be predicted.

The Health Reform Laws, provide states with an increased federal medical assistance percentage under certain conditions. On June 28, 2012, The United States Supreme Court upheld the individual mandate of the Health Reform Laws but partially invalidated the expansion of Medicaid. The ruling on Medicaid expansion allows states not to participate in the expansion-and to forgo funding for the Medicaid expansion-without losing their existing Medicaid funding. Thus far, approximately one-half of the states are fully participating. Given that the federal government substantially funds the Medicaid expansion, it is unclear whether any state will pursue this option, although at least some appear to be considering this option at this time. The participation by states in the Medicaid expansion could have the dual effect of increasing our property managers' and tenants revenues, through new patients, but further straining state budgets. While the federal government will pay for approximately 100% of those additional costs until 2016, states will be expected to begin paying for part of those additional costs in 2017. With increasingly strained budgets, it is unclear how states will pay their share of these additional Medicaid costs and what other healthcare expenditures could be reduced as a result. A significant reduction in other healthcare related spending by states to pay for increased Medicaid costs could affect our property managers' and tenants' revenue streams, which could materially and adversely affect our business, financial condition and results of operations.

Our investments are concentrated in senior housing real estate, and in certain geographic areas.

To date, our investments have been in the senior housing sector. Any factors that affect real estate and the senior housing industry will have a more pronounced effect on our portfolio relative to a portfolio of more diversified investments. In addition, the geographic concentration of our assets in certain states may result in losses due to our significant exposure to the effects of economic and real estate conditions in those markets. The geographic location of our properties and the percentage of total revenues by geographic location are set forth under Item1. Business-Our Portfolio. As a result of this concentration, a material portion of our portfolios are significantly exposed to the effects of economic and real estate conditions in those particular markets, such as the supply of competing properties, home prices, income levels, the financial condition of our tenants, and general levels of employment and economic activity, which has been, and may continue to be, adversely affected by the recent decline in oil prices. To the extent that weak economic or real estate conditions affect markets in which we have a significant presence more severely than other areas of the country, our financial performance could be negatively impacted. Some or all of these properties could be affected if these regions experience severe weather or natural disasters; delays in obtaining regulatory approvals; delays or decreases in the availability of personnel or services; and/or changes in the regulatory, political or fiscal environment.

Competition may affect our operators' ability to meet their obligations to us.

Our property managers compete with other companies on a number of different levels, including: the quality of care provided, reputation, the physical appearance of a property, price and range of services offered, alternatives for healthcare delivery, the supply of competing properties, physicians, staff, referral sources, location, the size and demographics of the population in surrounding areas and the financial condition of tenants and managers. A property manager's inability to successfully compete with other companies on one or more of the foregoing levels could adversely affect the senior housing property and materially reduce our property-level NOI.

The healthcare industry is also highly competitive, and our operators may encounter increased competition for residents and patients, including with respect to the scope and quality of care and services provided, reputation and financial condition, physical appearance of the properties, price and location. The operations of our RIDEA AL/MC properties and our IL properties depend on the competitiveness and financial viability of the properties. If our managers are unable to successfully compete with other operators and managers by maintaining profitable occupancy and rate levels, their ability to generate income for us may be materially adversely affected. The operations of our triple net lease tenants also depend upon their ability to successfully compete with other operators. If our tenants are unable to successfully compete, their ability to fulfill their obligations to us, including the ability to make rent payments to us, may be materially adversely affected. Future changes in government regulation may adversely affect the healthcare industry, including our senior housing properties and healthcare operations, property managers and tenants, and our property managers and tenants may not achieve and maintain occupancy and rate levels that will enable them to satisfy their obligations to us. Any adverse changes in the regulation of the healthcare industry or the competitiveness of our property managers and tenants could have a more pronounced effect on us than if we had investments outside the senior housing and healthcare industries.

Overbuilding in markets in which our senior housing properties are located could adversely affect our future occupancy rates, operating margins and profitability.

The senior housing industry generally has limited barriers to entry, and, as a consequence, the development of new senior housing properties could outpace demand. If development outpaces demand for those asset types in the markets in which our properties are located, those markets may become saturated, and we could experience decreased occupancy, reduced operating margins and lower profitability. New supply is expected to remain at elevated levels for 2018 and has had a negative impact on our portfolio.

Transfers of healthcare properties may require regulatory approvals, and these properties may not have efficient alternative uses.

Transfers of healthcare properties to successor operators frequently are subject to regulatory approvals or notifications, including, but not limited to, change of ownership approvals under a CON or determination of need laws, state licensure laws, Medicare and Medicaid provider arrangements that are not required for transfers of other types of real estate. The replacement of a healthcare property operator could be delayed by the approval process of any federal, state or local agency necessary for the transfer of the property or the replacement of the operator licensed to manage the property, whether as a result of regulatory issues identified elsewhere in this report or otherwise. Alternatively, given the specialized nature of our properties, we may be required to spend substantial time and funds to adapt these properties to other uses. If we are unable to timely transfer properties to successor operators or find efficient alternative uses, our revenue and operations may be adversely affected.

Changes in reimbursement rates, payment rates or methods of payment from government and other third-party payors, including Medicaid and Medicare, could have a material adverse effect on us and our operators.

Certain of our operators rely on reimbursement from third-party payors, including the Medicare and Medicaid programs. Medicare and Medicaid programs, as well as numerous private insurance and managed care plans, generally require participating providers to accept government-determined reimbursement levels as payment in full for services rendered, without regard to the facility's charges. Changes in the reimbursement rate or methods of payment from third-party payors, including Medicare and Medicaid, or the implementation of other measures to reduce reimbursements for services provided by our property managers or our tenants, could result in a substantial reduction in our and our tenant's revenues. In addition, the implementation of the Resource Utilization Group, Version Four, or "RUG-IV," which revises the payment classification system for skilled nursing facilities, may impact our tenants by revising the classifications of certain patients.

Additionally, revenue under third-party payor agreements can change after examination and retroactive adjustment by payors during the claims settlement processes or as a result of post-payment audits. Payors may disallow requests for reimbursement based on determinations that certain costs are not reimbursable or reasonable or because additional documentation is necessary or because certain services were not covered or were not medically necessary. We cannot assure you that our operators who currently depend on governmental or private payor reimbursement will be adequately reimbursed for the services they provide. Significant limits by governmental and private third-party payors on the scope of services reimbursed or on reimbursement rates and fees, whether from legislation, administrative actions or private payor efforts, could have a material adverse effect on liquidity, financial condition and results of operations, which could affect adversely their ability to comply with the terms of our leases and have a material adverse effect on us.

If any of our properties are found to be contaminated, or if we become involved in any environmental disputes, we could incur substantial liabilities and costs.

Under federal and state environmental laws and regulations, a current or former owner of real property may be liable for costs related to the investigation, removal and remediation of hazardous or toxic substances or petroleum that are released from or are present at or under, or that are disposed of in connection with such property. Owners of real property may also face other environmental liabilities, including government fines and penalties imposed by regulatory authorities and damages for injuries to persons, property or natural resources. Environmental laws and regulations often impose liability without regard to whether the owner was aware of, or was responsible for, the presence, release or disposal of hazardous or toxic substances or petroleum. In certain circumstances, environmental liability may result from the activities of a current or former operator of the property. Although we are generally indemnified by our property managers and tenants of our properties for contamination caused by them, these indemnities may not adequately cover all environmental costs.

Some of our senior housing properties generate infectious medical waste due to the illness or physical condition of the residents.

The management of infectious medical waste, including handling, storage, transportation, treatment and disposal, is subject to regulation under various laws, including federal and state environmental laws. These environmental laws set forth the management requirements, as well as permit, record-keeping, notice, and reporting obligations. Each of our senior housing properties has an agreement with a waste management company for the proper disposal of all infectious medical waste. The use of such waste management companies does not immunize us from alleged violations of such medical waste laws for operations for which we are responsible even if carried out by such waste management companies, nor does it immunize us from third-party claims for the cost to clean up disposal sites at which such wastes have been disposed. Any finding that we are not in compliance with these environmental laws could adversely affect our business, financial condition and results of operations. While we are not aware of non-compliance with environmental laws related to infectious medical waste at our senior housing properties, these environmental laws are amended from time to time and we cannot predict when and to what extent liability may arise. In addition, because these environmental laws vary from state to state, expansion of our operations to states where we do not currently operate may subject us to additional restrictions on the manner in which we operate our senior housing properties.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. In addition, as a result of any new investment in senior housing properties, we may be required to consolidate additional entities, and, therefore, to document and test effective internal controls over the financial reporting of these entities in accordance with Section 404, which we may not be able to do. Even if we are able to do so, there could be significant costs and delays, particularly if these entities were not subject to Section 404 prior to being acquired by us. We cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we had previously believed that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm will not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our share price and impairing our ability to raise capital.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

As has been widely publicized, the SEC, the Financial Accounting Standards Board ("FASB") and other regulatory bodies that establish the accounting rules applicable to us have recently proposed or enacted a wide array of changes to accounting rules. Moreover, in the future these regulators may propose additional changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition.

There are risks related to new properties under construction or development.

In the future, we might construct one or more new properties. Any failure by us or our property managers to obtain the required license, certification, compliance programs, contracts, governmental permits and authorizations, or to obtain financing on favorable terms, may impede our ability to earn revenues on the relevant properties. Additionally, we may have to wait years for significant cash returns on newly developed properties. Furthermore, if our financial projections with respect to a new property are inaccurate due to increases in capital costs or other factors, the property may fail to perform as we expected in analyzing our investment. State and local laws also may regulate the expansion, including the addition of new beds or services or acquisition of medical equipment, and the construction or renovation of healthcare properties, by requiring a CON or other similar approval from a state agency. Any compliance issues could also make it more difficult to obtain or maintain required licenses and registrations.

RISKS RELATED TO OUR MANAGER

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the Management Agreement, and the inability of our Manager to retain or obtain key personnel could delay or hinder implementation of our investment strategies, which could impair our ability to make distributions and could reduce the value of your investment.

None of our officers or other individuals who perform services for us is an employee of New Senior. Instead, these individuals are employees of our Manager, or our operators. We are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, and our operators to conduct our business. We are subject to the risk that our Manager will terminate the Management Agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all.

We believe that our future success depends, in large part, upon our Manager's ability to hire and retain highly skilled personnel. Competition for highly skilled personnel is intense, and our Manager may be unsuccessful in attracting and retaining such skilled personnel. If we lose or are unable to obtain the services of highly skilled personnel, our ability to implement our investment strategies could be delayed or hindered and this could materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. See "-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters" and "-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future." Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation may be partially or entirely dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations.

On December 27, 2017, Softbank announced that it completed the Softbank Merger. Fortress operates within Softbank as an independent business headquartered in New York. There can be no assurance that the Softbank Merger will not have an impact on us or our relationship with the Manager.

There are conflicts of interest in our relationship with our Manager.

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by the independent directors of Drive Shack as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates-including investment funds, private investment funds, or businesses managed by our Manager-invest in senior housing properties and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of Fortress and these other entities. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress for certain target assets. Fortress has raised two funds primarily focused on investing in senior housing properties. The first, raised in 2006 with $650 million in commitments at closing had its final liquidation in December 2014. The second, also raised in 2006, had $1.6 billion in capital commitments as of March 31, 2018 and is in the process of selling its investment in Holiday. Certain of Fortress's other funds also hold significant investments in senior housing. All of these funds are outside their respective investment periods, although one of these funds has approximately $120 million in unfunded commitments, which may be drawn for follow-on investments. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress had approximately $43.6 billion of assets under management as of December 31, 2017. In addition, with respect to funds in the process of selling investments, our Manager may be incentivized to regard the sale of such assets to New Senior positively, particularly if a sale to an unrelated third party would result in a loss of fees to our Manager.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager may engage in additional investment opportunities related to senior housing in the future, which may cause our Manager to compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of ours and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, such as our acquisitions of sizeable portfolios of assets from Holiday, which may present an actual, potential or perceived conflict of interest. Actual, potential or perceived conflicts have given, and in the future could give, rise to investor dissatisfaction, settlements with stockholders, litigation or regulatory inquiries or enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of such measures at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our equity offerings, our Manager may be incentivized to cause us to issue additional stock, which could be dilutive to existing stockholders.

It would be difficult and costly to terminate our Management Agreement with our Manager.

It would be difficult and costly for us to terminate our Management Agreement with our Manager. During its initial ten-year term, we can only terminate the Management Agreement for cause. In the event that we determine that it would be desirable to terminate the Management Agreement during its initial ten-year term without cause, the terms of any such termination would need to be mutually agreed between us and the Manager, and we may be unable to agree on terms that are mutually acceptable. After its initial ten-year term, the Management Agreement will be automatically renewed for one-year terms unless terminated (i) by a majority vote of at least two-thirds of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by continuing to provide the services under the Management Agreement at a fee that a simple majority of our independent directors have reasonably determined to be fair. Our Manager will be provided 60 days' prior notice of any such termination following the initial ten-year term and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period preceding such termination. In addition, following any such termination of the Management Agreement following the initial ten-year term, our Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their then current fair market value or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the Management Agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our board of directors has approved broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our board of directors will periodically review our investment guidelines and our investment portfolio. However, our board of directors does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, our board of directors relies primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by our board of directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short- or long-term basis. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the investments we target. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore impair our ability to make distributions to our stockholders or have adverse effects on our liquidity or financial condition. See “-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters” and
“-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future.” A change in our investment strategy may also increase our exposure to interest rate, real estate market or credit market fluctuations. In addition, a change in our investment strategy may increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations and our financial condition.

Our Manager will not be liable to us for any acts or omissions performed in accordance with the Management Agreement, including with respect to the performance of our investments.

Pursuant to our Management Agreement, our Manager will not assume any responsibility other than to render the services called for thereunder in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary’s stockholders or partners for any acts or omissions by our Manager, its members, managers, sub-advisers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager’s duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees, sub-advisers and each other person, if any, controlling our Manager, harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys’ fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager’s duties under our Management Agreement and not constituting such indemnified party’s bad faith, willful misconduct, gross negligence or reckless disregard of our Manager’s duties under our Management Agreement.

Our Manager’s due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Any purchase price we agree to pay to acquire a senior living facility or other investment will be based on projections of the asset’s future financial performance, and actual results may differ materially from our projections. Our Manager intends to conduct due diligence with respect to each investment opportunity or other transactions it pursues on our behalf. It is possible, however, that our Manager’s due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the timeframe in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time, due to the limitations of the due diligence process or other factors.

Because we are dependent upon our Manager and its affiliates to conduct our operations, any adverse changes in the financial health of our Manager or its affiliates or our relationship with them could hinder our Manager's ability to successfully manage our operations.

We are dependent on our Manager and its affiliates to manage our operations and acquire and manage our investments. Under the direction of our board of directors, and subject to our investment guidelines, our Manager makes all decisions with respect to the management of our company. To conduct its operations, our Manager depends upon the fees and other compensation that it receives from us in connection with managing our company and from other entities and investors with respect to investment management services it provides. Any adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could hinder our Manager's ability to successfully manage our operations, which would materially adversely affect our business, results of operations, financial condition and ability to make distributions to our stockholders. See "-Our board of directors is actively considering our dividend policy, and the amount of any future dividends could be materially lower than dividends paid in prior quarters" and "-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future." For example, adverse changes in the financial condition of our Manager could limit its ability to attract key personnel.

RISKS RELATED TO OUR TAXATION AS A REIT

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders. Drive Shack's failure to qualify as a REIT could cause us to lose our REIT status.

We are organized and conduct our operations to qualify as a REIT for U.S. federal income tax purposes. Our ability to satisfy the REIT asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of one or more of our investments may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the Internal Revenue Service will not contend that our investments violate the REIT requirements.

If we were to fail to qualify 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 distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax 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, and trading prices for, our stock. Unless entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT.

If Drive Shack failed to qualify as a REIT for a taxable year ending on or before December 31, 2015, the rule against re-electing REIT status following a loss of such status would also apply to us if we were treated as a successor to Drive Shack for U.S. federal income tax purposes. Although Drive Shack has provided (i) a representation in the Separation and Distribution Agreement that it had no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and (ii) a covenant in the Separation and Distribution Agreement to use its reasonable best efforts to maintain its REIT status for each of Drive Shack's taxable years ending on or before 2015 (unless Drive Shack obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Drive Shack's failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above), no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. Although, in the event of a breach, we may be able to seek damages from Drive Shack, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Drive Shack were to fail to qualify as a REIT despite its reasonable best efforts, we would have no claim against Drive Shack.

Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our shares on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our shares could not trade on the NYSE.

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

Dividends payable to domestic stockholders that are individuals, trusts and estates are generally taxed at reduced tax rates applicable to "qualified dividends". Dividends payable by REITs, however, generally are not eligible for those reduced rates. The more favorable rates applicable to regular corporate 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 common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to non-REIT corporate dividends, which could affect the value of our real estate assets negatively.

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. Compliance with these requirements must be carefully monitored on a continuing basis, and there can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance.

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

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code. Certain of our assets may generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our REIT taxable income could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt; or (iv) make taxable distributions of our capital stock or debt securities in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay distributions to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gain) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute an amount at least equal to all or substantially all of our REIT taxable income each year, subject to certain adjustments. However, our ability to make distributions may be adversely affected by the risk factors described herein.

The stock ownership limit imposed by the Code for REITs and our certificate of incorporation may inhibit market activity in our stock and restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, no person may own more than 9.8% of the aggregate value of our outstanding capital stock, treating classes and series of our stock in the aggregate. Our board of directors may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

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 federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. Moreover, if a REIT distributes less than 85% of its ordinary income, 95% of its capital gain net income plus any undistributed shortfall from prior year ("Required Distribution") to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax on 4% of any shortfall between the Required Distribution and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, our TRS will be subject to corporate level income tax at regular rates.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to the TRS.

To qualify as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forgo otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Our ability to acquire investments will be subject to the applicable REIT qualification tests, and we may have to hold these interests through our TRS, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions). As a result, we may have to limit our use of certain hedging techniques or implement those hedges through total return swaps. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for U.S. federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income; and

- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock.

The tax on prohibited transactions will limit our ability to engage in certain transactions which would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term “prohibited transaction” generally includes a sale or other disposition of property that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of our property in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We generally intend to conduct our operations so that no significant asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales at the REIT level, even though the sales might otherwise be beneficial to us. In addition, whether property is held “primarily for sale to customers in the ordinary course of a trade or business” depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

Changes to U.S. federal income tax laws could materially and adversely affect us and our stockholders.

The present U.S. federal income tax treatment of REITs and their stockholders may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in our shares. The U.S. federal income tax rules, including those dealing with REITs, are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations.

The recently enacted Tax Cuts and Jobs Act (the “Act”) makes substantial changes to the Internal Revenue Code. Among those changes are a significant permanent reduction in the generally applicable corporate tax rate, changes in the taxation of individuals and other non-corporate taxpayers that generally but not universally reduce their taxes on a temporary basis subject to “sunset” provisions, the elimination or modification of various currently allowed deductions (including substantial limitations on the deductibility of interest and, in the case of individuals, the deduction for personal state and local taxes), certain additional limitations on the deduction of net operating losses and preferential rates of taxation on most ordinary REIT dividends and certain business income derived by non-corporate taxpayers in comparison to other ordinary income recognized by such taxpayers. The effect of these, and the many other changes in the Act is highly uncertain both in terms of their direct effect on the taxation of an investment in our common stock and their indirect effect on the value of our assets or market conditions generally. Furthermore, many of the provisions of the Act will require guidance through the issuance of Treasury regulations in order to assess their effect. There may be a substantial delay before such regulations are promulgated, increasing the uncertainty as to the ultimate effect of the statutory amendments on us. There may also be technical corrections legislation proposed with respect to the Act, the effect of which cannot be predicted and may be adverse to us or our stockholders.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

The lease of our properties to a TRS is subject to special requirements.

Under the provisions of RIDEA, we currently lease certain "qualified healthcare properties" (which generally include assisted living properties but may not include certain independent living properties) to our TRS (or a disregarded entity owned by a TRS). The TRS, in turn, contracts with a third party operator to manage the healthcare operations at these properties. The rents paid by the TRS in this structure will be treated as qualifying rents from real property for purposes of the REIT requirements only if (i) they are paid pursuant to an arm's-length lease of a qualified healthcare property and (ii) the operator qualifies as an "eligible independent contractor" with respect to the property. An operator will qualify as an eligible independent contractor if it meets certain ownership tests with respect to us, and if, at the time the operator enters into the property management agreement, the operator is actively engaged in the trade or business of operating qualified healthcare properties for any person who is not a related person to us or the TRS. If any of the above conditions were not satisfied, then the rents would not be considered income from a qualifying source for purposes of the REIT rules, which could cause us to incur penalty taxes or to fail to qualify as a REIT.

RISKS RELATED TO OUR COMMON STOCK

We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future.

On May 10, 2018, we announced that our board of directors has not made a determination regarding the amount of any dividend on our common stock for the quarter ended March 31, 2018. Our board of directors continues to evaluate our dividend policy, particularly in light of its ongoing review of strategic alternatives as well as the fact that our cash flows from operating activities, less capital expenditures and principal payments (which increased meaningfully in May 2017), have been, and continue to be, less than the amount of distributions to our stockholders. The board is expected to make its determination by June 1, 2018. There can be no assurance that we will pay cash dividends in an amount consistent with prior quarters. Any difference between the amount of any future dividend and the amount of dividends in prior quarters could be material, and there can be no assurance that our board will declare any dividend at all.

We cannot assure you that we will be able to successfully operate our business, execute our investment strategy or generate sufficient liquidity to make or sustain distributions to our stockholders. Our ability to make distributions to our stockholders depends, in part, on the liquidity we generate on a recurring basis as well as the liquidity generated from episodic asset sales. A meaningful portion of our liquidity is attributable to Holiday. See "-We rely on a limited number of operators and are subject to Holiday concentration risk." The liquidity we generate on a recurring basis, which is generally equal to our cash flows from operating activities, less capital expenditures and principal payments on our debt (which increased meaningfully in May 2017), has consistently been less than the amount of distributions to our stockholders in prior quarters. We have funded the shortfall using cash on hand (including the proceeds from asset sales), which increased from $50.3 million as of March 31, 2017 to $120.8 million as of March 31, 2018 primarily on account of asset sales. A portion of that amount is held in operating accounts used to fund expenses at our managed properties and, therefore, may not be available for distribution to stockholders. For further information about factors that could affect our liquidity, see Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and Item 3A., "Quantitative and Qualitative Disclosures About Market Risk."

In the case of any future dividend, we may, but are not obligated to, fund the shortfall described above using cash generated from asset sales, but there can be no assurance that we will be able to complete any future asset sales in a timely manner or at all due to market conditions, various REIT restrictions or other factors. See "-Real estate investments are relatively illiquid," and "-The tax on prohibited transactions will limit our ability to engage in certain transactions which would be treated as prohibited transactions for U.S. federal income tax purposes." Moreover, we may decide to use cash generated from asset sales for other corporate purposes, such as new investments or capital expenditures. A failure to deploy the proceeds of asset sales into investments with an adequate cash yield could exacerbate the shortfall while increasing our reliance on liquidity generated other than through operations to fund distributions, which could further impair our ability to make distributions at the current level or even at a lower level. The reduction in the amount of any future dividend could be material. See "-We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay any distributions in the future."

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under "-Risks Related to our Taxation as a REIT-We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay distributions to our stockholders"), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in shares of common stock in lieu of cash, such action could negatively affect our business and financial condition as well as the price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

There can be no assurance that the market for our stock will provide you with adequate liquidity, which may make it difficult for you to sell the common stock when you want or at prices you find attractive.

The market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Your percentage ownership in our Company may be diluted in the future.

Your percentage ownership in our Company may be diluted in the future because of equity awards that we expect will be granted to our Manager, to the directors, officers and employees of our Manager who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. Our board of directors has approved a Nonqualified Stock Option and Incentive Award Plan (the "Plan") providing for the grant of equity-based awards, including restricted stock, stock options, stock appreciation rights, performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisors of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We have reserved shares of our common stock for issuance under the Plan. On the first day of each fiscal year beginning during the ten-year term of the Plan and beginning with calendar year 2015, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year. Upon the successful completion of an offering of our common stock by us, we will issue to our Manager options (including cash-settled options) equal to 10% of the number of shares sold in the offering. Our board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.

We may in the future incur or issue debt or issue equity or equity-related securities. Upon our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities (including limited partnership interests in our operating partnership), warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Any preferred stock issued by us would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We may in the future choose to pay dividends in our own stock, in which case you could be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

In August 2017, the IRS issued guidance authorizing elective cash/stock dividends to be made by public REITs where there is a minimum (of at least 20%) amount of cash that may be paid as part of the dividend, provided that certain requirements are met. It is unclear whether and to what extent we would be able to or choose to pay taxable dividends in cash and stock. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/stock dividends have not been met.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our floating rate debt, thereby adversely affecting cash flow and our ability to service our indebtedness and pay distributions.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- amendment of provisions in our certificate of incorporation and bylaws regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- amendment of provisions in our certificate of incorporation regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings; and
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and stockholders’ ability to realize any potential change of control premium.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Holiday Lease Termination and Property Management Agreement

On May 9, 2018, certain wholly owned subsidiaries of New Senior, as landlords (collectively, the “Landlords”), and certain affiliates of Holiday, as tenants (collectively, the “Tenants”), entered into a Lease Termination Agreement (the “Lease Termination Agreement”) with respect to triple net leases (collectively, the “Master Leases”), each dated December 23, 2013, relating to 51 independent living senior housing facilities (the “Holiday Portfolio”).

Pursuant to the Lease Termination Agreement, the parties have agreed to terminate the Master Leases upon the satisfaction of certain conditions (the date on which all such conditions are satisfied, the “Effective Date”), including a condition that the Company will refinance the Holiday Portfolio, which currently secures fixed rate mortgage notes with an outstanding face amount of approximately $666 million as of March 31, 2018 and a current coupon of 4.15%, on or before May 21, 2018. In exchange, the Tenants have agreed to pay Landlords a fee of $70 million and to forfeit to the Landlords security deposits in the aggregate amount of approximately $46 million. In the event that the conditions to the Effective Date are not satisfied as and when required, the Lease Termination Agreement will have no further force or effect, and the Master Leases would continue in full force and effect in accordance with their respective terms.

The Company expects to refinance the Holiday Portfolio with $720 million of one-year, freely prepayable secured debt, bearing interest at LIBOR plus 4.0% for the first six months and increasing by 50 basis points after the sixth monthly payment date and by an additional 50 basis points after the ninth monthly payment date. Upon the refinancing of the Holiday Portfolio, the Company expects to incur prepayment fees and expenses of approximately $65 million during the second quarter of 2018. The refinancing has not been completed, and there can be no assurances that they will be completed on the terms described herein or at all.

Pursuant to the Lease Termination Agreement, the parties also agreed to enter into, on the Effective Date, a property management agreement for each facility in the Holiday Portfolio (collectively, the “Property Management Agreements”) pursuant to which affiliates of Holiday will manage the Holiday Portfolio following the Effective Date. Under the Property Management Agreements, the Company will pay a management fee equal to (x) a monthly base fee in the amount of 5.0% of Effective Gross Income (as defined therein) in the first year of the term and 4.5% of Effective Gross Income thereafter, and (y) provided the Holiday Portfolio achieves certain performance thresholds, an annual incentive fee in an amount not to exceed 2% of Effective Gross Income.

The Property Management Agreements will have a five-year initial term, subject to one-year renewals and the parties’ respective termination rights. During the first year of the term, the Property Management Agreements are not terminable in the first half of the year, and they are terminable in the second half of the year subject to the payment by the Company of a termination fee in the amount of $98,000 per facility (amounting to approximately $5.0 million if Management Agreements for all 51 facilities were so terminated). After the first year of the term, the Company has the right to terminate any or all of the Property Management Agreements for any reason without payment of a termination fee.

The Lease Termination Agreement and the form of the Property Management Agreement were negotiated and unanimously approved by a special committee (the “Special Committee”) of the Company’s Board of Directors. The Special Committee was composed entirely of independent and disinterested members of the Board of Directors, and the Special Committee was advised by independent legal and financial advisors. Holiday is majority owned by private equity funds managed by the Company’s manager.

ITEM 6. EXHIBITS

Exhibits filed with this Form 10-Q:

2.1	Separation and Distribution Agreement dated October 16, 2014, between the Registrant and Drive Shack Inc. (incorporated by reference to Drive Shack Inc.'s Report on Form 10-Q, Exhibit 2.2, filed on November 5, 2014).
2.2	Purchase and Sale Agreement, dated as of June 22, 2015, by and among the purchaser named therein and the sellers named therein (incorporated by reference to New Senior's Report on Form 8-K, Exhibit 2.1, filed on June 22, 2015).
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to New Senior's Report on Form 10-Q, Exhibit 3.1, filed on November 25, 2014).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to New Senior's Report on Form 10-Q, Exhibit 3.2, filed on November 25, 2014).
10.1	Management Agreement between the Registrant and FIG LLC (incorporated by reference to the Registrant's Current Report on Form 8-K, filed November 12, 2014).
10.2	Form of Indemnification Agreement by and between New Senior Investment Group Inc. and its directors and officers (incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form 10, filed July 29, 2014).
10.3	New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to New Senior's report on Form 10-Q, Exhibit 10.3, filed on November 25, 2014).
10.4	Purchase and Sale Agreement, dated November 18, 2013, by and between the Sellers named therein and the Purchasers named therein (incorporated by reference to Drive Shack Inc.'s Report on Form 10-K, Exhibit 10.16, filed on March 3, 2014).
10.5	Master Lease, dated December 23, 2013, by and among the Landlords named therein and NCT Master Tenant I LLC (incorporated by reference to Drive Shack Inc.'s Report on Form 10-K, Exhibit 10.17, filed on March 3, 2014).
10.6	Guaranty of Lease, dated December 23, 2013, by Holiday AL Holdings LP in favor of the Landlords named therein (incorporated by reference to Drive Shack Inc.'s Report on Form 10-K, Exhibit 10.18, filed on March 3, 2014).
10.7	Purchase and Sale Agreement, dated as of December 21, 2014, by and among the Purchasers named therein and the Sellers named therein, each of which is an affiliate of Hawthorn Retirement Group LLC (incorporated by reference to New Senior's Report on Form 10-K, Exhibit 10.17, filed on February 26, 2015).
10.8	Multifamily Loan and Security Agreement - Seniors Housing, dated as of March 27, 2015, by and between NIC 11 Ashford Court Owner LLC, a Delaware limited liability company, as Borrower, and Walker & Dunlop, LLC, as Lender (incorporated by reference to New Senior's Report on Form 8-K, Exhibit 10.1, filed on May 14, 2015).
10.9	Multifamily Note - Floating Rate, dated March 27, 2015, executed by Borrower in favor of Lender, as defined in Exhibit 10.8 (incorporated by reference to New Senior's Report on Form 8-K, Exhibit 10.2, filed on May 14, 2015).
10.10	Multifamily Loan and Security Agreement - Seniors Housing dated as of August 12, 2015, by and between SNR 27 Alexis Gardens Owner LLC, a Delaware limited liability company, as Borrower, and Walker & Dunlop, LLC, as Lender (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.1, filed August 17, 2015).
10.11	Multifamily Note - Fixed Rate Defeasance, dated as of August 12, 2015, executed by Borrower in favor of Lender, as defined in Exhibit 10.10 (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.2, filed August 17, 2015).
10.12	Settlement Agreement, dated as of February 23, 2016, by and among the Registrant and Levin Capital Strategies, L.P. and the other persons listed on Schedule A thereto (incorporated by reference to New Senior's report on Form 10-K, Exhibit 10.12, filed on February 26, 2016).
31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.

101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

** The schedules to the Purchase Agreement included as Exhibit 2.2 have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company will furnish copies of such schedules to the SEC upon request.

The following Master Lease and Guaranty of Lease are substantially identical in all material respects, except as to the parties thereto, to the Master Lease and Guaranty of Lease that are filed as Exhibits 10.5 and 10.6, respectively, hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

Master Lease, dated December 23, 2013, by and among the Landlords named therein and NCT Master Tenant II LLC.

Guaranty of Lease, dated December 23, 2013, by Holiday AL Holdings LP in favor of the Landlords named therein.

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Company has filed only one of 52 Multifamily Loan and Security Agreements dated as of March 27, 2015 and the related Multifamily Notes as Exhibit 10.8 and Exhibit 10.9, respectively, as the omitted Multifamily Loan and Security Agreements and the related Multifamily Notes are substantially identical in all material respects to the loan and note included as Exhibit 10.8 and Exhibit 10.9, respectively, except as to the borrower thereto, the principal amount and certain property-specific provisions.

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Company has filed only one of 28 Multifamily Loan and Security Agreements dated as of August 12, 2015 and the related Multifamily Notes as Exhibit 10.10 and Exhibit 10.11, respectively, as the omitted Multifamily Loan and Security Agreements and the related Multifamily Notes are substantially identical in all material respects to the loan and note included as Exhibit 10.10 and Exhibit 10.11, respectively, except as to the borrower thereto, the principal amount and certain property-specific provisions.

SIGNATURES

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

NEW SENIOR INVESTMENT GROUP INC.

By: /s/ Susan Givens
Susan Givens
Chief Executive Officer

May 10, 2018

By: /s/ Bhairav Patel
Bhairav Patel
Interim Chief Financial Officer, Treasurer and Chief Accounting Officer

May 10, 2018

(Back To Top)

Section 2: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Susan Givens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Senior Investment Group Inc.;

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

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

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

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

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

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

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

5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial

reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

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

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

May 10, 2018

/s/ Susan Givens

Susan Givens
Chief Executive Officer

(Back To Top)

Section 3: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Bhairav Patel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Senior Investment Group Inc.;

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

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

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

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

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

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

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

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

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

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

May 10, 2018	/s/ Bhairav Patel
	Bhairav Patel
	Interim Chief Financial Officer, Treasurer and Chief Accounting Officer

(Back To Top)

Section 4: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of New Senior Investment Group Inc. (the "Company") for the quarterly period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Susan Givens, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

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

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

May 10, 2018	/s/ Susan Givens
	Susan Givens
	Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)

Section 5: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of New Senior Investment Group Inc. (the "Company") for the quarterly period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Bhairav Patel, as Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

May 10, 2018	/s/ Bhairav Patel
	Bhairav Patel
	Interim Chief Financial Officer, Treasurer and Chief Accounting Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

(Back To Top)