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Section 1: 10-K (10-K)

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

FORM 10-K

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

For the annual period ended December 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.)
55 West 46th Street, New York, NY	10036
(Address of principal executive offices)	(Zip Code)

(646) 822-3700

(Registrant's telephone number, including area code)

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

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

Title of each class:	Name of exchange on which registered:
Common stock, $0.01 par value per share: 82,148,869 shares.	New York Stock Exchange ("NYSE")

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☒ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of 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 such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 ☐
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

The aggregate market value of the common stock held by non-affiliates as of June 30, 2018 (computed based on the closing price on such date as reported on the NYSE) was approximately $600 million.

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: 82,209,844 shares outstanding as of February 22, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III (Items 10, 11, 12, 13 and 14) will be incorporated by reference from the registrant's Definitive Proxy Statement for its 2019 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A.

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," "would," "should," "potential," "intend," "expect," "plan," "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:

- our ability to successfully manage the recent transition to self-management;
- 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 shareholders at the current level, particularly in light of the cash shortfall described in our risk factors and under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources";
- our dependence on our property managers and tenant 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 Retirement ("Holiday"), which, for the year ended December 31, 2018, accounted for 81.0% of net operating income ("NOI") from our Managed Properties segments and 83.9% 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 tenant 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 tenant;
- the ability of our property managers and tenant to maintain the financial strength and liquidity necessary to satisfy their respective obligations and liabilities to us and third parties;
- 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;
- 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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K 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
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PART I

ITEM 1. BUSINESS

COMPANY OVERVIEW

We are a publicly traded REIT with a diversified portfolio of primarily private pay senior housing properties located across the United States. We are one of the largest owners of senior housing properties in the United States. As of December 31, 2018, our portfolio was comprised of 133 primarily private pay senior housing properties located across 37 states.

We were formed as a Delaware limited liability company and wholly owned subsidiary of Drive Shack Inc., formerly Newcastle Investment Corp. ("Drive Shack"), on May 17, 2012. On November 6, 2014, we were spun off from Drive Shack and listed on the NYSE under the symbol "SNR." We are headquartered in New York, New York.

Through December 31, 2018, we were externally managed and advised by an affiliate of Fortress Investment Group LLC (the "Manager"). On November 19, 2018, we entered into definitive agreements with the Manager to internalize our management, effective December 31, 2018 (the "Internalization"). In connection with the Internalization, we also entered into a Transition Services Agreement with the Manager to continue to provide certain services for a transition period. Following the effectiveness of the Internalization, our board of directors concluded its formal review of strategic alternatives, which the Company initially announced in February 2018. However, our board of directors, together with our management team, continues to focus on enhancing corporate strategy to maximize stockholder value.

The majority of our portfolio is managed by some of the largest and most experienced operators in the United States. Currently, our managed properties are managed by affiliates or subsidiaries of Holiday Retirement ("Holiday"), FHC Property Management LLC (together with its subsidiaries, "Blue Harbor"), Jerry Erwin Associates, Inc. ("JEA"), Thrive Senior Living LLC ("Thrive"), Grace Management, Inc. ("Grace") and Watermark Retirement Communities, Inc. ("Watermark"). We also own and triple net lease one property to Watermark. Holiday is among the top three largest senior housing operators in the United States. The assets in our portfolio are described in more detail below under "Our Portfolio."

Our investment strategy has been focused on acquiring private pay senior housing properties, which we believe is unique compared to our publicly traded peers. However, from time to time, we may explore new business opportunities and asset categories as part of our business strategy.

INVESTMENT ACTIVITY

During 2018, we did not buy or sell any properties. See Note 4 to our consolidated financial statements for additional information.

MARKET OPPORTUNITY

Opportunity to Consolidate Large and Fragmented Industry

We believe there are significant investment opportunities in the U.S. senior housing market driven by three factors: (i) growing demand from significant increases in the senior citizen population, (ii) highly fragmented ownership of senior housing properties among many smaller local ("mom and pop") and regional owner/operators and (iii) operational improvement opportunities to increase property-level net operating income. We estimate the size of the senior housing industry in the United States to be approximately $300 billion, and, according to the 2018 American Seniors Housing Association 50 Report, approximately 61% of these senior housing facilities are owned by mom and pop operators with five or fewer properties.

Attractive Demand - Supply Fundamentals to Drive Organic Growth

We believe that the rapidly growing senior citizen population in the U.S. will result in a substantially increased demand for senior housing properties as the baby boomer generation ages, life expectancies lengthen and more health-related services are demanded. The U.S. Census Bureau estimates that the total number of people aged 65 and older is expected to increase from approximately 49.2 million in 2016 to 78.0 million by 2035, with the number of citizens aged 65 and older expected to grow at four times the rate of the overall population by 2035. Healthcare is the largest private-sector industry in the U.S., with healthcare expenditures in the U.S. accounting for approximately 18% of gross domestic product in 2017. According to the Center for Medicare and Medicaid Services ("CMS"), the average annual compounded growth rate for national healthcare expenditures from 2017 through 2026 is expected to be 5.5%. Additionally, senior citizens are the largest consumers of healthcare services. The target age group for our properties is Americans over 70 years old while a typical resident is 80 to 85 years of age. According to CMS, average per capita healthcare expenditures by those 65 years and older continue to be about three times more than the average spent by those 19 to 64 years old. Demand for senior housing is driven both by growth of an aging population and by an increasing array of services and support required by residents. According to the U.S. Census Bureau, the percentage of Americans between ages 75 and 79 seeking assistance with basic and instrumental activities of daily living is 15%, increasing to 30% for Americans over 80 years of age. According to the Alzheimer's Association, approximately one-third of individuals over age 85 have Alzheimer's disease. To address these resident needs, senior housing provides varying and flexible levels of services. While our target population is growing, the rate of supply growth has also increased in recent years. However, according to the National Investment Center for Seniors Housing and Care ("NIC"), senior housing occupancy is projected to be stable in 2019.

Differentiated Strategy Focused on Private Pay Senior Housing

We have generally sought investments in senior housing facilities that have an emphasis on private pay sources of revenue which is considered more stable and predictable compared to government reimbursed property types. We believe this strategy distinguishes us from our publicly traded peers. Private pay residents are individuals who are personally obligated to pay the costs of their housing and services without relying significantly on reimbursement payments from Medicaid or Medicare. Sources for these private payments include: (i) pensions, savings and retirement funds; (ii) proceeds from the sale of real estate and personal property; (iii) assistance from residents' families; and (iv) private insurance. While our investments may have some level of revenues related to government reimbursements, we focus on investments with high levels of private pay revenue and, for the year ended December 31, 2018, private pay sources represented 98% of the property level revenue from the residents at our facilities. Private pay facilities are not subject to governmental rate setting and, accordingly, we believe they provide for more predictable and higher rental rates from residents than facilities primarily reliant on government-funded sources.

The senior housing industry offers a full continuum of care to seniors with product types that range from "mostly housing" (i.e., senior apartments) to "mostly healthcare" (i.e., skilled nursing, hospitals, etc.). We primarily focus on product types at the center of this continuum, namely independent living ("IL") properties and Assisted Living/Memory Care ("AL/MC") properties. Many of our peers have significant exposure to skilled nursing facilities and hospitals providing higher acuity levels of healthcare. Accordingly, these peers have higher levels of exposure to revenues derived from Medicaid and Medicare reimbursements. Our facilities are predominantly reliant on private pay sources of revenue and have limited risk exposure to regulatory changes in the healthcare arena. We believe that our focused portfolio of primarily IL and AL/MC properties will allow investors to participate in the positive fundamentals of the senior housing sector without similar levels of risk exposure associated with higher acuity types of healthcare real estate.

Attractive Portfolio Diversified by Product Type and Geography

We started building our platform in July 2012 and currently own 133 properties with a gross real estate value of $2.5 billion as of December 31, 2018. Our portfolio is diversified in terms of product type and geography. As of December 31, 2018, we have 102 IL properties, 30 AL/MC properties and one rental Continuing Care Retirement Community ("CCRC") across 37 states. All but one of our properties is owned on a managed basis. Our CCRC property is leased.

SENIOR HOUSING INDUSTRY

Overview

For an overview of the senior housing industry, see “Opportunity to Consolidate Large and Fragmented Industry” and “Attractive Demand - Supply Fundamentals to Drive Organic Growth.”

Government Regulations

AL/MC properties and operations are subject to extensive and complex federal, state and local healthcare laws and regulations relating to fraud and abuse practices, government reimbursement, licensure and certificate of need (“CON”) and similar laws governing the operation of healthcare properties. While the AL/MC properties within our portfolio are subject to many varying types of regulatory and licensing requirements, we expect that the healthcare industry, in general, will continue to face increased regulation, enforcement and pressure in the areas of fraud, waste and abuse, cost control, healthcare management and provision of services, among others. In fact, some states have revised and strengthened their regulation of senior housing properties and, that trend may continue. In addition, efforts by third-party payors, such as Governmental Programs (as defined below) and private insurance payor organizations (which include insurance companies, health maintenance organizations and other types of health plans/managed care organizations) to impose more stringent controls upon operators are expected to intensify and continue. Changes in applicable federal, state or local laws and regulations and new interpretations of existing laws and regulations could have a material adverse effect on our business.

As used in this section, “Governmental Program” means, individually and collectively, any federal, state or local governmental reimbursement programs administered through a governmental body, agency thereof or contractor thereof (including a Governmental Program Payor) including, without limitation, the Medicare and Medicaid programs or successor programs to any of the aforementioned programs. “Governmental Program Payor” means a private insurance payor organization which has a contract with a Governmental Program to arrange for the provision of assisted living property or skilled nursing facility (“SNF”) services to Governmental Program beneficiaries and which receives reimbursement from the Governmental Program to do so.

Our AL/MC senior housing properties are regulated by state and local laws governing licensure, provision of services, staffing requirements and other operational matters. The laws that govern our properties vary greatly from one jurisdiction to another. Owners and/or operators of certain senior housing properties, including, but not limited to, AL/MC properties, are required to be licensed or certified by the state in which they operate. In granting and renewing such licenses, the state regulatory agencies consider numerous factors relating to a property’s physical plant and operations, including, but not limited to, admission and discharge standards, staffing and training. A decision to grant or renew a license may also be affected by a property’s record with respect to licensure compliance, patient and consumer rights, medication guidelines and other regulations. Certain states require additional licensure and impose additional staffing and other operational standards in order for a property to provide higher levels of assisted living services. Senior housing properties may also be subject to state and/or local building, zoning, fire and food service laws before licensing or certification may be granted. Our properties may also be affected by changes in accreditation standards or procedures of accreditation bodies that are recognized by states or a Governmental Program in the licensure or certification process.

In the future, we may also acquire senior housing properties that include SNFs. SNFs are licensed by the state in which the facility is located, and, if an owner chooses to participate in Medicaid, Medicare or certain other Governmental Programs, the facility must also be certified to participate in such programs. In that regard, SNFs are particularly subject to myriad, comprehensive federal Medicare and Medicaid certification requirements that not only require state licensure but also separately (apart from state licensure) regulate the type, quantity and quality of the medical and/or nursing care provided, ancillary services (e.g., respiratory, occupational, physical and infusion therapies), qualifications of the administrative personnel and nursing staff, the adequacy of the physical plant and equipment, reimbursement and rate setting and other operational issues and policies.

In the future, we may also acquire certain healthcare properties (including assisted living properties in some states and SNFs in most states) that are subject to a variety of CON or similar laws. Where applicable, such laws generally require, among other requirements, as a predicate to licensure that a facility demonstrate the need for (i) constructing a new facility, (ii) adding beds or expanding an existing facility, (iii) investing in major capital equipment or adding new services, (iv) changing the ownership or control of an existing licensed facility, or (v) terminating services that have been previously approved through the CON process. These laws could affect, and even restrict, our ability to expand into new markets and to expand our properties and services in existing markets. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator. If we have to replace a facility operator who is excluded from participating in a federal or state healthcare program (as discussed below), our ability to replace the operator may be affected by a particular state's CON laws, regulations and applicable guidance governing changes in provider control.

Aside from CON considerations, transfers of ownership, provider control and/or operations of assisted living properties and SNFs are subject to licensure and other regulatory approvals not required for transfers of other types of commercial operations and real estate. These regulations may also constrain or even impede our ability to replace property managers or tenants of our properties, and they may also impact our acquisition or sale of senior housing properties. In addition, if any of our licensed properties operate outside of its licensed authority, doing so could subject the facility to penalties, including closure of the facility. Failure to obtain licensure or loss or suspension of licensure or certification may prevent an assisted living property or SNF from operating or result in a suspension of Governmental Program reimbursement payment until all licensure or certification issues have been resolved.

A significant portion of the revenues received by our properties are from self-pay residents. The remaining revenue source is primarily Medicaid under certain federal waiver programs. As a part of the Omnibus Budget Reconciliation Act of 1981 ("OBRA"), Congress established a waiver program enabling some states to offer Medicaid reimbursement to assisted living providers as an alternative to institutional long-term care services. The provisions of OBRA and subsequent federal enactments permit states to seek a waiver from typical Medicaid requirements to develop cost-effective alternatives to long-term care, including Medicaid payments for assisted living and, in some instances, including payment for such services through Governmental Program Payors. In 2016, approximately 2% of the revenues at our senior housing properties were from Medicaid reimbursement. There can be no guarantee that a state Medicaid program operating pursuant to a waiver will be able to maintain its waiver status, that funding levels will not decrease or that eligibility requirements will not change.

Rates paid by self-pay residents of properties within our Managed Properties segments are determined in accordance with applicable provisions of the management agreements entered into with our property managers, and are impacted by local market conditions and operating costs. Rates paid by self-pay residents of properties within our Triple Net Lease Properties segment are determined by the tenant.

The level of assisted living Medicaid reimbursement varies from state to state. Thus, the revenues generated by our assisted living properties may be adversely affected by payor mix, acuity level, changes in Medicaid eligibility and reimbursement levels. In addition, a state could lose its Medicaid waiver and no longer be permitted to utilize Medicaid dollars to reimburse for assisted living services. Such changes in revenues could in turn have a material adverse effect on our business.

Unlike assisted living operators, SNF operators typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private insurance payor organizations (and perhaps minimal self-pay). Consequently, changes in federal or state reimbursement policies may also adversely affect our business if we acquire properties with a SNF component.

The percentage of federal Medicaid revenue support used for long-term care varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and to establish a reimbursement methodology for SNF Medicaid patients. Many states reimburse SNFs pursuant to fixed daily Medicaid rates which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Reasonable costs typically include allowances for staffing, administrative and general expenses, property and equipment (e.g., real estate taxes, depreciation and fair rental).

The Medicare SNF benefit covers skilled nursing care, rehabilitation services and other goods and services, and the facility receives a pre-determined daily rate for each day of care, up to 100 days. These prospective payment system ("PPS") rates are expected to cover all operating and capital costs that efficient properties would be expected to incur in furnishing most SNF services, with certain high-cost, low-probability ancillary services paid separately.

There is a risk that some skilled nursing facilities' costs could exceed the fixed payments under the prospective payment system for skilled nursing facilities ("SNF PPS"), and there is also a risk that payments under the SNF PPS may be set below the costs to provide certain items and services, which could have a material adverse effect on an SNF. Further, SNFs are subject to periodic pre- and post-payment reviews and other audits by federal and state authorities. Such a review or audit could result in recoupments, denials, or delay of payments in the future, which could have a material adverse effect on the business of a SNF.

In the ordinary course of business, our AL/MC properties have been and are subject regularly to inspections, inquiries, investigations and audits by state agencies that oversee applicable laws and regulations. State licensure laws and, where applicable, Governmental Program certification, require license renewals and compliance surveys on an annual or bi-annual basis. The failure of our AL/MC property managers to maintain or renew any required license or regulatory approval, as well as the failure of our managers to correct serious deficiencies identified in a compliance survey, could result in the suspension of operations at a property. In addition, if an AL/MC or SNF property, where applicable, is found to be out of compliance with Governmental Program conditions of participation, the property's manager may be excluded from participating in those Governmental Programs. Any such occurrence may impair the ability of a property manager to meet its obligations. If we have to replace a property manager, our ability to do so may be affected by the federal and state regulations governing such changes. This may result in payment delays, an inability to find a replacement property manager or other difficulties. Unannounced surveys or inspections of a property may occur annually or bi-annually or following a regulator's receipt of a complaint regarding the property. From time-to-time, our properties receive deficiency reports from state regulatory bodies resulting from such inspections or surveys. Most deficiencies are resolved through a plan of corrective action relating to the property's operations but, whether the deficiencies are cured or not, the applicable governmental authority typically has the authority to take further action against a licensee. Such an action could result in the imposition of fines, imposition of a provisional or conditional license, suspension or revocation of a license or Governmental Program participation, suspension or denial of admissions or imposition of other sanctions, including criminal penalties. The imposition of such sanctions may adversely affect our business.

Assisted living properties and SNFs that participate in Governmental Programs are subject to numerous federal, state and local laws, including implementing regulations and applicable governmental guidance that govern the operational, financial and other arrangements that may be entered into by healthcare properties and other providers. Certain of these laws prohibit direct or indirect payments of any kind for the purpose of inducing or encouraging the referral of patients for medical products or services reimbursable by Governmental Programs. Other laws require providers to furnish only medically necessary services and submit to the Governmental Program and Governmental Program Payors valid and accurate statements for each service, and other laws require providers to comply with a variety of safety, health and other requirements relating to the condition of the licensed property and the quality of care provided. Sanctions for violations of these laws may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments and exclusion from any Governmental Program participation. In certain circumstances, violation of these laws (such as those prohibiting abusive and fraudulent behavior and, in the case of Governmental Program Payors, also prohibiting insurance fraud) with respect to one property may subject other properties under common control or ownership to sanctions, including exclusion from participation in Governmental Programs. In the ordinary course of business, our properties are regularly subjected to inquiries, investigations and audits by the federal and state agencies that oversee these laws.

All healthcare providers, including, but not limited to, assisted living properties and SNFs that participate in Governmental Programs, are also subject to the Federal Anti-Kickback Statute, a criminal statute which generally prohibits persons from offering, providing, soliciting or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a federal Governmental Program. SNFs and certain other types of healthcare properties and providers are also subject to the Federal Ethics in Patient Referral Act of 1989, commonly referred to as the "Stark Law." The Stark Law generally prohibits the submission of claims to Medicare for payment if the claim results from a physician referral for certain designated services and the physician has a financial relationship with the health service provider that does not qualify under one of the exceptions for a financial relationship under the Stark Law. Many states have similar prohibitions on physician self-referrals and submission of claims which are applicable to all payor sources, including state Medicaid programs.

Further, healthcare properties and other providers, including, but not limited to, assisted living properties and SNFs, that receive Governmental Program payments, are subject to substantial financial and other (in some cases, criminal) penalties under the Civil Monetary Penalties Act, the Federal False Claims Act and, in particular, actions under the Federal False Claims Act's "whistleblower" provisions. Violations of these laws can also subject persons and entities to termination from participation in Governmental Programs or result in the imposition of substantial damages, fines or other penalties. Private enforcement of healthcare fraud has increased due in large part to amendments to the Federal False Claims Act that encourage private individuals to sue on behalf of the government. These whistleblower suits brought by private individuals, known as "qui tam actions," may be filed by almost anyone, including present and former patients, nurses and other employees. Significantly, if a claim is successfully adjudicated, the Federal False Claims Act provides for treble damages in addition to penalties up to $11,000 per claim. Various state false claim act and anti-kickback laws may also apply to each property operator, regardless of payor source (i.e., such as a private insurance payor organization or a Governmental Program), and violations of those state laws can also result in substantial fines and/or adverse licensure actions to our material detriment.

Government investigations and enforcement actions brought against the healthcare industry have increased dramatically over the past several years and are expected to continue. Some of these enforcement actions represent novel legal theories and expansions in the application of the Federal False Claims Act. Governmental agencies, both state and federal, are also devoting increasing attention and resources to anti-fraud initiatives against healthcare properties and other providers. Legislative developments, including changes to federal Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), have greatly expanded the definition of healthcare fraud and related offenses and broadened its scope to include certain private insurance payor organizations in addition to Governmental Programs. Congress also has greatly increased funding for the Department of Justice, Federal Bureau of Investigation and the Office of the Inspector General of the Department of Health and Human Services ("HHS") to audit, investigate and prosecute suspected healthcare fraud. Moreover, a significant portion of the billions in healthcare fraud recoveries over the past several years has also been returned to government agencies to further fund their fraud investigation and prosecution efforts. Responding to, and defending against, any of these potential government investigations and enforcement actions, or any state or federal false claims act actions, is expensive, and the cost, including attorneys' fees, may be substantial and adversely impact our performance. Any of these actions could result in a financial payment to state and federal authorities, which payments could adversely impact our performance. In addition, the Office of Inspector General could require in the settlement of an investigation that some or all of our facilities operate under a Corporate Integrity Agreement for a number of years, which could be costly and adversely affect our performance.

HIPAA regulations provide for communication of health information through standard electronic transaction formats and for the privacy and security of health information. In order to comply with the regulations, healthcare providers often must undertake significant operational and technical implementation efforts. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health Act ("HITECH"), passed in February 2009, strengthened the HHS Secretary's authority to impose civil money penalties for HIPAA violations occurring after February 18, 2009. HITECH directs the HHS Secretary to provide for periodic audits to ensure that covered entities and their business associates (as that term is defined under HIPAA) comply with the applicable HITECH requirements, increasing the likelihood that a HIPAA violation will result in an enforcement action. The CMS issued an interim final rule which conformed HIPAA enforcement regulations to HITECH, increasing the maximum penalty for multiple violations of a single requirement or prohibition to $1.5 million. Higher penalties may accrue for violations of multiple requirements or prohibitions. Additionally, on January 17, 2013, the CMS released a final rule, which expands the applicability of HIPAA and HITECH and strengthens the government's ability to enforce these laws. The final rule broadens the definition of "business associate" and provides for civil money penalty liability against covered entities and business associates for the acts of their agents regardless of whether a business associate agreement is in place. Additionally, the final rule adopts certain changes to the HIPAA enforcement regulations to incorporate the increased and tiered civil monetary penalty structure provided by HITECH, and makes business associates of covered entities directly liable under HIPAA for compliance with certain of the HIPAA privacy standards and HIPAA security standards. HIPAA violations are also potentially subject to criminal penalties.

The Patient Protection and Affordable Care Act (the "Affordable Care Act") and the HealthCare and Education Reconciliation Act of 2010, which amends the Affordable Care Act (collectively, the "Health Reform Laws"), and the June 28, 2012 United States Supreme Court ruling upholding the individual mandate of the Health Reform Laws and partially invalidating the expansion of Medicaid (further discussed below) may have a significant impact on Medicare, Medicaid and other Governmental Programs, as well as private insurance payor organizations, which in turn may impact the reimbursement amounts received by our properties which participate in Governmental Programs. In fact, the Health Reform Laws could have a substantial and material adverse effect on all parties directly or indirectly involved in the healthcare system. Together, the Health Reform Laws make the most sweeping and fundamental changes to the U.S. healthcare system undertaken since the creation of Medicare and Medicaid and contain various provisions that may directly impact our business.

Finally, entities that run IL facilities, AL facilities and SNFs can be subject to private causes of action that may be brought by plaintiff's counsel against these facilities, which can raise allegations under state law facilities for among other things elder abuse, wrongful death, negligence, failure to provide care and for other causes of action designed to redress injuries allegedly suffered by residents. These actions can be brought as class actions, and whether pursued on behalf of an individual or a class may result in substantial financial recoveries.

These Health Reform Laws include, without limitation, the expansion of Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on certain private insurance payor organizations (including Governmental Program Payors), establishing health insurance exchanges and modifying certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste, including through new tools to address fraud and abuse. Because many of our properties deliver healthcare services, we will be impacted by the risks associated with the healthcare industry, including the Health Reform Laws. While the expansion of healthcare coverage may result in some additional demand for services provided by our properties, reimbursement levels may be lower than the costs required to provide such services, which could materially adversely affect our business. The Health Reform Laws also enhance certain fraud and abuse penalty provisions in the event of one or more violations of the federal healthcare regulatory laws. In addition, the Health Reform Laws have provisions that impact the health coverage that our property managers or tenants provide to their respective employees. We cannot predict whether the existing Health Reform Laws, or future healthcare reform legislation or regulatory changes, will have a material impact on our business.

Additionally, certain provisions of the Health Reform Laws are designed to increase transparency and program integrity of SNFs. Specifically, SNFs will be required to institute compliance and ethics programs. Additionally, the Health Reform Laws make it easier for consumers to file complaints against nursing homes by mandating that states establish complaint websites. The provisions calling for enhanced transparency will increase the administrative burden and costs on SNF providers.

OUR PORTFOLIO

The key characteristics of our senior housing portfolio are set forth in the tables below:

(dollars in thousands)			Real Estate Investments[A] as of December 31, 2018			Revenues for the Year Ended December 31, 2018		
Operating Model	**Number of Communities**	**Number of Beds**	**Real Estate Investments, at Cost**	**Percent of Total Real Estate Investment**	**Real Estate Investment per Bed**	**Total Revenues**	**Percent of Total Revenues**	**Number of States**
Managed Properties								
IL Properties	102	11,974	$ 2,025,317	80.3 %	$ 169	$ 273,685	61.6 %	36
AL/MC Properties	30	3,421	438,961	17.4 %	$ 128	131,206	29.5 %	15
Triple Net Lease Properties	1	463	57,974	2.3 %	$ 125	39,407	8.9 %	1
Other[A]	—	—	155	—%	—	—	— %	—
Total	133	15,858	$ 2,522,407	100.0 %		$ 444,298	100.0 %	37

(A) Includes FF&E for corporate office space.

(dollars in thousands)			Real Estate Investments[A] as of December 31, 2017			Revenues for the Year Ended December 31, 2017		
Operating Model	**Number of Communities**	**Number of Beds**	**Real Estate Investments, at Cost**	**Percent of Total Real Estate Investment**	**Real Estate Investment per Bed**	**Total Revenues[B]**	**Percent of Total Revenues**	**Number of States**
Managed Properties								
IL Properties	51	6,126	$ 1,187,885	42.8 %	$ 194	$ 172,952	38.5 %	29
AL/MC Properties	30	3,416	513,702	18.5 %	$ 150	163,787	36.5 %	15
Triple Net Lease Properties	52	6,309	1,074,613	38.7 %	$ 170	112,391	25.0 %	24
Total	133	15,851	$ 2,776,200	100.0 %		$ 449,130	100.0 %	37

(A) Real estate investments, at cost represents the gross carrying value of real estate before accumulated depreciation and amortization and excludes assets held for sale.
(B) Revenues relate to the period the properties were owned by us in a calendar year and, therefore, are not indicative of full-year results for all properties.

For the years ended December 31, 2018 and 2017, the average occupancy rate of our managed IL portfolio was 87.8% and 88.1%, respectively, and the average occupancy rate for our managed AL/MC portfolio was 79.5% and 82.5%, respectively, and the average occupancy rate for our triple net lease portfolio was 86.5% and 85.6%, respectively.

We classify our properties by asset type and operating model, as described in more detail below.

Product Type

IL Properties: IL properties are age-restricted, multifamily properties with central dining that provide residents access to meals and other services such as housekeeping, linen service, transportation and social and recreational activities. A typical resident is 80 to 85 years old and is relatively healthy. Residents are typically charged all-inclusive monthly rates.

AL/MC Properties: AL/MC properties are state-regulated rental properties that provide the same services as IL properties and additionally have staff to provide residents assistance with activities of daily living, such as management of medications, bathing, dressing, toileting, ambulating and eating. AL/MC properties may include memory care properties that specifically provide care for individuals with Alzheimer's disease and other forms of dementia or memory loss. The average age of an AL/MC resident is similar to that of an IL resident, but AL/MC residents typically have greater healthcare needs. Residents are typically charged all-inclusive monthly rates for IL services and additional "care charges" for AL/MC services, which vary depending on the types of services required. AL/MC properties are generally private pay, although many states will allow residents to cover a portion of the cost with Medicaid.

CCRC Properties: CCRCs are a particular type of retirement community that offers several levels (generally more than three) of health care at one facility or campus, often including independent living, assisted living/memory care and skilled nursing. CCRCs offer a tiered approach to the aging process, accommodating residents' changing needs as they age.

Operating Model

Managed Properties: We have entered into long-term property management agreements for our managed properties with Blue Harbor, Holiday, JEA, Thrive, Grace and Watermark. 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. As the owner of the Managed Properties, we are responsible for the properties' operating costs, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees. The payroll expense is structured as a reimbursement to the property manager, who is the employer of record. We have various rights as the property owner under our property management agreements, including rights to set budget guidelines and to terminate and exercise remedies under those agreements as provided therein. However, we rely on our property managers' personnel, expertise, technical accounting 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 otherwise operate our properties in compliance with the terms of the management agreements, although we have various rights as the property owner to terminate and exercise remedies under the management agreements.

Triple Net Lease Property: The property is leased to the tenant pursuant to triple net lease. Our triple net lease arrangement has an initial term of approximately 15 years and include renewal options and annual rent increases ranging from 2.75% to 3.25%. Under the triple net master lease, the respective tenant is typically responsible for (i) operating its portion of the portfolio and bearing the related costs, including maintenance, utilities, taxes, insurance, repairs, capital improvements, and the payroll expense of property-level employees, and (ii) complying with the terms of the mortgage financing documents.

On May 9, 2018, we entered into a lease termination agreement to terminate our triple net leases with affiliates of Holiday relating to 51 IL properties (the "Holiday Portfolio"). The lease termination was effective May 14, 2018 (the "Lease Termination"). Concurrently with the Lease Termination, we entered into property management agreements with Holiday to manage the properties in the Holiday Portfolio following the Lease Termination in exchange for a property management fee. As a result, such properties are now included in the Managed IL Properties segment. Refer to Note 3 to our consolidated financial statements for additional details related to the Lease Termination.

FINANCING STRATEGY

Our ability to access capital in a timely and cost effective manner is critical to the success of our business strategy because it affects our ability to make future investments. Our access to and cost of external capital are dependent on various factors, including general market conditions, interest rates, credit ratings on our securities, expectations of our potential future earnings and cash distributions and the trading price of our common stock.

We employ leverage as part of our investment strategy. We do not have a predetermined target debt to equity ratio as we believe the appropriate leverage for the particular assets we are financing depends on the credit quality of those assets. We utilize leverage for the sole purpose of financing our portfolio and not for the purpose of speculating on changes in interest rates. We strive to maintain our financial strength and invest profitably by actively managing our leverage, optimizing our capital structure and developing our access to multiple sources of liquidity. Historically, we have relied primarily on non-recourse mortgage notes to finance a portion of our real estate investments. We may, over time, seek access to additional sources of liquidity, including revolving credit agreements, bank debt, U.S. government agency financing and the unsecured public debt and equity markets. Generally, we attempt to match the long-term duration of our investments in senior housing properties with staggered maturities of long-term debt and equity. As of December 31, 2018, 75.6% of our consolidated debt was variable rate debt.

Subject to maintaining our qualification as a REIT, we may, from time to time, utilize derivative financial instruments to manage interest rate risk associated with our borrowings. These derivative instruments may include interest rate swap agreements, interest rate cap agreements, interest rate floor or collar agreements or other financial instruments that we deem appropriate.

POLICIES WITH RESPECT TO CERTAIN OTHER ACTIVITIES

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our common stock or any other securities and may engage in such activities in the future.

We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries.

Subject to the percentage ownership and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments.

Our officers and directors may change any of these policies without a vote of our stockholders.

In the event that we determine to raise additional equity capital, our board of directors has the authority, without stockholder approval (subject to certain NYSE requirements), to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property.

OPERATIONAL AND REGULATORY STRUCTURE

REIT Qualification

We are organized and conduct our operations to qualify as a REIT for U.S. federal income tax purposes. Our qualification as a REIT depends upon our ability to meet, on a continuing basis, various complex requirements under the Internal Revenue Code (“Code”), relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels to our stockholders and the concentration of ownership of our capital stock. Commencing with our initial taxable year ending December 31, 2014, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code and we believe that our intended manner of operation will continue to enable us to meet the requirements for qualification and taxation as a REIT.

COMPETITION

We generally compete for investments in senior housing with other market participants, such as other REITs, real estate partnerships, private equity and hedge fund investors, banks, insurance companies, finance and investment companies, government-sponsored agencies, healthcare operators, developers and other investors. Many of our anticipated competitors are significantly larger than we are, have access to greater capital and other resources and may have other advantages over us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could lead them to offer higher prices for assets that we might be interested in acquiring and cause us to lose bids for those assets. In addition, other potential purchasers of senior housing properties may be more attractive to sellers of senior housing properties if the sellers believe that these potential purchasers could obtain any necessary third party approvals and consents more easily than us.

Our property managers and tenant compete on a local and regional basis with operators of properties that provide comparable services. Operators compete for residents based on a number of factors including quality of care, reputation, physical appearance of properties, location, services offered, family preferences, staff and price. We also face competition from other healthcare facilities for residents, such as physicians and other healthcare providers that provide comparable properties and services, as well as home care options, including technology-enabled home health care options.

EMPLOYEES

Prior to the Internalization, we did not have any employees. Our officers and other individuals who provide services to us were employed by the Manager. In connection with the Internalization, we hired 16 employees previously employed by the Manager, including our executive officers.

As the owner of managed properties, we are responsible for the payroll expense of property-level employees (as well as the properties' other operating costs). The payroll expense is structured as a reimbursement to the property manager, who is the employer of record.

INTERNET ADDRESS AND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the SEC. Our SEC filings are available to the public from the SEC's internet site at http://www.sec.gov. Our internet site is https://www.newseniorinv.com/. We make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks and other information in this Form 10-K 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 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

We may not realize some or all of the targeted benefits of the Internalization.

As part of the Internalization, we terminated the Management Agreement and entered into a related transition services agreement (the "Transition Services Agreement"), pursuant to which the Manager would continue to provide certain services and personnel (primarily related to information technology, legal, compliance, accounting and tax) at cost during a transition period following the Internalization. The failure to effectively complete the transition of these services to a fully internal basis, efficiently manage the transition with the Manager or find adequate internal replacements for these services, could impede our ability to achieve the targeted cost savings of the Internalization and adversely affect our operations. In addition, complexities arising from the Internalization could increase our overhead costs and detract from management's ability to focus on operating our business. There can be no assurance we will be able to realize the expected cost savings of the Internalization.

We are reliant on certain transition services provided by the Manager pursuant to a transition services agreement, and we may not find a suitable provider for these transition services if the Manager ceases to provide the transition services under the terms of such agreement.

We remain reliant on the Manager during the term of the Transition Services Agreement, and the loss of these transition services could adversely affect our operations. We are subject to the risk that the Manager will default on its obligation to provide the transition services to which we are entitled under the Transition Services Agreement, or that the transition services agreement will be terminated pursuant to its terms, and that we will not be able to find a suitable replacement for the transition services provided under the transition services agreement in a timely manner, at a reasonable cost or at all. In addition, the Manager's liability to us if it defaults on its obligation to provide transition services to us during the expected transition period may be limited by the terms of the transition services agreement, and we may not recover the full cost of any losses related to such a default. We may also be adversely affected by operational risks, including cyber security attacks, that could disrupt the Manager's financial, accounting and other data processing systems during the period of the transition services.

We may not be able to attract and retain key management and other key employees.

Our employees, particularly our key management, are vital to our success and difficult to replace. We may be unable to retain them or to attract other highly qualified individuals, particularly if we do not offer employment terms competitive with the rest of the market. Failure to attract and retain highly qualified employees, or failure to develop and implement a viable succession plan, could result in inadequate depth of institutional knowledge or skill sets, adversely affecting our business.

Covenants in our debt instruments limit our operational flexibility (including our ability to sell assets) 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 "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, including distributions or redemption obligations under our Redeemable Series A Preferred Stock, acquire properties and undertake development activities.

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

Holiday serves as the manager of properties representing a significant portion of the NOI from our Managed Properties segments (which currently accounts for all but one of our properties). For the year ended December 31, 2018 and 2017, Holiday served as the manager of properties representing 81.0% and 73.4%, respectively, of the NOI from our Managed Properties segments. As of December 31, 2018, Holiday managed 102 of the 132 properties in our Managed Properties segments, including the 51 properties that were previously in our Triple Net Lease segment. Holiday is majority-owned by private equity funds managed by our former Manager (or its affiliates).

As of December 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.

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. We do not have any policies that 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 "-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 assets, and, as a REIT, we are not able to operate our AL/MC properties.

During the year ended December 31, 2018, 77.7% 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, which we expect will increase following the Lease Termination, 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.

Currently, all but one of our properties are owned on a managed basis. Compared to leased properties, which generally provide a steady and predictable cash flow, properties owned on a managed basis are generally subject to more volatility in NOI. This could have an adverse effect on our results of operations and cash flows. In addition, we are required to cover all property-related expenses for our managed portfolio, including maintenance, utilities, taxes, insurance, repairs and capital improvements, which could have an adverse effect on our liquidity.

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 is expected to remain at elevated levels for 2019 and has had a negative impact on our portfolio.

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 Item 1. Business-Our Portfolio of our Form 10-K. 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 2019 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.

Our current and future 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 lease will be able to cover any shortfall or maintain compliance with applicable financial covenants, which may have a material adverse effect on our financial condition, cash flows, results of operations and liquidity.

Following the Lease Termination, effective as of May 14, 2018, the remaining property in our Triple Net Lease segment is leased on a triple net basis to an operator. Rental income from our triple net leases represented 22.3% of our NOI during the year ended December 31, 2018, and Holiday accounted for 83.9% of that amount prior to the Lease Termination.

Our triple net lease and any triple net leases we may enter into in the future subject us to credit and other risks from our tenants. 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 tenant has also agreed, and we expect future tenants will also agree, 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 a tenant is not able to satisfy its 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 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.

In addition, we cannot predict whether our tenants will satisfy their obligations to us or renew their leases at the end of the applicable term, and 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 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, which 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.

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 tenant, 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 tenant 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.

The SEC, the Financial Accounting Standards Board 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 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 could also apply to us if we were treated as a successor to Drive Shack for U.S. federal income tax purposes, which could cause us to fail to qualify for taxation as a REIT for our 2019 and/or earlier years. 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 we 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 Tax Cuts and Jobs Act (the "Tax Act"), which was enacted in 2017, made 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 Tax 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 Tax 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 Tax 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 and 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 August 9, 2018, we announced that our board of directors determined to re-set the dividend on our common stock for the quarter ended June 30, 2018, to more closely align our payout ratios with our industry peers. Our cash flows from operating activities, less capital expenditures and principal payments, have been, and continue to be, less than the amount of distributions to our stockholders. 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. 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, has consistently been less than the amount of distributions to our stockholders in prior quarters. We have funded the shortfall using cash on hand. 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 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and Item 7A., "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 have such sources of cash or other potential sources of cash from non-operating activities. 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 directors, officers and employees, as well as other equity instruments such as debt and equity financing. Our board of directors has approved an Amended and Restated 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 and other equity-based and non-equity based awards, in each case to our directors, officers, employees, service providers, consultants and advisors. We have reserved 27,922,570 shares of our common stock for issuance under the Plan.

Our outstanding Redeemable Series A Preferred Stock as well as any debt, equity or equity-related securities, including additional preferred stock, that we may issue in the future may negatively affect the market price of our common stock.

As of December 31, 2018, there are issued and outstanding, 400,000 shares of Redeemable Series A Preferred Stock. Additionally, we may in the future incur or issue debt or issue equity or equity-related securities. Upon our liquidation, dissolution or winding up, lenders and holders of our debt and holders of our preferred stock, including holders of the outstanding shares of our Redeemable Series A Preferred Stock, 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. Our outstanding Redeemable Series A Preferred Stock provides that, subject to certain exceptions, no dividend or other distribution may be declared, made or paid or set apart for payment upon a class of capital stock ranking junior to or on parity with the Redeemable Series A Preferred Stock. Additionally, any preferred stock issued by us in the future 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, including additional preferred stock, 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, including additional preferred stock, 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our direct investments in senior housing are described under "Business - Our Portfolio."

We lease our principal executive and administrative offices located at 55 West 46th St, Suite 2204, New York, New York, 10036.

We maintain our properties in good condition and believe that our current facilities are adequate to meet the present needs of our business. We do not believe any individual property is material to our financial condition or results of operations.

ITEM 3. 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. On October 25, 2018, Plaintiff filed a Second Amended Complaint, which added a claim for declaratory judgment that New Senior has the right to terminate the management agreement between FIG LLC and New Senior for cause. On November 9, 2018, defendants Edens, Givens, FOE I, FIG Corp., and Fortress moved to dismiss the new count in the Second Amended Complaint. A trial date has been scheduled for late July 2019.

ITEM 4. MINE SAFETY DISCLOSURES

None.

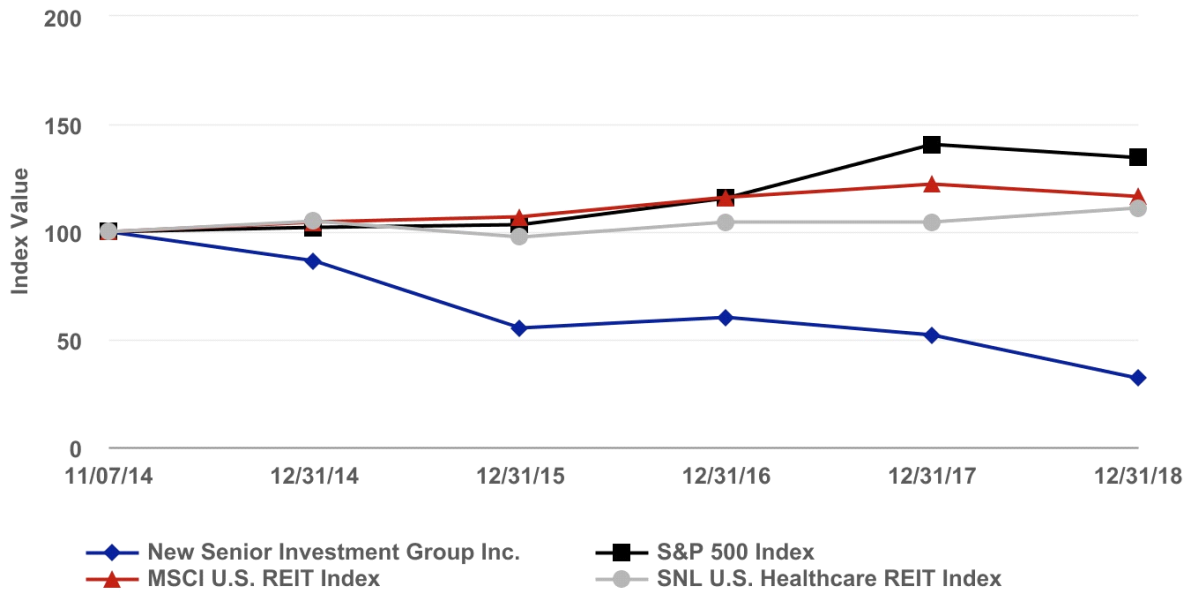
PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

We have one class of common stock which trades on the NYSE under the trading symbol "SNR". On February 22, 2019, the closing sale price for our common stock, as reported on the NYSE, was $5.42 and there were approximately 24 shareholders of record. This figure does not reflect the beneficial ownership of shares held in nominee name.

PERFORMANCE GRAPH

The following graph compares the cumulative total return for our shares (stock price change plus reinvested dividends) with the comparable return of three indices: S&P 500 Index, MSCI US REIT Index and SNL US REIT Healthcare Index. The graph assumes an investment of $100 in our shares and in each of the indices on November 7, 2014, and that all dividends were reinvested. The past performance of our shares is not an indication of future performance.



	Period Ending					
Index	**11/07/14**	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**
New Senior Investment Group Inc.	100.00	86.42	54.93	60.17	52.03	31.72
S&P 500 Index	100.00	101.64	103.05	115.38	140.56	134.40
MSCI US REIT Index	100.00	104.12	106.74	115.92	121.80	116.23
SNL US REIT Healthcare Index	100.00	104.84	97.21	104.43	104.27	110.73

Nonqualified Stock Option and Incentive Award Plan

The Plan provides for the grant of equity-based awards including restricted stock, stock options, stock appreciation rights, performance awards and other equity-based and non-equity based awards, in each case to our directors, officers, service providers, consultants and advisors. See Note 13 to our consolidated financial statements for information related to our Amended and Restated Nonqualified Stock Option and Incentive Award Plan.

The following table summarizes the total number of outstanding securities in the Plan and the number of securities remaining for future issuance, as well as the weighted average strike price of all outstanding securities as of December 31, 2018.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options [(A)]	Weighted Average Strike Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under the Plan [(B)]
Equity compensation plans approved by security holders:			
Nonqualified stock option and incentive award plan	2,041,409	$ 10.81	27,922,570
Total approved	2,041,409	$ 10.81	27,922,570

(A) The number of securities to be issued upon exercise of outstanding options does not include 5,125,615 options (net of expired and exercised options) that were converted into New Senior options at the spin-off. See Note 13 to our consolidated financial statements for additional information.
(B) No awards shall be granted on or after November 6, 2024 (but awards granted may be exercised beyond this date). The number of securities remaining available for future issuance is net of an aggregate of 36,021 shares of our common stock issued to directors as compensation.

Equity Compensation Plans Not Approved by Security Holders

None.

ITEM 6. SELECTED FINANCIAL DATA

The financial data as of and for the years ended December 31, 2018, 2017 and 2016 has been derived from our audited financial statements for those dates included elsewhere in this Form 10-K. The financial data for the years ended December 31, 2015 and 2014 has been derived from our audited financial statements that are not included in this Form 10-K. The selected financial data provided below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and related notes.

Operating results for the periods presented are not necessarily indicative of the results that may be expected for any future period. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Operating Data

	Year Ended December 31,				
(dollars in thousands, except share data)	2018	2017	2016	2015	2014
Revenues					
Resident fees and services	$ 404,891	$ 336,739	$ 359,472	$ 277,324	$ 156,993
Rental revenue	39,407	112,391	112,966	111,154	97,992
Total revenues	444,298	449,130	472,438	388,478	254,985
Expenses					
Property operating expense	267,785	230,045	243,027	189,543	112,242
Depreciation and amortization	95,950	139,942	184,546	160,318	103,279
Interest expense	101,176	93,597	91,780	75,021	57,026
Acquisition, transaction, and integration expense	15,919	2,453	3,942	13,444	14,295
Termination fee to affiliate	50,000	—	—	—	—
Management fees and incentive compensation to affiliate	14,814	18,225	18,143	14,279	8,470
General and administrative expense	13,387	15,307	15,194	15,233	7,416
Loss on extinguishment of debt	66,219	3,902	245	5,091	—
Impairment of real estate held for sale	8,725	—	—	—	—
Other expense (income)	3,974	1,702	727	1,629	(1,500)
Total expenses	637,949	505,173	557,604	474,558	301,228
Gain on sale of real estate	—	71,763	13,356	—	—
Gain on lease termination	40,090	—	—	—	—
(Loss) income before income taxes	(153,561)	15,720	(71,810)	(86,080)	(46,243)
Income tax expense (benefit)	5,794	3,512	439	(3,655)	160
Net (loss) income	$ (159,355)	$ 12,208	$ (72,249)	$ (82,425)	$ (46,403)
Net (loss) income per share of common stock					
Basic	$ (1.94)	$ 0.15	$ (0.88)	$ (1.08)	$ (0.70)
Diluted	$ (1.94)	$ 0.15	$ (0.88)	$ (1.08)	$ (0.70)
Weighted average number of shares of common stock outstanding					
Basic	82,148,869	82,145,295	82,357,349	76,601,161	66,400,914
Diluted	82,148,869	82,741,322	82,357,349	76,601,161	66,400,914
Dividends declared per share of common stock	$ 0.78	$ 1.04	$ 1.04	$ 0.75	$ 0.23

Cash Flow Data

	Year Ended December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Net cash provided by (used in):					
Operating activities	$ 121,077	$ 60,445	$ 102,345	$ 76,966	$ 50,951
Investing activities	(19,162)	319,895	2,144	(1,274,109)	(328,328)
Financing activities	(166,744)	(320,372)	(146,479)	1,098,280	481,231

Balance Sheet Data

	December 31,				
(dollars in thousands)	2018	2017	2016	2015	2014
Total assets	$ 2,286,258	$ 2,508,027	$ 2,821,728	$ 3,017,459	$ 1,966,159
Total debt, net	1,884,882	1,907,928	2,130,387	2,151,317	1,223,224
Total liabilities	1,963,806	2,002,142	2,242,833	2,250,134	1,317,623
Redeemable preferred stock	40,000	—	—	—	—
Total equity	282,452	505,885	578,895	767,325	648,539

ITEM 7. 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 Annual Report on Form 10-K. 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 I, 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 three reportable segments: Managed IL Properties, Managed AL/MC Properties and Triple Net Lease Properties. See our consolidated financial statements and the related notes included in Part II, Item 8.

Recent Developments

On February 23, 2018, our board of directors, together with our management team and legal and financial advisors, announced that it was exploring a full range of strategic alternatives to maximize stockholder value. The Board formed a special committee (the "Special Committee"), composed entirely of independent and disinterested directors, to address certain aspects of the strategic review. Following the effectiveness of the Internalization (as defined below), our board of directors concluded its formal review of strategic alternatives. However, our board of directors, together with our management team, continues to focus on enhancing corporate strategy to maximize stockholder value.

On May 9, 2018, we entered into a lease termination agreement to terminate our triple net leases with affiliates of Holiday. The lease termination was effective May 14, 2018 (the "Lease Termination"). We received total consideration of $115.6 million, including a $70.0 million termination payment and retention of $45.6 million in security deposits held by us. In addition, in connection with the Lease Termination, we assumed ownership of certain furniture, fixtures, equipment and other improvements with a fair market value of $10.1 million. During the second quarter of 2018, we recognized a gain on lease termination of $40.1 million after adjusting for write-offs of straight-line rent receivables of $84.3 million and net above-market rent lease intangible assets of $1.2 million.

Concurrently with the Lease Termination, we entered into property management agreements with Holiday pursuant to which we pay a management fee equal to a monthly base fee in the amount of 5% of effective gross income in the first year of the term and 4.5% of effective gross income for the remainder of the term. In addition, Holiday is eligible to earn an annual incentive fee of up to 2% of effective gross income if the Holiday Portfolio achieves certain performance thresholds. The agreements may be terminated without penalty after the first year of the term.

In conjunction with the Lease Termination, we repaid $663.8 million of secured loans and recognized a loss on extinguishment of debt of $58.5 million, comprising of $51.9 million in prepayment penalties and $6.6 million in the write-off of unamortized deferred financing costs on the loans, which is included in our Consolidated Statements of Operations. The repayment was facilitated by a one-year secured term loan of $720.0 million (the "Term Loan"). We incurred a total of $12.3 million in deferred financing costs, which have been capitalized and amortized over the life of the Term Loan and the amortization is included in interest expense in our Consolidated Statements of Operations. Deferred financing costs are reported as a direct deduction from the carrying amount of the related mortgage notes payable in our Consolidated Balance Sheets.

On October 10, 2018, we refinanced the Term Loan with a seven-year secured loan of $720.0 million bearing interest at LIBOR plus 2.32%. We incurred approximately $11.6 million of expenses related to the refinancing, which have been capitalized and are being amortized over the life of the loan. In October 2018, we paid $2.5 million to enter into an interest rate cap on the refinancing of the Term Loan, which caps LIBOR at 3.68%, has a notional value of $720.0 million and is effective through November 1, 2021.

On December 13, 2018, we entered into a three-year secured revolving credit facility in the amount of $125.0 million bearing interest at LIBOR plus 2.50% (the "Loan"), which is secured by eight AL/MC properties and the pledge of equity interests in certain wholly owned subsidiaries that directly or indirectly own such properties. We pay a fee for unused amounts of the Loan under certain circumstances, which is immaterial as of December 31, 2018. The Loan may be increased up to a maximum aggregate amount of $300.0 million, of which (i) a portion in an amount of 10% of the Loan may be used for the issuance of letters of credit, and (ii) a portion in an amount of 10% of the Loan may be drawn by us in the form of swing loans. Concurrently on the same day, we used the funds from the financing to prepay an aggregate of $125.4 million of secured loans. We recognized a loss on extinguishment of debt of $1.5 million, comprising of $1.2 million in prepayment penalties and $0.3 million in the write-off of unamortized deferred financing costs on the loans. We incurred a total of $3.1 million in deferred financing costs, which have been capitalized and are being amortized over the life of the Loan and the amortization is included in interest expense in our Consolidated Statements of Operations. As of December 31, 2018, there was $69.0 million of borrowings outstanding under the Loan.

Through December 31, 2018, we were externally managed and advised by an affiliate of Fortress Investment Group LLC (the "Manager"). On November 19, 2018, we entered into definitive agreements with the Manager to internalize our management, effective December 31, 2018 (the "Internalization"). In connection with the Internalization, we also entered into a Transition Services Agreement with the Manager to continue to provide certain services for a transition period.

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 fourth quarter decreased 60 basis points year over year. New Senior's occupancy results outperformed the industry in the fourth quarter of 2018, with adjusted same store managed occupancy down 40 basis points year over year.

Industry occupancy for independent living ("IL") facilities was down 40 basis points year over year, while industry occupancy for assisted living ("AL") facilities was down 70 basis points year over year. Industry occupancy is expected to remain flat over the next four quarters.

Industry-wide, new supply remains elevated but continues to decrease. Units under construction represent 5.8% of inventory, but the ratio has decreased 150 basis points from a peak in the third quarter of 2016. The ratio of AL construction to inventory (6.8%) 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 near its lowest level since 2006 and labor cost growth is near its highest level since 2007. However, industry rate growth has continued to improve throughout 2018, increasing 3.0% year over year, with IL (up 3.2%) outperforming AL (up 2.7%).

The value of our existing portfolio could be impacted 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 three segments: (i) Managed IL Properties, (ii) Managed AL/MC Properties and (iii) Triple Net Lease Properties. Under our Managed Properties segments, we own a total of 132 properties comprising of 102 IL properties and 30 AL/MC properties, which are managed by Property Managers under property management agreements. Under our Triple Net Lease Properties segment, we own and lease a property under a triple net master lease agreement.

Effective May 14, 2018, we terminated our triple net leases with respect to the properties in the Holiday Portfolio and concurrently entered into property management agreements with Holiday with respect to such properties. The net operating income ("NOI") for such properties following the Lease Termination has been included in the Managed IL Properties segment. This resulted in a significant increase in the segment NOI of the Managed IL Properties with a corresponding decrease in the segment NOI of the Triple Net Lease Properties during the year ended December 31, 2018. Following the Lease Termination, most of our NOI is generated by Managed Properties, which is comprised of 132 out of our total portfolio of 133 properties. As a result, we began to evaluate our operating results, set strategic priorities and allocate resources based on the type of property. Accordingly, we expanded our Managed Properties segments to bifurcate the operating results of Managed IL Properties and Managed AL/MC Properties. All periods presented have been restated to facilitate a historical comparison across segments.

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 segments are comprised of 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 is comprised of 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, termination fee, management fees and incentive compensation to affiliate, general and administrative expense, loss on extinguishment of debt, impairment of real estate, other expense (income), gain on sale of real estate, gain on lease termination 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 between segments, or classified as held for sale during the comparable periods are excluded from the same store amounts. Accordingly, same store segment results exclude the performance of the Holiday Portfolio, which was transitioned from the Triple Net Lease Properties segment to the Managed IL Properties segment as a result of the Lease Termination in May 2018.

Year ended December 31, 2018 compared to the year ended December 31, 2017

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

	Year Ended December 31,		Increase (Decrease)	
(dollars in thousands)	2018	2017	Amount	%
Segment NOI for Managed Properties				
IL Properties	$ 110,713	$ 70,195	$ 40,518	57.7 %
AL/MC Properties	26,393	36,499	(10,106)	(27.7)%
Segment NOI for Triple Net Lease Properties	39,407	112,391	(72,984)	(64.9)%
Total segment NOI	176,513	219,085	(42,572)	(19.4)%
Expenses				
Depreciation and amortization	95,950	139,942	(43,992)	(31.4)%
Interest expense	101,176	93,597	7,579	8.1 %
Acquisition, transaction and integration expense	15,919	2,453	13,466	NM
Termination fee to affiliate	50,000	—	50,000	NM
Management fees and incentive compensation to affiliate	14,814	18,225	(3,411)	(18.7)%
General and administrative expense	13,387	15,307	(1,920)	(12.5)%
Loss on extinguishment of debt	66,219	3,902	62,317	NM
Impairment of real estate held for sale	8,725	—	8,725	NM
Other expense	3,974	1,702	2,272	133.5 %
Total expenses	370,164	275,128	95,036	34.5 %
Gain on sale of real estate	—	71,763	(71,763)	NM
Gain on lease termination	40,090	—	40,090	NM
(Loss) income before income taxes	(153,561)	15,720	(169,281)	NM
Income tax expense	5,794	3,512	2,282	65.0 %
Net (loss) income	$ (159,355)	$ 12,208	$ (171,563)	NM

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NM – Not meaningful

Managed IL Properties

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

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2018	2017	Change	%	2018	2017	Change	%
Resident fees and services	$ 169,924	$ 167,197	$ 2,727	1.6 %	$ 273,685	$ 172,952	$ 100,733	58.2 %
Less: Property operating expense	100,214	98,881	1,333	1.3 %	162,972	102,757	60,215	58.6 %
NOI	$ 69,710	$ 68,316	$ 1,394	2.0 %	$ 110,713	$ 70,195	$ 40,518	57.7 %
Total properties	50	50			102	51		
Average available beds	6,005	6,000			9,538	6,246		
Average occupancy (%)	87.7	88.2			87.8	88.1		
Average monthly revenue per occupied bed	$2,689	$2,634			$2,725	$2,620		

Resident fees and services

Total resident fees and services increased $100.7 million from the prior year. The increase is primarily attributable to fees from the Holiday Portfolio, which are included in the Managed IL Properties segment following the Lease Termination.

Same store resident fees and services increased $2.7 million from the prior year, primarily due to an increase in average rental rate.

Property operating expense

Total property operating expense increased $60.2 million from the prior year. The increase is attributable to the property operating expense related to the Holiday Portfolio, which is included in the Managed IL Properties segment following the Lease Termination.

Property operating expense includes property management fees and travel reimbursements paid to Property Managers of $13.8 million and $8.7 million for the years ended December 31, 2018 and 2017, respectively.

Same store property operating expense increased $1.3 million from the prior year, primarily due to higher labor.

Segment NOI

Total segment NOI and same store segment NOI increased $40.5 million and $1.4 million, respectively, from the prior year. See above for the variance explanations.

Managed AL/MC Properties

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

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2018	2017	Change	%	2018	2017	Change	%
Resident fees and services	$ 106,255	$ 109,246	$ (2,991)	(2.7)%	$ 131,206	$ 163,787	$ (32,581)	(19.9)%
Less: Property operating expense	82,070	80,739	1,331	1.6 %	104,813	127,288	(22,475)	(17.7)%
NOI	$ 24,185	$ 28,507	$ (4,322)	(15.2)%	$ 26,393	$ 36,499	$ (10,106)	(27.7)%
Total properties	25	25			30	30		
Average available beds	2,607	2,604			3,419	4,594		
Average occupancy (%)	81.8	85.9			79.5	82.5		
Average monthly revenue per occupied bed	$4,151	$4,072			$4,020	$3,601		

Resident fees and services

Total resident fees and services decreased $32.6 million from the prior year. The decrease of is primarily attributable to the revenue of 11 sold properties in 2017.

Same store resident fees and services decreased $3.0 million from the prior year, primarily due to a decrease in average occupancy rates, partially offset by an increase in average rental rates.

Property operating expense

Total property operating expense decreased $22.5 million from the prior year. The decrease is primarily attributable to the operating expense of 11 sold properties in 2017.

Property operating expense includes property management fees and travel reimbursements paid to Property Managers of $8.6 million and $11.1 million for the years ended December 31, 2018 and 2017, respectively.

Same store property operating expense increased $1.3 million from the prior year, primarily due to higher labor costs.

Segment NOI

Total segment NOI and same store segment NOI decreased $10.1 million and $4.3 million, respectively, from the prior year. 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 years ended December 31, 2018 and 2017:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	2018	2017	Change	%	2018	2017	Change	%
Rental revenue	$ 6,327	$ 6,324	$ 3	— %	$ 39,407	$ 112,391	$ (72,984)	(64.9)%
NOI	$ 6,327	$ 6,324	$ 3	— %	$ 39,407	$ 112,391	$ (72,984)	(64.9)%
Total properties	1	1			1	52		
Average available beds	463	463			2,412	7,440		
Average occupancy (%)	87.7	89.9			86.5	85.6		

Total segment NOI decreased $73.0 million from the prior year, primarily due to the Holiday Portfolio Lease Termination effective on May 14, 2018 and 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 $44.0 million from the prior year, primarily due to certain intangible assets becoming fully amortized.

Interest expense

Interest expense increased $7.6 million from the prior year, primarily due to a higher effective interest rate on the Term Loan with an aggregate principal amount of $720.0 million, which was used to repay $663.8 million of secured loans in conjunction with the Lease Termination. The Term Loan was refinanced in October 2018 with a seven-year secured loan of $720.0 million. The weighted average effective interest rate for the years ended December 31, 2018 and 2017 was 4.86% and 4.40%, respectively.

Acquisition, transaction and integration expense

Acquisition, transaction and integration expense increased $13.5 million from the prior year, primarily due to costs associated with our review of strategic alternatives to maximize stockholder value.

Termination fee to affiliate

In connection with the termination of the Management Agreement, we incurred a termination fee of $50.0 million to the Manager.

Management fees and incentive compensation to affiliate

Management fees and incentive compensation to affiliate expense decreased $3.4 million, primarily due to incentive compensation of $2.9 million earned by the Manager from the sale of two properties in June 2017.

General and administrative expense

General and administrative expense decreased $1.9 million from the prior year, primarily due to lower reimbursement to the Manager and a decrease in professional fees and franchise taxes.

Loss on extinguishment of debt

Loss on extinguishment of debt increased $62.3 million from the prior year, primarily due to $58.5 million of prepayment penalties and write off of unamortized deferred financing fees related to debt paid off in conjunction with the Lease Termination and $6.2 million for the write off of unamortized deferred financing costs in conjunction with the refinancing of the Term Loan in October 2018. This increase was offset by $3.9 million for a loss recognized for debt repaid associated with property sales in 2017.

Impairment of real estate held for sale

During 2018, we recognized an impairment of $8.7 million related to two properties, which are classified as held for sale as of December 31, 2018. No impairment was recorded in 2017.

Other expense

Other expense increased $2.3 million from the prior year, primarily due to a reduction in the value of our interest rate caps.

Other

Gain on sale of real estate

Gain on sale of real estate decreased $71.8 million from the prior year, primarily due to a gain recognized for the sale of 19 properties in 2017. No properties were sold in 2018.

Gain on lease termination

Gain on lease termination increased $40.1 million from the prior year, primarily due to Lease Termination in 2018. No gain on lease termination was recognized during 2017.

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 increased $2.3 million from prior year primarily due to the following:

During 2018, we recorded a valuation allowance of $5.4 million against our net deferred tax assets as management believes that it is more likely than not that our net deferred tax assets will not be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was signed into law. The Tax 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. Accordingly, our deferred tax assets were remeasured, 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.

Year ended December 31, 2017 compared to the year ended December 31, 2016

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

	Year Ended December 31,		Increase (Decrease)	
(dollars in thousands)	2017	2016	Amount	%
Segment NOI for Managed Properties				
IL Properties	70,195	72,279	(2,084)	(2.9)%
AL/MC Properties	36,499	44,166	(7,667)	(17.4)%
Segment NOI for Triple Net Lease Properties	112,391	112,966	(575)	(0.5)%
Total Segment NOI	219,085	229,411	(10,326)	(4.5)%
Expenses				
Depreciation and amortization	139,942	184,546	(44,604)	(24.2)%
Interest expense	93,597	91,780	1,817	2.0 %
Acquisition, transaction and integration expense	2,453	3,942	(1,489)	(37.8)%
Management fees and incentive compensation to affiliate	18,225	18,143	82	0.5 %
General and administrative expense	15,307	15,194	113	0.7 %
Loss on extinguishment of debt	3,902	245	3,657	NM
Other expense	1,702	727	975	134.1 %
Total expenses	275,128	314,577	(39,449)	(12.5)%
Gain on sale of real estate	71,763	13,356	58,407	NM
Income (Loss) before income taxes	15,720	(71,810)	87,530	NM
Income tax expense	3,512	439	3,073	NM
Net income (loss)	$ 12,208	$ (72,249)	$ 84,457	NM

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NM – Not meaningful

Managed IL Properties

The following table presents same store and total portfolio results as of and for the years ended December 31, 2017 and 2016:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2017	2016	Change	%	2017	2016	Change	%
Resident fees and services	$ 167,197	$ 166,715	$ 482	0.3 %	$ 172,952	$ 176,166	$ (3,214)	(1.8)%
Less: Property operating expense	98,882	97,638	1,244	1.3 %	102,757	103,887	(1,130)	(1.1)%
NOI	$ 68,315	$ 69,077	$ (762)	(1.1)%	$ 70,195	$ 72,279	$ (2,084)	(2.9)%
Total properties	50	50			51	53		
Average available beds	6,000	5,966			6,246	6,387		
Average occupancy (%)	88.2	90.4			88.1	90.4		
Average monthly revenue per occupied bed	$2,634	$2,577			$2,620	$2,544		

Resident fees and services

Total resident fees and services decreased $3.2 million in 2017 compared to 2016. This decrease was primarily attributable to the revenue of two sold properties in 2017.

Same store resident fees and services increased $0.5 million in 2017 compared to 2016, primarily due an increase in average rental rates.

Property operating expense

Total property operating expense decreased $1.1 million in 2017 compared to 2016. A decrease of $2.4 million is attributable to the operating expenses of two sold properties. This decrease was partially offset by higher insurance-related costs and other administrative costs.

Property operating expense includes property management fees and travel reimbursements paid to Property Managers of $8.7 million and $8.7 million for the years ended December 31, 2017 and 2016, respectively.

Same store property operating expense increased $1.2 million in 2017 compared to 2016, primarily due to higher insurance-related costs and other administrative costs.

Segment NOI

Total and segment NOI decreased $2.1 million and $0.8 million, respectively, in 2017 compared to 2016. See above for the variance explanations.

Managed AL/MC Properties

The following table presents same store and total portfolio results as of and for the years ended December 31, 2017 and 2016:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2017	2016	Change	%	2017	2016	Change	%
Resident fees and services	$ 118,824	$ 120,062	$ (1,238)	(1.0)%	$ 163,787	$ 183,306	$ (19,519)	(10.6)%
Less: Property operating expense	89,646	87,640	2,006	2.3 %	127,288	139,140	(11,852)	(8.5)%
NOI	$ 29,178	$ 32,422	$ (3,244)	(10.0)%	$ 36,499	$ 44,166	$ (7,667)	(17.4)%
Total properties	27	27			30	41		
Average available beds	2,883	2,882			4,594	5,140		
Average occupancy (%)	84.5	87.0			82.5	85.1		
Average monthly revenue per occupied bed	$4,065	$3,989			$3,601	$3,493		

Resident fees and services

Total resident fees and services decreased $19.5 million in 2017 compared to 2016. This decrease was primarily attributable to the revenue of 13 sold properties.

Same store resident fees and services decreased $1.2 million in 2017 compared to 2016, primarily due to a decrease in average occupancy rates, partially offset by an increase in average rental rates.

Property operating expense

Total property operating expense decreased $11.9 million in 2017 compared to 2016. A decrease of $13.4 million was attributable to the operating expenses of 13 sold properties. This decrease was offset by higher labor costs.

Property operating expense includes property management fees and travel reimbursements paid to Property Managers of $11.1 million and $12.1 million for the years ended December 31, 2017 and 2016, respectively.

Same store property operating expense increased $2.0 million in 2017 compared to 2016, primarily due to higher labor, marketing and insurance-related costs.

Segment NOI

Total and segment NOI decreased $7.7 million and $3.2 million, respectively, in 2017 compared to 2016. 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 years ended December 31, 2017 and 2016:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	2017	2016	Change	%	2017	2016	Change	%
Rental revenue	$ 95,498	$ 95,477	$ 21	— %	$ 112,391	$ 112,966	$ (575)	(0.5)%
NOI	$ 95,498	$ 95,477	$ 21	— %	$ 112,391	$ 112,966	$ (575)	(0.5)%
Total properties	52	52			52	58		
Average available beds	6,309	6,305			7,440	7,539		
Average occupancy (%)	87.7	90.0			85.6	88.0		

Total segment NOI decreased $0.6 million in 2017 compared to 2016, primarily 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 $44.6 million in 2017 compared to 2016, primarily due to certain intangible assets becoming fully amortized.

Interest expense

Interest expense increased $1.8 million in 2017 compared to 2016, primarily due to higher interest rates on our floating rate debt. The weighted average effective interest rate for the years ended December 31, 2017 and 2016 was 4.40% and 4.15%, respectively.

Acquisition, transaction and integration expense

Acquisition, transaction and integration expense decreased $1.5 million in 2017 compared to 2016, primarily due to an early termination fee of $1.8 million paid to Blue Harbor, pursuant to the Property Management Agreement, in connection with the sale of two properties in 2016.

Management fees and incentive compensation to affiliate

Management fees and incentive compensation to affiliate expense was relatively unchanged in 2017 compared to 2016.

General and administrative expense

General and administrative expense was relatively unchanged in 2017 compared to 2016 and primarily consists of the reimbursement to the Manager for costs incurred for tasks and other services performed by the Manager under the Management Agreement and other professional fees.

Loss on extinguishment of debt

During 2017 and 2016, we repaid $204.7 million and $13.7 million of debt, respectively, associated with our property sales, and recognized a loss on extinguishment of debt of $3.9 million and $0.2 million, respectively.

Other expense

Other expense increased $1.0 million in 2017 compared to 2016, primarily due to damage remediation costs of $1.5 million due to Hurricane Irma, partially offset by lower casualty-related charges and a fair value loss on our interest rate caps.

Other

Gain on sale of real estate

During 2017 and 2016, we sold 19 properties and two properties, respectively, and recognized a gain on sale of $71.8 million and $13.4 million, respectively.

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 increased $3.1 million from the prior year, primarily due to the Tax Act which reduced the corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. Accordingly, our deferred tax assets were remeasured, 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.

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 December 31, 2018, we had approximately $72.4 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 financing in the form of mortgage debt, and, from time to time, (iii) proceeds from dispositions of assets and (iv) proceeds from the issuance of equity securities. 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 tenant of our triple net lease property, less (iii) operating expenses (primarily general and administrative expenses, 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 flow from operating activities, less capital expenditures and principal payments 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 proceeds from asset sales.

In addition, concurrently with the Lease Termination, we repaid $663.8 million of secured loans, facilitated by the $720.0 million Term Loan, as described in “Overview-Recent Developments” above. In October 2018, we refinanced the Term Loan with a seven-year secured loan of $720.0 million bearing interest at LIBOR plus 2.32%. We incurred approximately $11.6 million of expenses related to the refinancing, which were capitalized and are being amortized over the life of the loan.

On August 9, 2018, we announced that our board of directors determined to re-set the dividend on our common stock for the quarter ended June 30, 2018, to more closely align our payout ratios with our industry peers. Our cash flows from operating activities, less capital expenditures and principal payments, have been, and continue to be, less than the amount of distributions to our stockholders. 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 I, Item IA. Risk Factors, “-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."

On August 9, 2018, our board of directors authorized the repurchase of up to $100.0 million of the Company's common stock over the next 12 months. Under the program, the Company may purchase its shares from time to time in the open market or in privately negotiated transactions. The amount and timing of the purchases will depend on a number of factors including the price and availability of the Company's shares, trading volume, capital availability, Company performance and general economic and market conditions. The Company may also from time to time establish a trading plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate purchases of its shares under this authorization. The stock repurchase program may be suspended or discontinued at any time.

On November 19, 2018, we entered into a Termination and Cooperation Agreement with the Manager to internalize our management function (the "Internalization"). We agreed with the Manager to terminate the existing Management Agreement and entered into a Transition Services Agreement with the Manager to continue to provide certain services for a transition period. The Internalization was effective December 31, 2018.

On December 13, 2018, we entered into a three-year secured revolving credit facility in the amount of $125.0 million bearing interest at LIBOR plus 2.50% (the "Loan"), which is secured by 8 AL/MC properties and the pledge of equity interests of certain wholly owned subsidiaries that directly or indirectly own such properties. The Loan may be increased up to a maximum aggregate amount of $300.0 million. We pay a fee for unused amounts of the Loan. Concurrently on the same day, we used the funds from the financing to prepay an aggregate of $125.4 million of secured loans. We recognized a loss on extinguishment of debt of $1.5 million, comprising of $1.2 million in prepayment penalties and $0.3 million in the write-off of unamortized deferred financing costs on the loans. We incurred a total of $3.1 million in deferred financing costs, which have been capitalized and are being amortized over the life of the Loan and the amortization is included in interest expense in our Consolidated Statements of Operations. As of December 31, 2018, there was $69.0 million of borrowings outstanding under the Loan.

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 I, 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:

• 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 or refinancing of existing debt 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, which is 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 debt contains various customary financial and other covenants, and in certain cases include a Debt Service Coverage Ratio, Project Yield or Minimum Net Worth, Minimum Consolidated Tangible Net Worth, Adjusted Consolidated EBITDA to Fixed

Charges and Liquid Assets provision, as defined in the agreements. As of December 31, 2018, we were in compliance with all of such covenants.

Capital Expenditures

For our Managed Properties segments, we anticipate that capital expenditures will be funded through operating cash flows from the Managed Properties. Capital expenditures, net of insurance proceeds in the Managed IL Properties and Managed AL/MC Properties segments were $12.1 million and $7.0 million, respectively, for the year ended December 31, 2018.

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 tenant is unwilling or unable to fund these capital expenditure obligations under the existing lease arrangement, we may fund capital expenditures with additional borrowings or cash flow from the operations of the senior housing properties. We may also provide corresponding loans or advances to our tenant which would increase the rent payable to us. For further information regarding capital expenditures related to our triple net lease property, see "Contractual Obligations" below and Note 16 to our consolidated financial statements.

Cash Flows

The following table provides a summary of our cash flows:

	Year Ended December 31,		
(dollars in thousands)	**2018**	**2017**	**2016**
Net cash provided by (used in)			
Operating activities	$ 121,077	$ 60,445	$ 102,345
Investing activities	(19,162)	319,895	2,144
Financing activities	(166,744)	(320,372)	(146,479)
Net increase (decrease) in cash, cash equivalents and restricted cash	(64,829)	59,968	(41,990)
Cash, cash equivalents and restricted cash, beginning of year	157,485	97,517	139,507
Cash, cash equivalents and restricted cash, end of year	$ 92,656	$ 157,485	$ 97,517

Operating activities

Net cash provided by operating activities was $121.1 million, $60.4 million and $102.3 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The increase of $60.6 million from 2017 to 2018 was primarily due to the receipt of $70.0 million from Holiday due to the Lease Termination in May 2018.

The decrease of $41.9 million from 2016 to 2017 was primarily due to the sale of 21 properties, which includes $15.9 million of security and other deposits returned to the tenant as part of the sale of six triple net lease properties in 2017. Additionally, operating cash declined due to a decrease in average occupancy rates, which were 85.7% and 88.0% for the years ended December 31, 2017 and 2016, respectively. These decreases were partially offset by an increase in average rental rates.

Investing activities

Net cash used in investing activities was $19.2 million and net cash provided by investing activities was $319.9 million and $2.1 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The period-over-period change of $339.1 million from 2017 to 2018 was primarily due to proceeds of $339.6 million received from the sale of 19 properties during 2017.

The increase of $317.8 million from 2016 to 2017 was primarily due to proceeds of $339.6 million received from the sale of 19 properties during 2017.

Financing activities

Net cash used in financing activities was $166.7 million, $320.4 million and $146.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The decrease of net cash used in financing activities of $153.6 million from 2017 to 2018 was primarily due to net debt repayments of $204.7 million associated with the sale of 19 properties during 2017 and a decrease in debt principal payments of $7.5 million from 2017 to 2018. This decrease was partially offset by an increase of $49.9 million in exit fees paid on the extinguishment of debt primarily associated with the refinancing of the Term Loan in May 2018 and $27.1 million of deferred financing costs paid in 2018.

The increase of net cash used in financing activities of $173.9 million from 2016 to 2017 was primarily due to net debt repayments of $191.5 million associated with the sale of 19 properties during 2017 and an increase in debt principal payments of $10.7 million from 2016 to 2017. Additionally, during 2016, we repurchased 3.3 million shares of our common stock for $30.9 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 December 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 December 31, 2018, we had the following material contractual obligations (dollars in thousands):

	2019 [A]	2020	2021	2022	2023	Thereafter	Total
Principal payments	$ 10,266	$ 12,325	$ 19,619	$ 21,888	$ 19,817	$ 37,179	$ 121,094
Balloon payments	50,031	—	69,000	567,043	—	1,098,354	1,784,428
Subtotal	60,297	12,325	88,619	588,931	19,817	1,135,533	1,905,522
Interest [B]	86,947	85,646	84,790	61,907	52,366	94,914	466,570
Leases	645	576	533	483	461	545	3,243
Total obligations [C]	$ 147,889	$ 98,547	$ 173,942	$ 651,321	$ 72,644	$ 1,230,992	$ 2,375,335

(A) We have an option to extend a balloon payment of approximately $50.0 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 are calculated using LIBOR rates in effect at December 31, 2018 and may not be indicative of actual payments. Actual payments may vary significantly due to LIBOR fluctuations. See Note 9 to our consolidated financial statements for further information about interest rates.
(C) Total obligations include an estimate of interest payments on floating rate debt, see Note B above.

In addition to our debt, we are a party to property management agreements with property managers. See Note 16 to our consolidated financial statements for information related to our capital improvement, repair and lease commitments.

INFLATION

Our triple net lease provides for either fixed increases in base rents and/or indexed escalators, based on the Consumer Price Index. In our Managed Properties segments, 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, Normalized Funds From Operations and Adjusted 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 (loss) 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 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 real estate; (d) the remeasurement of deferred tax assets; (e) valuation allowance on deferred tax assets, net; (f) termination fee to affiliate; (g) gain on lease termination; and (h) other items that we believe are not indicative of operating performance, generally reported as "Other expense (income)" in our Consolidated Statements of Operations.

We also use Adjusted FFO ("AFFO") as supplemental measures of our operating performance. We believe AFFO is useful because it facilitates the evaluation of (i) the current economic return on our portfolio of assets between periods on a consistent basis and (ii) our portfolio versus those of other real estate companies that report AFFO. However, comparability may be limited because our calculation of AFFO may differ significantly from that of other companies, or because of features of our business that are not present in other companies.

We define AFFO as Normalized FFO excluding the impact of the following: (a) straight-line rents; (b) amortization of above / below market lease intangibles; (c) amortization of deferred financing costs; (d) amortization of premium on mortgage notes payable; (e) amortization of deferred community fees and other, which includes the net change in deferred community fees and other rent discounts or incentives; and (f) amortization of equity-based compensation expense.

The following table sets forth a reconciliation of net income (loss) to Adjusted FFO:

	Year Ended December 31,		
(dollars in thousands)	**2018**	**2017**	**2016**
Net (loss) income	$ (159,355)	$ 12,208	$ (72,249)
Gain on sale of real estate	—	(71,763)	(13,356)
Depreciation and amortization	95,950	139,942	184,546
Impairment of real estate held for sale	8,725	—	—
FFO	(54,680)	80,387	98,941
Acquisition, transaction and integration expense	15,919	2,453	3,942
Loss on extinguishment of debt	66,219	3,902	245
Incentive compensation on sale of real estate	—	2,930	2,044
Remeasurement of deferred tax assets	—	2,966	—
Non-cash valuation allowance on deferred tax assets, net	5,354	—	—
Termination fee to affiliate	50,000	—	—
Gain on lease termination	(40,090)	—	—
Other expense	4,576	1,702	727
Normalized FFO	47,298	94,340	105,899
Straight line rent	(5,365)	(17,865)	(21,843)
Amortization of deferred financing costs	10,519	9,090	9,582
Amortization of deferred community fees and other	2,935	(405)	763
Adjusted FFO	$ 55,387	$ 85,160	$ 94,401

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 income (loss) to Adjusted EBITDA:

	Year Ended December 31,		
(dollars in thousands)	2018	2017	2016
Net (loss) income	$ (159,355)	$ 12,208	$ (72,249)
Gain on sale of real estate	—	(71,763)	(13,356)
Depreciation and amortization	95,950	139,942	184,546
Impairment of real estate held for sale	8,725	—	—
Acquisition, transaction and integration expense	15,919	2,453	3,942
Loss on extinguishment of debt	66,219	3,902	245
Incentive compensation on sale of real estate [(A)]	—	2,930	2,044
Termination fee to affiliate	50,000	—	—
Gain on lease termination	(40,090)	—	—
Other expense [(B)]	4,772	1,702	727
Interest expense	101,176	93,597	91,780
Income tax expense [(C)]	5,794	3,512	439
Adjusted EBITDA	$ 149,110	$ 188,483	$ 198,118

(A) Represents incentive compensation directly related to the gain on sale of real estate, which may represent a portion of total incentive compensation earned by the Manager in a given quarter, as reported in "Management fees and incentive compensation to affiliate" in our Consolidated Statements of Operations. The calculation of gain on sale for purposes of the incentive compensation calculation differs significantly from gain on sale calculated in accordance with GAAP.
(B) Primarily includes damage remediation costs due to Hurricane Irma, changes in the fair value of financial instruments and casualty related charges.
(C) 2018 includes a valuation allowance of $5.4 million recorded against our net deferred tax assets and 2017 includes a charge of $3.0 million due to the remeasurement of our deferred tax assets to reflect a reduction in the U.S. corporate income tax rate.

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 the accounting policies described below, 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 below to materially change in the future.

A summary of our significant accounting policies is presented in Note 2 to our consolidated financial statements. The following is a summary of our accounting policies that are most effected by judgments, estimates and assumptions.

Revenue Recognition

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 has been 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.

Resident Fees and Services - Resident fees and services include monthly rental revenue, care income and ancillary income recognized from the Managed Properties segments. Resident fees and services are recognized monthly as services are provided. Most lease agreements with residents are cancellable by the resident with 30 days' notice. Ancillary income primarily relates to non-refundable community fees. Non-refundable community fees are recognized on a straight-line basis over the estimated length of stay of residents, which management estimates to be approximately 24 months for AL/MC properties and 33 months for IL properties.

Acquisition Accounting

On January 1, 2017, we adopted Accounting Standards Update ("ASU") 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01") which narrows the Financial Accounting Standards Board's ("FASB") definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the acquired asset is not a business. If this initial test is not met, an acquired asset cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. The primary differences between business combinations and asset acquisitions include recording the asset acquisition at relative fair value, capitalizing transaction costs, recording contingent consideration when the contingency is resolved and the elimination of the measurement period in which to record adjustments to the transaction.

We did not have any acquisition subsequent to our adoption of ASU 2017-01. All of our acquisitions, which occurred prior to our adoption of ASU 2017-01, were accounted for under the business combination method. Transaction costs related to business combinations were expensed as incurred.

Regardless of whether an acquisition is considered a business combination or an asset acquisition, the cost of the business or asset acquired is allocated to tangible and intangible assets and assumed liabilities at their relative fair values, as of the respective transaction dates. The determination of the fair value of net assets acquired involves significant judgment and estimates, such as estimated future cash flow projections, appropriate discount and capitalization rates and other estimates based on available market information. Estimates of future cash flows are based on a number of factors including property operating results, known and anticipated trends, as well as market and economic conditions.

In measuring the fair value of tangible and identified intangible assets acquired and liabilities assumed, management uses information obtained as a result of pre-acquisition due diligence, marketing, leasing activities and independent appraisals. In the case of real property, the fair value of the tangible assets acquired is determined by valuing the property as if it were vacant. Significant estimates impacting the measurement at fair value of our real estate property include expected future rental rates and occupancy, construction cost data and qualitative selection of comparable market transactions as well as the assessment of the relative quality and condition of our acquired properties.

Recognized intangible assets primarily include the fair value of in-place resident leases. We estimate the fair value of in-place leases as (i) the present value of the estimated rental revenue that would have been forgone, offset by variable costs that would have otherwise been incurred during a reasonable lease-up period, as if the acquired units were vacant and (ii) the estimated absorption costs, such as additional marketing costs that would have been incurred during the lease-up period. The acquisition fair value of the in-place lease intangibles is amortized over the estimated length of stay of the residents at the senior housing properties on a straight-line basis, which approximates 24 months for AL/MC and CCRC properties and 33 months for IL properties.

Provision for Uncollectible Receivables

We assess the collectability of our rent receivables, including that of our straight-line rent receivable, on an ongoing basis. We base our assessment on several qualitative and quantitative factors, including and as appropriate, resident and triple net lease tenant payment history, the financial strength of the resident or tenant and of guarantors, the value of the underlying collateral or deposit, if any, and current economic conditions. If our evaluation of these factors indicates it is probable that we will not be able to recover the full value of the receivable, we provide for a specific reserve against the portion of the receivable that we estimate may not be recoverable. Any unrecovered amount adversely impacts our cash flows, liquidity and results of operations on a dollar-for-dollar basis.

Impairment of Long Lived Assets

We periodically evaluate long-lived assets, including definite lived intangible assets, primarily consisting of our real estate investments, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, market conditions and our current intentions with respect to holding or disposing of the asset are considered. If the sum of the expected future undiscounted cash flows is less than book value, we recognize an impairment loss equal to the amount by which the asset's carrying value exceeds its fair value. An impairment loss is recognized at the time any such determination is made.

Income Taxes

As a REIT, we are generally not subject to federal income tax on income that we distribute as dividends to our stockholders. Our determination that we qualify as a REIT is based on interpretation of tax laws and our conclusion has an impact on the measurement and recognition of income tax expense. 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. Failing to qualify as a REIT could materially and adversely affect our financial position, performance and liquidity.

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 7A. 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 December 31, 2018, we had $1.4 billion of floating rate debt, representing 75.6% of our total indebtedness, with a weighted average rate of 4.72%. A 100 basis point change in interest rates would change our annual interest expense by $14.4 million on an annualized basis.

Liquidity Risk

As described further in Part I, Item IA. “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 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.

- Our ability to obtain financing or refinancing on favorable terms, if at all.

- 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 revenue from operations conducted by third parties, 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Page

Index to Consolidated Financial Statements:

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
New Senior Investment Group Inc. and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Senior Investment Group Inc. and Subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 2014.
New York, New York
February 26, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of
New Senior Investment Group Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited New Senior Investment Group Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, New Senior Investment Group Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 26, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
New York, New York
February 26, 2019

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

	December 31,	
Assets	**2018**	**2017**
Real estate investments:		
Land	$ 177,956	$ 182,238
Buildings, improvements and other	2,335,813	2,329,524
Accumulated depreciation	(358,368)	(275,794)
Net real estate property	2,155,401	2,235,968
Acquired lease and other intangible assets	8,638	264,438
Accumulated amortization	(2,877)	(249,198)
Net real estate intangibles	5,761	15,240
Net real estate investments	2,161,162	2,251,208
Cash and cash equivalents	72,422	137,327
Straight-line rent receivables	3,494	82,445
Receivables and other assets, net	49,180	37,047
Total Assets	$ 2,286,258	$ 2,508,027
Liabilities and Equity		
Liabilities		
Debt, net	$ 1,884,882	$ 1,907,928
Due to affiliates	26,245	9,550
Accrued expenses and other liabilities	52,679	84,664
Total Liabilities	1,963,806	2,002,142
Commitments and contingencies (Note 16)		
Redeemable Preferred Stock	40,000	—
Equity		
Preferred Stock $0.01 par value, 100,000,000 shares authorized and none issued or outstanding as of both December 31, 2018 and 2017	—	—
Common stock $0.01 par value, 2,000,000,000 shares authorized, 82,148,869 and 82,127,247 shares issued and outstanding as of December 31, 2018 and 2017, respectively	821	821
Additional paid-in capital	898,135	898,132
Accumulated deficit	(616,504)	(393,068)
Total Equity	282,452	505,885
Total Liabilities and Equity	$ 2,286,258	$ 2,508,027

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	**2017**	**2016**
Revenues			
Resident fees and services	$ 404,891	$ 336,739	$ 359,472
Rental revenue	39,407	112,391	112,966
Total revenues	444,298	449,130	472,438
Expenses			
Property operating expense	267,785	230,045	243,027
Depreciation and amortization	95,950	139,942	184,546
Interest expense	101,176	93,597	91,780
Acquisition, transaction, and integration expense	15,919	2,453	3,942
Termination fee to affiliate	50,000	—	—
Management fees and incentive compensation to affiliate	14,814	18,225	18,143
General and administrative expense	13,387	15,307	15,194
Loss on extinguishment of debt	66,219	3,902	245
Impairment of real estate held for sale	8,725	—	—
Other expense	3,974	1,702	727
Total expenses	637,949	505,173	557,604
Gain on sale of real estate	—	71,763	13,356
Gain on lease termination	40,090	—	—
(Loss) Income before income taxes	(153,561)	15,720	(71,810)
Income tax expense	5,794	3,512	439
Net (loss) income	$ (159,355)	$ 12,208	$ (72,249)
Net (loss) income per share of common stock			
Basic	$ (1.94)	$ 0.15	$ (0.88)
Diluted	$ (1.94)	$ 0.15	$ (0.88)
Weighted average number of shares of common stock outstanding			
Basic	82,148,869	82,145,295	82,357,349
Diluted	82,148,869	82,741,322	82,357,349
Dividends declared per share of common stock	$ 0.78	$ 1.04	$ 1.04

See notes to consolidated financial statements.

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

	Common Stock				
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Total Equity
Equity at December 31, 2015	85,447,551	$ 854	$ (162,183)	$ 928,654	$ 767,325
Repurchase of common stock	(3,333,333)	(33)	—	(30,880)	(30,913)
Fair value of stock options issued	—	—	—	5	5
Director's shares issued	13,029	—	—	139	139
Dividends declared	—	—	(85,412)	—	(85,412)
Net loss	—	—	(72,249)	—	(72,249)
Equity at December 31, 2016	82,127,247	$ 821	$ (319,844)	$ 897,918	$ 578,895
Director's shares issued	21,622	—	—	214	214
Dividends declared	—	—	(85,432)	—	(85,432)
Net income	—	—	12,208	—	12,208
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	—	—	(64,081)	—	(64,081)
Net loss	—	—	(159,355)	—	(159,355)
Equity at December 31, 2018	82,148,869	$ 821	$ (616,504)	$ 898,135	$ 282,452

See notes to consolidated financial statements.

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

	Year Ended December 31,		
	2018	2017	2016
Cash Flows From Operating Activities			
Net (loss) income	$ (159,355)	$ 12,208	$ (72,249)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation of tangible assets and amortization of intangible assets	95,986	140,078	184,689
Amortization of deferred financing costs	10,512	9,090	9,582
Amortization of deferred revenue, net	2,868	(385)	1,903
Amortization of premium on mortgage notes payable	—	(512)	(603)
Non-cash straight-line rent	(5,365)	(17,865)	(21,842)
Gain on sale of real estate	—	(71,763)	(13,356)
Non-cash adjustment on lease termination [A]	29,910	—	—
Loss on extinguishment of debt	66,219	3,902	245
Non-cash termination fee to affiliate	40,000	—	—
Impairment of real estate held for sale	8,725	—	—
Provision for bad debt	2,301	2,228	2,150
Remeasurement of deferred tax assets	—	2,966	—
Non-cash valuation allowance on deferred tax assets, net	5,354	—	—
Other non-cash expense	4,320	1,243	846
Changes in:			
Receivables and other assets, net	(5,125)	(1,724)	(23)
Due to affiliates	16,695	(2,073)	1,979
Accrued expenses and other liabilities	8,032	(16,948)	9,024
Net cash provided by operating activities	121,077	60,445	102,345
Cash Flows From Investing Activities			
Proceeds from the sale of real estate, net	—	339,624	22,711
Capital expenditures, net of insurance proceeds	(19,162)	(19,729)	(21,151)
Deposits refunded for real estate investments	—	—	584
Net cash (used in) provided by investing activities	(19,162)	319,895	2,144
Cash Flows From Financing Activities			
Principal payments of mortgage notes payable and capital lease obligations	(19,428)	(26,946)	(16,240)
Proceeds from mortgage notes payable	1,440,000	—	—
Repayments of mortgage notes payable	(1,509,187)	(204,730)	(13,725)
Payment of exit fee on extinguishment of debt	(53,122)	(3,264)	(189)
Proceeds from borrowings on revolving credit facility	125,000	—	—
Repayments of borrowings on revolving credit facility	(56,000)	—	—
Payment of common stock dividend	(64,081)	(85,432)	(85,412)
Repurchase of common stock	—	—	(30,913)
Payment of deferred financing costs	(27,080)	—	—
Purchase of interest rate caps	(2,846)	—	—
Net cash (used in) provided by financing activities	(166,744)	(320,372)	(146,479)
Net increase (decrease) in cash, cash equivalents and restricted cash	(64,829)	59,968	(41,990)
Cash, cash equivalents and restricted cash, beginning of year	157,485	97,517	139,507
Cash, cash equivalents and restricted cash, end of year	$ 92,656	$ 157,485	$ 97,517
Supplemental Disclosure of Cash Flow Information			
Cash paid during the year for interest expense	$ 89,505	$ 85,373	$ 82,557
Cash paid during the year for income taxes	326	274	266
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Issuance of common stock and exercise of options	$ —	$ 214	$ 139
Issuance of Redeemable Preferred Stock	40,000	—	—
Capital lease obligations	569	—	—
Furniture, fixtures, equipment and other improvements [B]	10,065	—	—

Continued on next page

(A) Primarily includes the non-cash write-offs of straight-line rent receivables and net above-market rent lease intangible assets, offset by the fair value of furniture, fixtures, equipment and other improvements received by us as a result of the Lease Termination (as defined in Note 1). Refer to Note 3 for additional details related to the Lease Termination.
(B) Fair value of furniture, fixtures, equipment and other improvements received by us as a result of the Lease Termination. Refer to Note 3 for additional details related to the Lease Termination.

	Year Ended December 31,		
	2018	**2017**	**2016**
Reconciliation of Cash, Cash Equivalents and Restricted Cash			
Cash and cash equivalents	$ 137,327	$ 58,048	$ 116,881
Restricted cash [(A)]	20,158	39,469	22,626
Total, beginning of period	$ 157,485	$ 97,517	$ 139,507
Cash and cash equivalents	$ 72,422	$ 137,327	$ 58,048
Restricted cash [(A)]	20,234	20,158	39,469
Total, end of period	$ 92,656	$ 157,485	$ 97,517

(A) Consists of (i) amounts held by lender in tax, insurance, replacement reserve and other escrow accounts and (ii) security deposits, which are included in "Receivables and other assets, net" in our Consolidated Balance Sheets.

1. ORGANIZATION

New Senior Investment Group Inc. ("New Senior," "we," "us" or "our") is a Real Estate Investment Trust ("REIT") primarily focused on investing in private pay senior housing properties. We were formed as a Delaware limited liability company in 2012 and converted to a Delaware corporation on May 30, 2014 and changed our name to New Senior Investment Group Inc. on June 16, 2014.

As of December 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.

Through December 31, 2018, we were externally managed and advised by an affiliate of Fortress Investment Group LLC (the "Manager"). On November 19, 2018, we entered into definitive agreements with the Manager to internalize our management, effective December 31, 2018 (the "Internalization"). In connection with the Internalization, we also entered into a Transition Services Agreement with the Manager to continue to provide certain services for a transition period. In connection with the termination of the Management Agreement, we (i) made a one-time cash payment of $10.0 million to the Manager in January 2019, and (ii) issued to the Manager 400,000 shares of our newly created Redeemable Series A Cumulative Perpetual Preferred Stock (the "Redeemable Preferred Stock"), with an aggregate fair value of $40.0 million.

We operate in three reportable segments: (1) Managed Independent Living ("IL") Properties, (2) Managed Assisted Living/Memory Care ("AL/MC") Properties, and (3) Triple Net Lease Properties

Managed Properties – We have engaged property managers to manage 132 of our properties on a day-to-day basis under the Managed Properties segments. These properties consist of 102 IL facilities and 30 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.

On May 9, 2018, we entered into a lease termination agreement to terminate our triple net leases with affiliates of Holiday relating to 51 IL properties (the "Holiday Portfolio"). The lease termination was effective May 14, 2018 (the "Lease Termination"). Concurrently with the Lease Termination, we entered into property management agreements with Holiday to manage the properties in the Holiday Portfolio following the Lease Termination in exchange for a property management fee. As a result, such properties are now included in the Managed IL Properties segment. Refer to Note 3 for additional details related to the Lease Termination.

Triple Net Lease Properties – We own one Continuing Care Retirement Community ("CCRC") in the United States and lease this property to a healthcare operating company under a triple net lease agreement. 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 agreement has an initial term of 15 years and includes a renewal option and annual rent increases ranging from 2.75% to 3.25%.

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'') with the instructions to Form 10-K 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.

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.

Revenue Recognition

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 has been 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.

Resident Fees and Services - Resident fees and services include monthly rental revenue, care income and ancillary income recognized from the Managed Properties segments. Resident fees and services are recognized monthly as services are provided. Most lease agreements with residents are cancelable by the resident with 30 days' notice. Ancillary income primarily relates to non-refundable community fees. Non-refundable community fees are recognized on a straight-line basis over the estimated lengths of stay of residents, which approximate 24 months for AL/MC properties and 33 months for IL properties.

Rental Revenue - 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.

Acquisition Accounting

On January 1, 2017, we adopted Accounting Standards Update ("ASU") 2017-01, *Clarifying the Definition of a Business* ("ASU 2017-01") which narrows the Financial Accounting Standards Board's ("FASB") definition of a business and provides a framework that gives entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. ASU 2017-01 states that when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the acquired asset is not a business. If this initial test is not met, an acquired asset cannot be considered a business unless it includes an input and a substantive process that together significantly contribute to the ability to create output. The primary differences between business combinations and asset acquisitions include recording the asset acquisition at relative fair value, capitalizing transaction costs, recording contingent consideration when the contingency is resolved and the elimination of the measurement period in which to record adjustments to the transaction.

We did not have any acquisition subsequent to our adoption of ASU 2017-01. All of our acquisitions, which occurred prior to our adoption of ASU 2017-01, were accounted for under the business combination method. Transaction costs related to business combinations were expensed as incurred.

Regardless of whether an acquisition is considered a business combination or an asset acquisition, the cost of the business or asset acquired is allocated to tangible and intangible assets and assumed liabilities at their relative fair values, as of the respective transaction dates. The determination of the fair value of net assets acquired involves significant judgment and estimates, such as estimated future cash flow projections, appropriate discount and capitalization rates and other estimates based on available market information. Estimates of future cash flows are based on a number of factors including property operating results, known and anticipated trends, as well as market and economic conditions.

In measuring the fair value of tangible and identified intangible assets acquired and liabilities assumed, management uses information obtained as a result of pre-acquisition due diligence, marketing, leasing activities and independent appraisals. In the case of buildings, the fair value of the tangible assets acquired is determined by valuing the property as if it were vacant. Significant estimates impacting the measurement at fair value of our real property include construction cost data and qualitative selection of comparable market transactions as well as the assessment of the relative quality and condition of the acquired properties.

Recognized intangible assets primarily include the fair value of in-place resident leases. We estimate the fair value of in-place leases as (i) the present value of the estimated rental revenue that would have been forgone, offset by variable costs that would have otherwise been incurred during a reasonable lease-up period, as if the acquired units were vacant and (ii) the estimated absorption costs, such as additional marketing costs that would have been incurred during the lease-up period. The acquisition fair value of the in-place lease intangibles is amortized over the estimated length of stay of the residents on a straight-line basis.

Real Estate Investments

Real estate investments are recorded at cost less accumulated depreciation or accumulated amortization.

Depreciation is calculated on a straight-line basis using estimated remaining useful lives not to exceed 40 years for buildings, 3 to 10 years for building improvements and 3 to 5 years for other fixed assets.

Amortization for in-place lease intangibles, ground lease intangibles and other intangibles is calculated on a straight-line basis using estimated useful lives of 24 to 33 months, 74 to 82 years and 5 to 13 years, respectively. Amortization for above/below market lease intangibles is calculated on a straight line basis using estimated useful lives of 15 to 17 years.

Impairment of Long Lived Assets

We periodically evaluate long-lived assets, including definite lived intangible assets, primarily consisting of our real estate investments, for impairment indicators. If indicators of impairment are present, we evaluate the carrying value of the related real estate investments in relation to the future undiscounted cash flows of the underlying operations. In performing this evaluation, market conditions and our current intentions with respect to holding or disposing of the asset are considered. If the sum of the expected future undiscounted cash flows is less than book value, we recognize an impairment loss equal to the amount by which the asset’s carrying value exceeds its fair value. An impairment loss is recognized at the time any such determination is made.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid short term investments with maturities of 90 days or less, when purchased.

Restricted Cash

Restricted cash 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 our Consolidated Balance Sheets.

Straight-line Rent Receivables and Receivables and Other Assets, Net

Receivables and other assets, net consists primarily of escrows held by lenders and resident receivables, net of allowance and prepaid expenses. We assess the collectability of rent receivables, including 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 resident and triple net lease tenant, the financial strength of the resident or tenant and of guarantors, the value of the underlying collateral or deposit, if any, and current economic conditions. If the evaluation of these factors indicates it is probable that we will not be able to recover the full value of the receivable, we provide a specific reserve against the portion of the receivable that we estimate may not be recovered. We have not recorded a reserve against our straight-line rent receivable since inception.

Deferred Financing Costs

Deferred financing costs consist of fees and direct costs incurred in obtaining financing. Deferred financing costs are presented as a direct deduction from the carrying amount of the related debt liability. Deferred financing costs related to debt instruments, excluding the revolving credit facility, are amortized over the terms of the related borrowings using the effective interest rate method as a component of interest expense. Deferred financing costs related to the revolving credit facility are amortized over the term of the debt using the straight-line method, which approximates the effective interest method. Amortized costs of $10.5 million, $9.1 million and $9.6 million are included in “Interest expense” in our Consolidated Statements of Operations for the years ended December 31, 2018, 2017 and 2016, respectively.

Deferred Revenue

Deferred revenue primarily includes non-refundable community fees received when residents move in, and are included within “Accrued expenses and other liabilities” in our Consolidated Balance Sheets. Deferred revenue amounts are amortized into income on a straight-line basis over the estimated length of stay of the resident, and are included within “Resident fees and services” in our Consolidated Statements of Operations.

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 (“Code”). Requirements for qualification as a REIT include various restrictions on ownership of stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders of which 85% plus any undistributed amounts from the prior year must be distributed within the taxable year in order to avoid the imposition of an excise tax. Distribution of the remaining balance may extend until timely filing of our tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities are conducted through a taxable REIT subsidiary (“TRS”) and therefore are subject to federal and state income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of the enactment date. A valuation allowance is provided if we believe it is more likely than not that all or some portion of the deferred tax asset will not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances, and that causes us to change our judgment about the realizability of the related deferred tax asset, is included in the tax provision when such changes occur.

We recognize tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in our Consolidated Statements of Operations. As of December 31, 2018 and 2017, we had no uncertain tax positions.

Fair Value Measurement

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy, which is described below, prioritizes the inputs we use in measuring fair value:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations, in which all significant inputs are observable in active markets.
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Derivative Instruments

In the normal course of business, we may use derivative instruments to manage, or hedge, interest rate risk. We do not use derivative instruments for trading or speculative purposes and do not apply hedge accounting. We recognize all derivatives as either assets or liabilities on our Consolidated Balance Sheets at fair value as of the reporting date. Derivative valuation requires us to make estimates and judgments that affect the fair value of the instruments. We estimate the fair value of our interest rate caps based on pricing models that consider level 2 inputs including forward yield curves, cap strike rates, cap volatility and discount rates. We do not apply hedge accounting and fair value adjustments, if any, are recorded in "Other expense (income)" in our Consolidated Statements of Operations. Our interest rate caps were executed with investment grade counterparties.

Assets Held for Sale

We classify certain long-lived assets as held for sale once the criteria, as defined by GAAP, has been met. Assets held for sale are included in “Receivables and other assets, net” in our Consolidated Balance Sheets. Long-lived assets to be disposed of are reported at the lower of their carrying amount or fair value less cost to sell and are no longer depreciated.

Sale of Assets

On January 1, 2018, we adopted ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets* (“ASU 2017-05”), which clarifies the scope of subtopic 610-20, *Other Income - Gains and Losses from Derecognition of Nonfinancial Assets*. We recognize sales of assets only upon the closing of the transactions with the purchaser. We recognize gains on assets sold when we transfer control of the asset upon closing and if the collectability of the sales price is reasonably assured. 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.

We did not have any asset sale subsequent to our adoption of ASU 2017-05. Gains on all of our asset sales, which occurred prior to our adoption of ASU 2017-05, were recognized using the full accrual method upon closing if the collectability of the sales price is reasonably assured, we are not obligated to perform any significant activities after the sale to earn the profit, we have received adequate initial investment from the purchaser, and other profit recognition criteria has been satisfied.

Stock Options

Options granted to our directors are measured at fair value at the grant date with the related expense recognized over the service term, if any.

Termination Fee to Affiliate

This represents amount due to the Manager pursuant to the termination of the Management Agreement with the Manager.

Redeemable Preferred Stock

On December 31, 2018, we issued 400,000 shares of our Redeemable Preferred Stock to the Manager as consideration for the termination of the Management Agreement. The Redeemable Preferred Stock are non-voting and have a $100 liquidation preference. Holders of the Redeemable Preferred Stock are entitled to cumulative cash dividends at a rate per annum of 6.00% on the liquidation preference amount plus all accumulated and unpaid dividends.

In the event of any voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of the Redeemable Preferred Stock will receive out of the assets of the Company legally available for distribution to its stockholders before any payment is made to the holders of any series of preferred stock ranking junior to the Redeemable Preferred Stock or to any holder of the Company's common stock but subject to the rights of any class or series of securities ranking senior to or on parity with the Redeemable Preferred Stock, a payment per share equal to the liquidation preference plus any accumulated and unpaid dividends.

We may redeem, at any time, all but not less than all of the shares of Redeemable Preferred Stock for cash at a price equal to the liquidation preference amount of the Series A Preferred Stock plus all accumulated and unpaid dividends thereon (the "Redemption Price"). On or after December 31, 2020, the holders of a majority of the then outstanding shares of Redeemable Preferred Stock will have the right to require us to redeem up to 50% of the outstanding shares of Redeemable Preferred Stock, and on or after December 31, 2021, the holders of a majority of the then outstanding shares of Redeemable Preferred Stock will have the right to require us to redeem all or any portion of the outstanding shares of Redeemable Preferred Stock, in each case, for cash at the Redemption Price. Upon the occurrence of a Change of Control (as defined in the certificate of designation governing the Redeemable Preferred Stock), the Redeemable Preferred Stock is required to be redeemed in whole at the Redemption Price. Due to the ability of the holders to require us to redeem the outstanding shares, the Redeemable Preferred Stock is excluded from Equity in our Consolidated Balance Sheets.

Recently Issued or Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* ("ASC 842"). 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. As lessee, a right-of-use asset and corresponding liability for future obligations under a leasing arrangement would be recognized on the balance sheet. As lessor, gross leases will be subject to allocation between lease and non-lease service components, with the latter accounted for under the new revenue recognition standard. Additionally, under the new lease standard, only incremental initial direct costs incurred in the execution of a lease can be capitalized by the lessor and lessee.

We expect to adopt ASC 842 on January 1, 2019 under the modified retrospective transition approach using the effective date as the date of initial application. Therefore, financial information and disclosures under ASC 842 will not be provided for periods prior to January 1, 2019. We expect to elect the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. In addition, we expect to implement an accounting policy election to treat lease and related non-lease components in a contract as a single performance obligation to the extent that the timing and pattern of revenue recognition are the same for the lease and non-lease components and the combined single lease component is classified as an operating lease.

Upon adoption, we expect to recognize both the right of use assets and lease liabilities for our existing corporate office, land and equipment operating leases on our Consolidated Balance Sheets. Our minimum lease payments under the existing operating leases are approximately $3.3 million as of January 1, 2019, which will be discounted to present value in order to establish the initial right of use assets and lease liabilities for our operating leases. Resident leases within our Managed Properties segments contain service components. We expect to elect the practical expedient to account for our resident leases as a single lease component. Upon adoption of ASC 842, capital leases under current accounting guidance will be classified as finance leases and we do not expect a significant change to our accounting for such leases.

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.

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. As a result of the retrospective application, our net cash provided by operating and investing activities decreased by $1.1 million and $6.9 million, respectively, for the year ended December 31, 2017 and increased by $3.0 million and $2.3 million, respectively, for the year ended December 31, 2016.

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.

3. LEASE TERMINATION

On May 9, 2018, we entered into a lease termination agreement with affiliates of Holiday to terminate our triple net leases relating to the Holiday Portfolio. The Lease Termination was effective May 14, 2018. We received total consideration of $115.6 million, including a $70.0 million termination payment and retention of $45.6 million in security deposits held by us. In connection with the Lease Termination, we also assumed ownership of certain furniture, fixtures, equipment and other improvements with a fair market value of $10.1 million. As a result of the Lease Termination, we recognized a gain on lease termination of $40.1 million after adjusting for write-offs of straight-line rent receivables of $84.3 million and net above-market rent lease intangible assets of $1.2 million.

Concurrently with the Lease Termination, we entered into property management agreements with Holiday pursuant to which we pay a management fee equal to a monthly base fee in the amount of 5% of effective gross income in the first year of the term and 4.5% of effective gross income for the remainder of the term. In addition, Holiday is eligible to earn an annual incentive fee of up to 2% of effective gross income if the Holiday Portfolio achieves certain performance thresholds. The agreements may be terminated without penalty after the first year of the term.

4. DISPOSITIONS

2017 Activity

In November, we sold a portfolio of nine AL/MC properties in the Managed AL/MC Properties segment for a purchase price of $109.5 million and recognized a gain on sale of $6.9 million, net of selling costs. In connection with this sale we repaid $78.7 million of debt.

In December, we sold a portfolio of six properties (four CCRCs, one IL and one AL/MC) in the Triple Net Lease Properties segment for a purchase price of $186.0 million, including lease termination fees, and recognized a gain on sale of $42.3 million, net of selling costs. In connection with this sale, we repaid $98.1 million of debt.

(dollars in tables in thousands, except share data)

The following table presents the revenues and expenses of the above portfolios:

	2017	2016
Revenues		
Resident fees and services	$ 28,910	$ 34,370
Rental revenue	16,893	17,490
Total revenues	45,803	51,860
Expenses		
Property operating expense	23,413	27,033
Depreciation and amortization	7,212	19,205
Interest expense	7,262	7,630
Total expenses	$ 37,887	$ 53,868

In addition to the above transactions, we sold four properties (two AL/MC and two IL) in the Managed Properties segments for a purchase price of $48.5 million and recognized a gain on sale of $22.5 million, net of selling costs. In connection with these sales, we repaid $28.0 million of debt.

2016 Activity

We sold two AL/MC properties for a purchase price of $23.0 million and recognized a gain on sale of $13.4 million, net of selling costs. In connection with this sale, we repaid $13.7 million of debt associated with these properties and, pursuant to the Property Management Agreement, paid an early termination fee of $1.8 million to Blue Harbor, which is included in “Acquisition, transaction and integration expense” in our Consolidated Statements of Operations.

5. SEGMENT REPORTING

We operated in three reportable business segments: Managed IL Properties, Managed AL/MC Properties and Triple Net Lease Properties. Under our Managed Properties segments, we invest in senior housing properties throughout the United States and engage 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.

Effective May 14, 2018, we terminated our triple net leases with respect to the properties in the Holiday Portfolio and concurrently entered into property management agreements with Holiday with respect to such properties. The NOI for such properties following the Lease Termination has been included in the Managed IL Properties segment. This resulted in a significant increase in the segment NOI of the Managed IL Properties with a corresponding decrease in the segment NOI of the Triple Net Lease Properties during the year ended December 31, 2018. Following the Lease Termination, most of our NOI is generated by Managed Properties, which is comprised of 132 out of our total portfolio of 133 properties. As a result, we began to evaluate our operating results, set strategic priorities and allocate resources based on the type of property. Accordingly, we expanded our Managed Properties segments to bifurcate the operating results of Managed IL Properties and Managed AL/MC Properties. All periods presented have been restated to facilitate a historical comparison across segments.

(dollars in tables in thousands, except share data)

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

	Year Ended December 31, 2018			
	Triple Net Lease Properties	Managed Properties		Consolidated
		IL	AL/MC	
Revenues				
Resident fees and services	$ —	$ 273,685	$ 131,206	$ 404,891
Rental revenue	39,407	—	—	39,407
Less: Property operating expense	—	162,972	104,813	267,785
Segment NOI	$ 39,407	$ 110,713	$ 26,393	176,513
Depreciation and amortization				95,950
Interest expense				101,176
Acquisition, transaction and integration expense				15,919
Termination fee to affiliate				50,000
Management fees and incentive compensation to affiliate				14,814
General and administrative expense				13,387
Loss on extinguishment of debt				66,219
Impairment of real estate held for sale				8,725
Other expense				3,974
Total expenses				370,164
Gain on sale of lease termination				40,090
Loss before income taxes				(153,561)
Income tax expense				5,794
Net loss				$ (159,355)

(dollars in tables in thousands, except share data)

	Year Ended December 31, 2017			
	Triple Net Lease Properties	Managed Properties		Consolidated
		IL	AL/MC	
Revenues				
Resident fees and services	$ —	$ 172,952	$ 163,787	$ 336,739
Rental revenue	112,391	—	—	112,391
Less: Property operating expense	—	102,757	127,288	230,045
Segment NOI	$ 112,391	$ 70,195	$ 36,499	219,085
Depreciation and amortization				139,942
Interest expense				93,597
Acquisition, transaction and integration expense				2,453
Management fees and incentive compensation to affiliate				18,225
General and administrative expense				15,307
Loss on extinguishment of debt				3,902
Other expense				1,702
Total expenses				275,128
Gain on sale of real estate				71,763
Income before income taxes				15,720
Income tax expense				3,512
Net income				$ 12,208

	Year Ended December 31, 2016			
	Triple Net Lease Properties	Managed Properties		Consolidated
		IL	AL/MC	
Revenues				
Resident fees and services	$ —	$ 176,166	$ 183,306	$ 359,472
Rental revenue	112,966	—	—	112,966
Less: Property operating expense	—	103,887	139,140	243,027
Segment NOI	$ 112,966	$ 72,279	$ 44,166	229,411
Depreciation and amortization				184,546
Interest expense				91,780
Acquisition, transaction and integration expense				3,942
Management fees and incentive compensation to affiliate				18,143
General and administrative expense				15,194
Loss on extinguishment of debt				245
Other expense				727
Total expenses				314,577
Gain on sale of real estate				13,356
Loss before income taxes				(71,810)
Income tax expense				439
Net loss				$ (72,249)

Property operating expense includes property management fees, property-level payroll expense and travel reimbursement costs. See Note 11 for additional information on these expenses related to Blue Harbor and Holiday.

(dollars in tables in thousands, except share data)

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

	December 31, 2018		December 31, 2017	
	Amount	Percentage	Amount	Percentage
Managed IL Properties	$ 1,791,707	78.4 %	$ 1,008,587	40.2 %
Managed AL/MC Properties	400,432	17.5 %	422,370	16.9 %
Triple Net Lease Properties	58,270	2.5 %	980,666	39.1 %
All other assets [(A)]	35,849	1.6 %	96,404	3.8 %
Total assets	$ 2,286,258	100.0 %	$ 2,508,027	100.0 %

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

Capital expenditures, net of insurance proceeds in the Managed IL Properties segment, including investments in real estate property, were $12.1 million, $10.0 million and $9.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. Capital expenditures, net of insurance proceeds in the Managed AL/MC Properties segment were $7.0 million, $9.0 million and $7.3 million for the years ended December 31, 2018, 2017 and 2016, respectively. There were no capital expenditures in the Triple Net Lease Properties segment for the year ended December 31, 2018. Capital expenditures in the Triple Net Lease Properties segment were $0.7 million and $4.1 million for the years ended December 31, 2017 and 2016, respectively.

Holiday accounted for 7.4% and 19.9% of our total revenues for the years ended December 31, 2018 and 2017, respectively. The decrease in rental revenue received from Holiday is due to the Lease Termination as it only includes rental revenue received by us until the Lease Termination.

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

	As of and for the year ended December 31, 2018		As of and for the year ended December 31, 2017	
	Number of Communities	% of Total Revenue	Number of Communities	% of Total Revenue
Florida	15	12.2 %	15	18.0 %
Texas	13	9.7 %	13	12.2 %
California	11	11.1 %	11	10.2 %
North Carolina	9	7.2 %	9	6.6 %
Pennsylvania	7	6.8 %	7	6.2 %
Oregon	9	5.9 %	9	5.0 %
Other	69	47.1 %	69	41.8 %
Total	133	100.0 %	133	100.0 %

6. REAL ESTATE INVESTMENTS

	December 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value
Land	$ 177,956	$ —	$ 177,956	$ 182,238	$ —	$ 182,238
Building and improvements	2,211,318	(269,137)	1,942,181	2,216,461	(208,540)	2,007,921
Furniture, fixtures and equipment	124,495	(89,231)	35,264	113,063	(67,254)	45,809
Total real estate investments	$ 2,513,769	$ (358,368)	$ 2,155,401	$ 2,511,762	$ (275,794)	$ 2,235,968

Depreciation expense was $87.7 million, $91.6 million and $92.4 million for the years ended December 31, 2018, 2017 and 2016, respectively.

(dollars in tables in thousands, except share data)

The following table summarizes our real estate intangibles:

	December 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	$ —	$ —	$ —	N/A	$ 1,607	$ (380)	$ 1,227	12.9 years
In-place lease and other intangibles	8,638	(2,877)	5,761	42.1 years	262,831	(248,818)	14,013	18.3 years
Total intangibles	$ 8,638	$ (2,877)	$ 5,761		$ 264,438	$ (249,198)	$ 15,240	

Amortization expense was $8.3 million, $48.3 million and $92.2 million for the years ended December 31, 2018, 2017 and 2016, respectively. Additionally, amortization of above/below market leases was not material for the year ended December 31, 2018, and $0.1 million for both years ended December 31, 2017 and 2016, and is reported as a net reduction to “Rental revenue” in our Consolidated Statements of Operations.

During the year ended December 31, 2018, we wrote-off $254.2 million of fully amortized in-place lease and other intangible assets.

The following table sets forth the estimated future amortization of intangible assets as of December 31, 2018:

Years Ending December 31	
2019	$ 354
2020	354
2021	354
2022	354
2023	354
Thereafter	3,991
Total intangibles	$ 5,761

Real estate impairment

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.

We recognized impairment of real estate held for sale of $8.7 million for the year ended December 31, 2018 in our Consolidated Statements of Operations, which represents the charge necessary to adjust the carrying values of certain properties classified as held for sale to their estimated fair values less costs to sell.

Impact of hurricanes

During the year ended 2018, we recognized $0.6 million for damage remediation and other incremental costs for six properties impacted by Hurricane Florence, which are included in “Other expense” in our Consolidated Statements of Operations. We do not expect additional remediation costs in subsequent periods to be material.

During the year ended 2017, we recognized $1.5 million for damage remediation and other incremental costs for 25 properties impacted by Hurricane Irma, which are included in “Other expense” in our Consolidated Statements of Operations.

(dollars in tables in thousands, except share data)

7. 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 receivables were $3.5 million and $82.4 million as of December 31, 2018 and 2017, respectively. The decrease in straight-line rent receivables is due to the write-off of $84.3 million in conjunction with the Lease Termination, effective as of May 14, 2018, and is included in "Gain on lease termination" in our Consolidated Statements of Operations. Refer to Note 3 for additional details related to the Lease Termination.

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 tenant and collateral provided by the lease guarantor and determined no reserve was necessary for the periods presented.

8. RECEIVABLES AND OTHER ASSETS, NET

	December 31, 2018	December 31, 2017
Escrows held by lenders [(A)]	$ 17,268	$ 16,936
Prepaid expenses	5,451	4,490
Resident receivables, net	3,200	2,672
Deferred tax assets	—	5,475
Security deposits	2,966	3,222
Income tax receivable	782	802
Assets held for sale [(B)]	13,223	—
Other assets and receivables	6,290	3,450
Total receivables and other assets, net	$ 49,180	$ 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.
(B) The balance as of December 31, 2018 represents two AL/MC properties in the Managed AL/MC Properties segment and primarily consists of the carrying value of buildings and land. We estimate the fair value of assets held for sale based on current sales price expectation less estimated cost to sell, which we deem to be classified as level 3 within the fair value hierarchy.

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

	Year Ended December 31,		
	2018	2017	2016
Balance, beginning of period	$ 938	$ 976	$ 509
Provision for bad debt	2,301	2,228	2,150
Write-offs, net of recoveries	(1,727)	(2,266)	(1,683)
Balance, end of period	$ 1,512	$ 938	$ 976

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

(dollars in tables in thousands, except share data)

9. DEBT, NET

	December 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	$ 464,680	$ 462,139	Sep 2025	4.25%	6.6	$ 563,526	$ 560,182
Floating Rate [B][C][D]	1,390,566	1,372,505	Dec 2021 - Nov 2025	1M LIBOR + 2.29% to 1M LIBOR + 2.50%	5.1	640,880	636,166
Triple Net Lease Properties							
Fixed Rate [E]	—	—	—	—	—	669,656	660,646
Floating Rate [F]	50,276	50,238	Apr 2019	3M LIBOR + 3.00%	0.3	51,036	50,934
Total	$ 1,905,522	$ 1,884,882			5.3	$ 1,925,098	$ 1,907,928

(A) The totals are reported net of deferred financing costs of $20.6 million and $17.2 million as of December 31, 2018 and 2017, respectively.
(B) Substantially all of these loans have LIBOR caps that range between 3.30% and 3.71% as of December 31, 2018.
(C) The amount as of December 31, 2018 includes $720.0 million of debt that was refinanced in October 2018.
(D) Includes $69.0 million of borrowings outstanding under our revolving credit facility secured by certain Managed Properties as of December 31, 2018.
(E) The amounts as of December 31, 2017 represent loans under previous terms, which were refinanced and replaced in May 2018. See below for further information.
(F) 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.

The carrying values of the collateral relating to fixed rate and floating rate mortgages were $0.5 billion and $1.6 billion as of December 31, 2018 and $1.5 billion and $0.8 billion as of December 31, 2017, respectively.

The fair values of mortgage notes payable as of December 31, 2018 and 2017 were $1.9 billion and $1.9 billion, respectively. Mortgage notes payable are not measured at fair value in our Consolidated Balance Sheets. The 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.

In December 2018, we entered into a three-year secured revolving credit facility in the amount of $125.0 million bearing interest at LIBOR plus 2.5% (the "Loan"), which is secured by eight AL/MC properties and the pledge of equity interests of certain of our wholly owned subsidiaries that directly or indirectly own such properties. The Loan may be increased up to a maximum aggregate amount of $300.0 million, of which (i) a portion in an amount of 10% of the Loan may be used for the issuance of letters of credit, and (ii) a portion in an amount of 10% of the Loan may be drawn by us in the form of swing loans. We pay a fee for unused amounts of the Loan under certain circumstances, which is immaterial as of December 31, 2018. Concurrently on the same day, we used the funds from the financing to prepay an aggregate of $125.4 million of secured loans. We recognized a loss on extinguishment of debt of $1.5 million, comprising of $1.2 million in prepayment penalties and $0.3 million in the write-off of unamortized deferred financing costs on the loans. We incurred a total of $3.1 million in deferred financing costs, which have been capitalized and are being amortized over the life of the Loan and the amortization is included in interest expense in our Consolidated Statements of Operations. As of December 31, 2018, there was $69.0 million of borrowings outstanding under the Loan.

(dollars in tables in thousands, except share data)

In May 2018, we repaid $663.8 million of secured loans in conjunction with the Lease Termination. We recognized a loss on extinguishment of debt of $58.5 million, comprising of $51.9 million in prepayment penalties and $6.6 million in the write-off of unamortized deferred financing costs on the loans. The repayment was facilitated by a one-year secured term loan of $720.0 million 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 (the "Term Loan"). We incurred a total of $12.3 million in deferred financing costs, which have been capitalized and amortized over the life of the Term Loan and the amortization is included in interest expense in our Consolidated Statements of Operations. In October 2018, we refinanced the Term Loan with a seven-year secured loan of $720.0 million bearing interest at LIBOR plus 2.32%. We recognized a loss on extinguishment of debt of $6.2 million, which represents the write off of unamortized deferred financing costs. We incurred a total of $11.8 million in deferred financing costs, which have been capitalized and are being amortized over the life of the loan and the related amortization is included in interest expense in our Consolidated Statements of Operations.

In February 2018, we exercised an option to extend a balloon payment of $50.7 million from April 2018 to April 2019.

We repaid $1.5 billion and $13.7 million of debt during the years ended December 31, 2018 and 2017, respectively, and recognized a loss on extinguishment of debt of $66.2 million and $3.9 million, respectively, which represents exit fees and the write-off of related unamortized deferred financing costs.

Our debt has contractual maturities as follows:

	Principal Payments	Balloon Payments	Total
2019 [(A)]	$ 10,266	$ 50,031	$ 60,297
2020	12,325	—	12,325
2021	19,619	69,000	88,619
2022	21,888	567,043	588,931
2023	19,817	—	19,817
Thereafter	37,179	1,098,354	1,135,533
Total outstanding face amount	$ 121,094	$ 1,784,428	$ 1,905,522

(A) We have an option to extend a balloon payment of approximately $50.0 million to April 2020, subject to a fee of 0.125% of the then-outstanding principal balance.

Our debt contains various customary financial and other covenants, in some cases including Debt Service Coverage Ratio, Project Yield or Minimum Net Worth, Minimum Consolidated Tangible Net Worth, Adjusted Consolidated EBITDA to Fixed Charges and Liquid Assets provision, as defined in the agreements. We were in compliance with the covenants in our debt agreements as of December 31, 2018.

Interest rate caps

In October 2018, we paid $2.5 million to enter into an interest rate cap on the refinancing of the Term Loan, which caps LIBOR at 3.68%, has a notional value of $720.0 million and is effective through November 1, 2021.

In May 2018, we paid $0.1 million to enter into an interest rate cap on the Term Loan, which caps LIBOR at 3.50%, had a notional value of $720.0 million and is effective through May 2019. This interest rate cap was terminated when the Term Loan was refinanced in October 2018.

In March 2018, we paid $0.3 million to renew an interest rate cap on our floating rate debt, which caps LIBOR at 3.66%, has a notional value of $591.2 million and is effective through April 2020.

We recognized fair value losses of $2.2 million, $0.1 million and $0.2 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in “Other expense” in our Consolidated Statements of Operations and “Other non-cash expense” in our Consolidated Statements of Cash Flows. The fair value of the interest rate caps was $0.6 million as of December 31, 2018 and is included in “Receivables and other assets, net” in our Consolidated Balance Sheets. The fair value as of December 31, 2017 was not material.

(dollars in tables in thousands, except share data)

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Security deposits payable	$ 2,766	$ 46,291
Escrow liabilities [(A)]	1,063	6,664
Accounts payable	13,232	9,794
Mortgage interest payable	7,441	6,297
Deferred community fees, net	6,454	4,612
Rent collected in advance	3,843	2,091
Property tax payable	4,880	3,331
Other liabilities	13,000	5,584
Total accrued expenses and other liabilities	$ 52,679	$ 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.

11. TRANSACTIONS WITH AFFILIATES

Management Agreements

In conjunction with the spin-off from Drive Shack, New Senior entered into a Management Agreement with the Manager dated November 6, 2014 (effective November 7, 2014), under which the Manager advised 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 was 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 (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. During the years ended December 31, 2018, 2017 and 2016, we incurred management fees of $14.8 million, $15.3 million and $15.4 million, respectively, under the Management Agreement, which is included in "Management fees and incentive compensation to affiliate" in our Consolidated Statements of Operations. As of December 31, 2018 and 2017, we had a payable for management fees of $3.7 million and $1.3 million, respectively, which is included in "Due to affiliates" in our Consolidated Balance Sheets.

On November 19, 2018, we entered into definitive agreements with the Manager to internalize our management, effective December 31, 2018. In connection with the Internalization, we also entered into a Transition Services Agreement with the Manager to continue to provide certain services for a transition period. In connection with the termination of the Management Agreement, we (i) made a one-time cash payment of $10.0 million to the Manager in January 2019, and (ii) issued to the Manager 400,000 shares of our newly created Redeemable Preferred Stock with an aggregate fair value of $40.0 million. As of December 31, 2018, we had a payable to the Manager for the termination fee of $10.0 million, which is included in "Due to affiliates" in our Consolidated Balance Sheets.

(dollars in tables in thousands, except share data)

Management fees discussed herein are through the end of the year ended December 31, 2018. The Manager was 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 earned no incentive compensation for the year ended December 31, 2018. During the years ended December 31, 2017 and 2016, the Manager earned incentive compensation of $2.9 million and $2.7 million, respectively, which is included in "Management fees and incentive compensation to affiliate" in our Consolidated Statements of Operations. We did not have a payable for incentive compensation for the years ended December 31, 2018 and 2017. As of December 31, 2016, we had a payable for incentive compensation of $2.1 million, which is included in "Due to affiliates" in our Consolidated Balance Sheets. The Manager was 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 performed certain legal, accounting, due diligence, asset management and other services that outside professionals or outside consultants otherwise would perform, the Manager was paid or reimbursed, pursuant to the Management Agreement, for the cost of performing such tasks, provided that such costs and reimbursements were no greater than those which would be paid to outside professionals or consultants on an arm's-length basis. We were also required to pay all operating expenses, except those specifically required to be borne by the Manager under the Management Agreement. We were 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:

	Year Ended December 31,		
	2018	2017	2016
Included in:			
General and administrative expense	$ 6,320	$ 7,570	$ 8,158
Acquisition, transaction and integration expense	1,172	1,697	1,610
Total reimbursements to the Manager	$ 7,492	$ 9,267	$ 9,768

As of December 31, 2018 and 2017, we had a payable for Manager reimbursements of $2.2 million and $1.3 million, respectively, which is included in "Due to affiliates" in our Consolidated Balance Sheets.

(dollars in tables in thousands, except share data)

Property Management Agreements

Within our Managed Properties segments 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 our 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 years ended December 31, 2018, 2017 and 2016. Property management fees are included in "Property operating expense" in our 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.

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

	Year Ended December 31,		
	2018	2017	2016
Property management fees	$ 20,691	$ 18,296	$ 19,724
Travel reimbursement costs	225	304	366
Property-level payroll expenses	101,443	92,167	104,180

As of December 31, 2018 and 2017, we had payables for property management fees of $2.1 million and $1.4 million, respectively, and property-level payroll expenses of $8.2 million and $5.6 million, respectively, which are included in "Due to affiliates" in our 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.

In October 2016, we sold two properties and, pursuant to the Property Management Agreement, paid an early termination fee of $1.8 million to Blue Harbor. See Note 4 for further information.

Triple Net Lease Agreements

On May 9, 2018, we entered into a lease termination agreement to terminate our triple net leases with affiliates of Holiday. The Lease Termination was effective May 14, 2018. We received total consideration of $115.6 million, including a $70.0 million termination payment and retention of $45.6 million in security deposits held by us. Prior to the Lease Termination, we received monthly rent payments in accordance with the lease terms. Such payments amounted to $28.5 million, $74.2 million and $71.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

12. INCOME TAXES

New Senior is organized and conducts its 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 at regular corporate tax rates.

(dollars in tables in thousands, except share data)

The following table presents the provision (benefit) for income taxes:

	Year Ended December 31,		
	2018	2017	2016
Current			
Federal	$ (42)	$ (10)	$ 16
State and local	360	337	326
Total current provision	318	327	342
Deferred			
Federal	4,490	3,376	89
State and local	986	(191)	8
Total deferred provision	5,476	3,185	97
Total provision (benefit) for income taxes	$ 5,794	$ 3,512	$ 439

Generally, our effective tax rate differs from the federal statutory rate as a result of state and local taxes and non-taxable REIT income. The table below provides a reconciliation of our provision for income taxes, based on the statutory rate of 21%, to the effective tax rate.

	Year Ended December 31,		
	2018	2017	2016
Statutory U.S. federal income tax rate	21.00 %	35.00 %	35.00 %
Non-taxable REIT (loss)	(20.99)%	(32.19)%	(35.16)%
State and local taxes	(0.86)%	0.61 %	(0.39)%
Change in federal tax rate	— %	18.87 %	— %
Valuation allowance	(2.94)%	— %	— %
Other	— %	0.06 %	(0.06)%
Effective income tax rate	(3.79)%	22.35 %	(0.61)%

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2018	2017
Deferred tax assets:		
Prepaid fees and rent	$ 770	$ 790
Net operating loss	4,225	4,050
Deferred rent	272	949
Tax credits	—	42
Other	122	99
Total deferred tax assets	5,389	5,930
Less valuation allowance	5,354	—
Net deferred tax assets	35	5,930
Deferred tax liabilities:		
Depreciation and amortization	35	455
Total deferred tax liabilities	35	455
Total net deferred tax assets	$ —	$ 5,475

Net deferred tax assets are included within “Receivables and other assets, net” in our Consolidated Balance Sheets.

As of December 31, 2018, our TRS had a loss carryforward of approximately $16.8 million for federal and state income tax purposes, which will expire at the end of 2034. The net operating loss carryforward can generally be used to offset future taxable income, if and when it arises.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Act") was signed into law. The Tax 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.

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 recorded a valuation allowance of $5.4 million against our net deferred tax assets as of December 31, 2018 as management believes that it is more likely than not that our net deferred tax assets will not be realized. However, the amount of the deferred tax asset considered realizable could be adjusted if (i) estimates of future taxable income during the carryforward period are reduced or increased or (ii) objective negative evidence in the form of cumulative losses is no longer present.

New Senior and our TRS file income tax returns with the U.S. federal government and various state and local jurisdictions. Generally, we are no longer subject to tax examinations by tax authorities for tax years ended prior to December 31, 2015. The examination of our TRS federal income tax return for the year ended December 31, 2013 was completed and is no longer subject to examination. The conclusion of the examination resulted in a minimal reduction to the TRS's net operating loss carryforward. We have assessed our tax positions for all open years and concluded that there are no material uncertainties to be recognized. As of December 31, 2018, we do not believe that there will be a significant change to uncertain tax positions during the next 12 months.

13. REDEEMABLE PREFERRED STOCK, EQUITY AND EARNINGS PER SHARE

Redeemable Preferred Stock

On December 31, 2018, we issued 400,000 shares of our Redeemable Preferred Stock to the Manager as consideration for the termination of the Management Agreement. The Redeemable Preferred Stock are non-voting and have a $100 liquidation preference. Holders of the Redeemable Preferred Stock are entitled to cumulative cash dividends at a rate per annum of 6.00% on the liquidation preference amount plus all accumulated and unpaid dividends.

In the event of any voluntary or involuntary liquidation, dissolution or winding up, the holders of shares of the Redeemable Preferred Stock will receive out of the assets of the Company legally available for distribution to its stockholders before any payment is made to the holders of any series of preferred stock ranking junior to the Redeemable Preferred Stock or to any holder of the Company's common stock but subject to the rights of any class or series of securities ranking senior to or on parity with the Redeemable Preferred Stock, a payment per share equal to the liquidation preference plus any accumulated and unpaid dividends.

We may redeem, at any time, all but not less than all of the shares of Redeemable Preferred Stock for cash at a price equal to the liquidation preference amount of the Redeemable Preferred Stock plus all accumulated and unpaid dividends thereon (the "Redemption Price"). On or after December 31, 2020, the holders of a majority of the then outstanding shares of Redeemable Preferred Stock will have the right to require us to redeem up to 50% of the outstanding shares of Redeemable Preferred Stock, and on or after December 31, 2021, the holders of a majority of the then outstanding shares of Redeemable Preferred Stock will have the right to require us to redeem all or any portion of the outstanding shares of Redeemable Preferred Stock, in each case, for cash at the Redemption Price. Upon the occurrence of a Change of Control (as defined in the certificate of designation governing the Redeemable Preferred Stock), the Redeemable Preferred Stock is required to be redeemed in whole at the Redemption Price. Due to the ability of the holders to require us to redeem the outstanding shares, the Redeemable Preferred Stock is excluded from Equity and reflected in our consolidated Balance Sheets at its initial fair value of $40.0 million.

Equity and Dividends

During the years ended December 31, 2018, 2017 and 2016, we declared dividends per common share of $0.78, $1.04 and $1.04, respectively.

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

Option Plan

Our board of directors has adopted as of January 1, 2019 an Amended and Restated 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 and other equity-based and non-equity based awards, in each case to our directors, officers, employees, service providers, consultants and advisors. We have reserved 27,922,570 shares of our common stock for issuance under the Plan.

Prior to the spin-off, Drive Shack had issued rights relating to shares of Drive Shack's common stock (the "Drive Shack options") to the Manager in connection with capital raising activities. In connection with the spin-off, 5.5 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Drive Shack option and a right relating to a number of shares of New Senior common stock (the "New Senior option"). The exercise price of each adjusted Drive Shack option and New Senior option was set to collectively maintain the intrinsic value of the Drive Shack option immediately prior to the spin-off and to maintain the ratio of the exercise price of the adjusted Drive Shack option and the New Senior option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date. The options expired or expire, as applicable, between January 12, 2015 and August 18, 2024.

2018 Activity

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.

2017 Activity

In the first quarter of 2017, strike prices for outstanding options were reduced by $0.97, reflecting the portion of our 2016 dividends which were deemed return of capital.

2016 Activity

In the first quarter of 2016, strike prices for outstanding options were reduced by $0.98, reflecting the portion of our 2015 dividends which were deemed return of capital.

In March 2016, 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.

(dollars in tables in thousands, except share data)

Our outstanding options are summarized as follows:

		2018 Activity			
	Options Outstanding at December 31, 2017	Expired	Reverted to Manager	Granted/Transferred	Options Outstanding at December 31, 2018
Held by the Manager	6,734,742	—	402,282	—	7,137,024
Issued to the Manager and subsequently transferred to certain of the Manager's employees	402,282	—	(402,282)	—	—
Issued to the independent directors	25,000	—	—	5,000	30,000
Total outstanding options	7,162,024	—	—	5,000	7,167,024

The following table summarizes our outstanding options as of December 31, 2018. The last sale price on the NYSE for our common stock in the year ended December 31, 2018 was $4.12 per share.

Recipient	Date of Grant [A]	Options Outstanding and Exercisable	Weighted Average Exercise Price [B]	Intrinsic Value (millions)
Manager	March 2011	182,527	$ 4.19	$ —
Manager	September 2011	283,305	1.10	0.9
Manager	April 2012	257,660	4.67	—
Manager	May 2012	312,026	5.76	—
Manager	July 2012	346,343	5.72	—
Manager	January 2013	958,331	11.43	—
Manager	February 2013	383,331	13.86	—
Manager	June 2013	670,829	14.90	—
Manager	November 2013	965,847	16.24	—
Manager	August 2014	765,416	17.90	—
Directors	November 2014	20,000	14.22	—
Manager	June 2015	2,011,409	10.76	—
Directors	March 2016	5,000	8.11	—
Directors	March 2018	5,000	7.79	—
Total		7,167,024		
Aggregate:				
Weighted average exercise price		$ 11.68		
Weighted average remaining life (years)		4.9		
Intrinsic value (millions)		$ 0.9		

(A) Options expire on the tenth anniversary from date of grant.
(B) The strike prices are subject to adjustment in connection with return of capital dividends.

(dollars in tables in thousands, except share data)

Earnings Per Share

Basic EPS is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income (loss) 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. Our common stock equivalents are our outstanding stock options.

The following table presents the amounts used in computing our basic EPS and diluted EPS:

	Year Ended December 31,		
	2018	2017	2016
Numerator			
Net (loss) income applicable to common shares	$ (159,355)	$ 12,208	$ (72,249)
Denominator			
Basic weighted average shares of common stock	82,148,869	82,145,295	82,357,349
Stock options [(A)]	—	596,027	—
Diluted weighted average shares of common stock	82,148,869	82,741,322	82,357,349
Basic earnings per common share	$ (1.94)	$ 0.15	$ (0.88)
Diluted earnings per common share	$ (1.94)	$ 0.15	$ (0.88)

(A) During the years ended December 31, 2018 and 2016, 499,957 and 539,783 potentially dilutive shares, respectively, were excluded given our loss position, so basic EPS and diluted EPS were the same for each reporting period.

14. CONCENTRATION OF CREDIT RISK

The following table presents our managed properties and triple net lease properties as a percentage of total real estate investments (based on their carrying amount):

	December 31,		
	2018	2017	2016
Holiday - Managed Properties [(A)]			
IL Properties	79.9 %	42.4 %	40.0 %
AL/MC Properties	1.7 %	2.0 %	6.8 %
Holiday - Triple Net Lease Properties [(A)]	— %	36.8 %	32.7 %
Blue Harbor			
IL Properties	0.7 %	0.7 %	0.6 %
AL/MC Properties	9.1 %	9.6 %	9.9 %
Other	8.6 %	8.5 %	10.0 %

[(A)] Effective May 14, 2018, we terminated our triple net leases with respect to the properties in the Holiday Portfolio and concurrently entered into property management agreements with Holiday with respect to such properties. These assets are included in the Holiday Managed IL Properties as of December 31, 2018.

(dollars in tables in thousands, except share data)

Managed Properties

The following table presents the properties managed by Holiday and Blue Harbor as a percentage of segment real estate investments, net, segment revenue and segment NOI:

	As of and for the year ended December 31,					
	2018		2017		2016	
	Holiday	Blue Harbor	Holiday	Blue Harbor	Holiday	Blue Harbor
Segment real estate investments, net						
IL Properties	81.8 %	0.8 %	69.7 %	1.2 %	66.9 %	1.1 %
AL/MC Properties	1.8 %	9.3 %	3.4 %	15.7 %	11.3 %	16.4 %
Segment revenue						
IL Properties	65.1 %	1.9 %	48.9 %	2.1 %	47.0 %	2.0 %
AL/MC Properties	4.0 %	20.9 %	14.8 %	26.2 %	18.9 %	27.6 %
Segment NOI						
IL Properties	79.1 %	1.2 %	64.2 %	1.2 %	60.7 %	1.3 %
AL/MC Properties	1.9 %	14.5 %	9.2 %	20.7 %	11.6 %	22.9 %

Effective May 14, 2018, we terminated our triple net leases with respect to the properties in the Holiday Portfolio and concurrently entered into property management agreements with Holiday with respect to such properties. The real estate investments, net, revenue and NOI for such properties following the Lease Termination have been included in the Managed IL Properties segment above. This resulted in a significant increase in the segment real estate investments, net, revenue and NOI of the Managed IL Properties.

Because Holiday and Blue Harbor manage, but do not lease our properties in the Managed Properties segments, we are not directly exposed to their credit risk in the same manner or to the same extent as that of our triple net lease tenants. However, we rely on Holiday and Blue Harbor's personnel, expertise, accounting resources and information systems, proprietary information, good faith and judgment to manage our properties efficiently and effectively. We also rely on Holiday and Blue Harbor to otherwise operate our properties in compliance with the terms of the Property Management Agreements, although we have various rights as the property owner to terminate and exercise remedies under the Property Management Agreements. Holiday's and Blue Harbor's inability or unwillingness to satisfy their obligations under those agreements, to efficiently and effectively manage our properties, or to provide timely and accurate accounting information could have a material adverse effect on us. Additionally, significant changes in Holiday's and Blue Harbor's senior management or adverse developments in their business and affairs or financial condition could have a material adverse effect on us.

Triple Net Lease Properties

The following table presents rental revenue in our triple net lease agreements with the tenant for the Holiday Portfolios as a percentage of our total revenue and total NOI:

	Year Ended December 31,		
	2018	2017	2016
Total revenue	7.4 %	19.9 %	18.9 %
Total NOI	18.7 %	40.7 %	38.9 %

Effective May 14, 2018, we terminated our triple net leases with respect to the properties in the Holiday Portfolio and concurrently entered into property management agreements with Holiday with respect to such properties. The revenue and NOI for such properties following the Lease Termination has been excluded from the Triple Net Lease Properties segment above. This resulted in a significant decrease in total revenue and NOI attributable to the Holiday Portfolios.

(dollars in tables in thousands, except share data)

Prior to the Lease Termination, pursuant to the triple net lease arrangements, the tenants were contractually obligated to pay for all property-related expenses, including maintenance, utilities, taxes, insurance, repairs, capital improvements and the payroll expense of property-level employees. If any tenant defaulted under the lease, material adverse effects would have included loss in revenues and funding of certain property related costs. In addition, each of the leases required the tenant to comply with the terms of mortgage financing documents, if any, affecting the properties and had guaranty and cross default provisions tied to other leases with the same tenant. As a result of the Lease Termination, we are no longer exposed to the concentration of credit risk from Holiday.

15. FUTURE MINIMUM RENTS

The following table sets forth future contracted minimum rents from the tenant within the Triple Net Lease Properties segment, excluding contingent payment escalations, as of December 31, 2018:

Years Ending December 31	
2019	$ 5,746
2020	5,904
2021	6,066
2022	6,233
2023	6,405
Thereafter	45,469
Total future minimum rents	$ 75,823

16. COMMITMENTS AND CONTINGENCIES

As of December 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).

(dollars in tables in thousands, except share data)

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 continue to defend us in these matters, 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 December 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, Repair and Lease Commitments

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

Leases

In November 2018, we entered into an agreement to lease our corporate office space located in New York, New York. Our office lease is classified as an operating lease in accordance with ASC Topic 840 "Leases". The lease requires fixed monthly rent payments and does not have any renewal option and expires on June 30, 2024. Rent expense during the year ended December 31, 2018 was immaterial.

As of December 31, 2018, our future minimum lease obligations (excluding expense escalations) under our operating leases, including our office lease disclosed above are as follows:

Years Ending December 31	
2019	$ 655
2020	576
2021	535
2022	488
2023	466
Thereafter	545
Total	$ 3,265

17. SUBSEQUENT EVENTS

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

In January 2019, we granted 800,381 shares of restricted stock and 2,999,900 options, with a total award value of $4.8 million to officers and employees as transition awards in connection with the Internalization. The awards will vest based on service conditions and compensation expense equal to the award value will be recognized over the vesting period.

On February 19, 2019, our board of directors declared a cash dividend on our common stock of $0.13 per common share for the quarter ended December 31, 2018. The dividend is payable on March 22, 2019 to shareholders of record on March 8, 2019.

(dollars in tables in thousands, except share data)

18. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
2018					
Revenue	$ 99,218	$ 108,852	$ 117,760	$ 118,468	$ 444,298
Net operating income	47,119	45,342	40,694	43,358	176,513
Termination fee to affiliate	—	—	—	50,000	50,000
(Loss) income before income taxes	(13,301)	(38,930)	(20,195)	(81,135)	(153,561)
Income tax expense (benefit)	48	151	104	5,491	5,794
Net (loss) income	$ (13,349)	$ (39,081)	$ (20,299)	$ (86,626)	$ (159,355)
Net (loss) income per share of common stock					
Basic	$ (0.16)	$ (0.48)	$ (0.25)	$ (1.05)	$ (1.94)
Diluted	$ (0.16)	$ (0.48)	$ (0.25)	$ (1.05)	$ (1.94)
Weighted average number of shares of common stock outstanding					
Basic	82,148,869	82,148,869	82,148,869	82,148,869	82,148,869
Diluted	82,148,869	82,148,869	82,148,869	82,148,869	82,148,869
2017					
Revenue	$ 114,973	$ 114,286	$ 112,955	$ 106,916	$ 449,130
Net operating income	55,389	55,618	54,346	53,732	219,085
(Loss) income before income taxes	(9,689)	3,268	(14,619)	36,760	15,720
Income tax expense (benefit)	206	147	(80)	3,239	3,512
Net (loss) income	$ (9,895)	$ 3,121	$ (14,539)	$ 33,521	$ 12,208
Net (loss) income per share of common stock					
Basic and diluted	$ (0.12)	$ 0.04	$ (0.18)	$ 0.41	$ 0.15
Weighted average number of shares of common stock outstanding					
Basic	82,140,750	82,142,562	82,148,869	82,148,869	82,145,295
Diluted	82,140,750	82,778,761	82,148,869	82,632,232	82,741,322

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(dollars in thousands)

		Location			Initial Cost to the Company				Gross Amount Carried at Close of Period							
Property Name	Type	City	State	Encumbrances	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Total (A)	Accumulated Depreciation	Net Book Value	Year Constructed / Renovated	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Managed Properties																	
Andover Place	IL	Little Rock	AR	$ 13,995	$ 629	$ 14,664	$ 783	$ 414	$ 629	$ 14,883	$ 978	$ 16,490	$ (1,999)	$ 14,491	1991/NA	2015	3-40 years
Vista de la Montana	IL	Surprise	AZ	12,450	1,131	11,077	635	216	1,131	11,104	824	13,059	(2,129)	10,930	1998/NA	2013	3-40 years
Arcadia Place	IL	Vista	CA	16,575	1,569	14,252	804	502	1,569	14,547	1,011	17,127	(2,132)	14,995	1989/NA	2015	3-40 years
Chateau at Harveston	IL	Temecula	CA	24,539	1,564	27,532	838	267	1,564	27,731	906	30,201	(3,369)	26,832	2008/NA	2015	3-40 years
Golden Oaks	IL	Yucaipa	CA	22,073	772	24,989	867	387	772	25,181	1,062	27,015	(3,334)	23,681	2008/NA	2015	3-40 years
Rancho Village	IL	Palmdale	CA	18,116	323	22,341	882	440	323	22,449	1,214	23,986	(3,141)	20,845	2008/NA	2015	3-40 years
Simi Hills	IL	Simi Valley	CA	26,025	3,209	21,999	730	172	3,209	22,009	892	26,110	(3,593)	22,517	2006/NA	2013	3-40 years
The Remington	IL	Hanford	CA	13,628	1,300	16,003	825	523	1,300	16,164	1,187	18,651	(2,260)	16,391	1997/NA	2015	3-40 years
The Springs of Escondido	IL	Escondido	CA	15,375	670	14,392	721	1,855	670	15,500	1,468	17,638	(2,303)	15,335	1986/NA	2015	3-40 years
The Springs of Napa	IL	Napa	CA	15,408	2,420	11,978	700	374	2,420	12,131	921	15,472	(1,876)	13,596	1996/NA	2015	3-40 years
The Westmont	IL	Santa Clara	CA	25,725	—	18,049	754	715	—	18,104	1414	19,518	(3,201)	16,317	1991/NA	2013	3-40 years
Courtyard at Lakewood	IL	Lakewood	CO	13,875	1,327	14,198	350	350	1,327	14,264	634	16,225	(2,285)	13,940	1992/NA	2013	3-40 years
Greeley Place	IL	Greeley	CO	9,000	237	13,859	596	209	237	13,891	773	14,901	(2,402)	12,499	1986/NA	2013	3-40 years
Parkwood Estates	IL	Fort Collins	CO	12,787	638	18,055	627	178	638	18,122	738	19,498	(2,963)	16,535	1987/NA	2013	3-40 years
Pueblo Regent	IL	Pueblo	CO	9,225	446	13,800	377	211	446	13,945	443	14,834	(2,141)	12,693	1985/NA	2013	3-40 years
Quincy Place	IL	Denver	CO	16,435	1,180	18,200	825	676	1,180	18,601	1,100	20,881	(2,442)	18,439	1996/NA	2015	3-40 years
Lodge at Cold Spring	IL	Rocky Hill	CT	14,039	—	25,807	605	275	—	25,838	849	26,687	(3,954)	22,733	1998/NA	2013	3-40 years
Village Gate	IL	Farmington	CT	23,700	3,591	23,254	268	533	3,591	23,289	766	27,646	(3,305)	24,341	1989/NA	2013	3-40 years
Augustine Landing	IL	Jacksonville	FL	19,076	680	19,635	770	285	680	19,789	901	21,370	(2,412)	18,958	1999/NA	2015	3-40 years
Cherry Laurel	IL	Tallahassee	FL	12,750	1,100	20,457	668	506	1,100	20,525	1106	22,731	(3,419)	19,312	2001/NA	2013	3-40 years
Desoto Beach Club	IL	Sarasota	FL	17,925	668	23,944	668	338	668	23,962	988	25,618	(3,823)	21,795	2005/NA	2013	3-40 years
Marion Woods	IL	Ocala	FL	19,936	540	20,048	882	812	540	20,502	1,240	22,282	(2,825)	19,457	2003/NA	2015	3-40 years
Regency Residence	IL	Port Richey	FL	15,075	1,100	14,088	771	421	1,100	14,113	1167	16,380	(2,635)	13,745	1987/NA	2013	3-40 years
Sterling Court	IL	Deltona	FL	9,092	1,095	13,960	954	533	1,095	14,347	1,100	16,542	(2,414)	14,128	2008/NA	2015	3-40 years
University Pines	IL	Pensacola	FL	21,057	1,080	19,150	777	583	1,080	19,628	882	21,590	(2,382)	19,208	1996/NA	2015	3-40 years
Venetian Gardens	IL	Venice	FL	16,082	865	21,173	860	428	865	21,315	1,146	23,326	(3,078)	20,248	2007/NA	2015	3-40 years
Windward Palms	IL	Boynton Beach	FL	16,315	1,564	20,097	867	892	1,564	20,790	1,066	23,420	(3,045)	20,375	2007/NA	2015	3-40 years
Pinegate	IL	Macon	GA	12,902	540	12,290	811	307	540	12,438	970	13,948	(1,844)	12,104	2001/NA	2015	3-40 years
Kalama Heights	IL	Kihei	HI	22,896	3,360	27,212	846	597	3,360	27,471	1,184	32,015	(3,457)	28,558	2000/NA	2015	3-40 years
Illahee Hills	IL	Urbandale	IA	10,464	694	11,980	476	282	694	12,003	735	13,432	(2,095)	11,337	1995/NA	2013	3-40 years
Palmer Hills	IL	Bettendorf	IA	10,367	1,488	10,878	466	405	1,488	10,899	850	13,237	(1,938)	11,299	1990/NA	2013	3-40 years
Blair House	IL	Normal	IL	11,914	329	14,498	627	161	329	14,516	770	15,615	(2,541)	13,074	1989/NA	2013	3-40 years
Redbud Hills	IL	Bloomington	IN	16,500	2,140	17,839	797	299	2,140	17,998	937	21,075	(2,314)	18,761	1998/NA	2015	3-40 years
Grasslands Estates	IL	Wichita	KS	13,237	504	17,888	802	176	504	17,904	962	19,370	(3,150)	16,220	2001/NA	2013	3-40 years

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(dollars in thousands)

		Location			Initial Cost to the Company				Gross Amount Carried at Close of Period								
Property Name	Type	City	State	Encumbrances	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Total [(A)]	Accumulated Depreciation	Net Book Value	Year Constructed / Renovated	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Greenwood Terrace	IL	Lenexa	KS	19,643	950	21,883	811	1,032	950	22,092	1,634	24,676	(3,104)	21,572	2003/NA	2015	3-40 years
Thornton Place	IL	Topeka	KS	11,111	327	14,415	734	168	327	14,439	878	15,644	(2,673)	12,971	1998/NA	2013	3-40 years
Jackson Oaks	IL	Paducah	KY	6,450	267	19,195	864	211	267	19,289	981	20,537	(3,369)	17,168	2004/NA	2013	3-40 years
Summerfield Estates	IL	Shreveport	LA	—	525	5,584	175	302	525	5,631	430	6,586	(949)	5,637	1988/NA	2013	3-40 years
Waterview Court	IL	Shreveport	LA	6,340	1,267	4,070	376	1561	1,267	5,124	883	7,274	(1,306)	5,968	1999/NA	2015	3-40 years
Bluebird Estates	IL	East Longmeadow	MA	21,442	5,745	24,591	954	228	5,745	24,724	1,049	31,518	(3,608)	27,910	2008/NA	2015	3-40 years
Quail Run Estates	IL	Agawam	MA	18,799	1,410	21,330	853	663	1,410	21,634	1212	24,256	(3,097)	21,159	1996/NA	2015	3-40 years
Blue Water Lodge	IL	Fort Gratiot	MI	16,400	62	16,034	833	126	62	16,051	942	17,055	(2,963)	14,092	2001/NA	2013	3-40 years
Genesee Gardens	IL	Flint Township	MI	15,900	420	17,080	825	526	420	17,402	1029	18,851	(2,285)	16,566	2001/NA	2015	3-40 years
Briarcrest Estates	IL	Ballwin	MO	11,287	1,255	16,509	525	329	1,255	16,596	767	18,618	(2,688)	15,930	1990/NA	2013	3-40 years
Country Squire	IL	St. Joseph	MO	12,467	864	16,353	627	288	864	16,370	898	18,132	(2,808)	15,324	1990/NA	2013	3-40 years
Orchid Terrace	IL	St. Louis	MO	23,929	1061	26,636	833	81	1061	26,643	907	28,611	(4257)	24,354	2006/NA	2013	3-40 years
Chateau Ridgeland	IL	Ridgeland	MS	7,492	967	7,277	535	272	967	7,342	742	9,051	(1,552)	7,499	1986/NA	2013	3-40 years
Aspen View	IL	Billings	MT	14,110	930	22,611	881	714	930	23,292	914	25,136	(2,904)	22,232	1996/NA	2015	3-40 years
Grizzly Peak	IL	Missoula	MT	16,717	309	16,447	658	156	309	16,465	796	17,570	(2793)	14,777	1997/NA	2013	3-40 years
Cedar Ridge	IL	Burlington	NC	15,637	1,030	20,330	832	313	1,030	20,520	955	22,505	(2,464)	20,041	2006/NA	2015	3-40 years
Crescent Heights	IL	Concord	NC	20,665	1960	21,290	867	287	1960	21,419	1025	24,404	(3,125)	21,279	2008/NA	2015	3-40 years
Durham Regent	IL	Durham	NC	16,425	1061	24,149	605	304	1061	24,308	750	26,119	(3,730)	22,389	1989/NA	2013	3-40 years
Forsyth Court	IL	Winston Salem	NC	13,048	1428	13,286	499	1420	1428	14,296	909	16,633	(2,172)	14,461	1989/NA	2015	3-40 years
Jordan Oaks	IL	Cary	NC	19,950	2,103	20,847	774	362	2,103	20,860	1,123	24,086	(3,539)	20,547	2003/NA	2013	3-40 years
Lodge at Wake Forest	IL	Wake Forest	NC	22,155	1209	22,571	867	329	1209	22,699	1068	24,976	(3120)	21,856	2008/NA	2015	3-40 years
Shads Landing	IL	Charlotte	NC	21,364	1,939	21,988	846	244	1,939	22,119	959	25,017	(3,264)	21,753	2008/NA	2015	3-40 years
Woods at Holly Tree	IL	Wilmington	NC	27,382	3310	24,934	811	145	3310	25,108	782	29,200	(3,134)	26,066	2001/NA	2015	3-40 years
Rolling Hills Ranch	IL	Omaha	NE	14,053	1,022	16,251	846	246	1,022	16,400	943	18,365	(2,512)	15,853	2007/NA	2015	3-40 years
Maple Suites	IL	Dover	NH	24,471	1,084	30,943	838	345	1,084	31,142	984	33,210	(4,282)	28,928	2007/NA	2015	3-40 years
Montara Meadows	IL	Las Vegas	NV	11,670	1840	11,654	1206	1747	1840	12,439	2,168	16,447	(2,662)	13,785	1986/NA	2015	3-40 years
Sky Peaks	IL	Reno	NV	18,900	1,061	19,793	605	217	1,061	19,795	820	21,676	(3,243)	18,433	2002/NA	2013	3-40 years
Fleming Point	IL	Greece	NY	19,875	699	20,644	668	258	699	20,651	919	22,269	(3,367)	18,902	2004/NA	2013	3-40 years
Manor at Woodside	IL	Poughkeepsie	NY	16,859	—	12,130	670	937	—	12,749	988	13,737	(2,933)	10,804	2001/NA	2013	3-40 years
Maple Downs	IL	Fayetteville	NY	20,850	782	25,656	668	244	782	25,691	877	27,350	(3,990)	23,360	2003/NA	2013	3-40 years
Alexis Gardens	IL	Toledo	OH	17,384	450	18,412	811	371	450	18,591	1003	20,044	(2411)	17,633	2002/NA	2015	3-40 years
Copley Place	IL	Copley	OH	15,048	553	19,125	867	241	553	19,281	952	20,786	(2,766)	18,020	2008/NA	2015	3-40 years
Lionwood	IL	Oklahoma City	OK	4,447	744	5,180	383	661	744	5,683	541	6,968	(1,145)	5,823	2000/NA	2015	3-40 years
Fountains at Hidden Lakes	IL	Salem	OR	9,750	903	6,568	—	28	903	6,584	12	7,499	(922)	6,577	1990/NA	2013	3-40 years

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(dollars in thousands)

		Location			Initial Cost to the Company				Gross Amount Carried at Close of Period							
Property Name	Type	City	State	Encumbrances	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Total [(A)]	Accumulated Depreciation	Net Book Value	Year Constructed / Renovated	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Hidden Lakes	IL	Salem	OR	17,325	1,389	16,639	893	252	1,389	16,725	1,059	19,173	(3,072)	16,101	1990/NA	2013	3-40 years
Parkrose Chateau	IL	Portland	OR	12,569	2,742	17,472	749	633	2,742	17,907	947	21,596	(2,344)	19,252	1991/NA	2015	3-40 years
Rock Creek	IL	Hillsboro	OR	16,427	1,617	11,783	486	149	1,617	11,796	622	14,035	(2,026)	12,009	1996/NA	2013	3-40 years
Sheldon Oaks	IL	Eugene	OR	14,325	1,577	17,380	675	161	1,577	17,423	793	19,793	(2,959)	16,834	1995/NA	2013	3-40 years
Stone Lodge	IL	Bend	OR	19,675	1,200	25,753	790	480	1,200	26,014	1,009	28,223	(2,972)	25,251	1999/NA	2015	3-40 years
Stoneybrook Lodge	IL	Corvallis	OR	25,875	1,543	18,119	843	177	1,543	18,142	997	20,682	(3,222)	17,460	1999/NA	2013	3-40 years
The Regent	IL	Corvallis	OR	11,325	1,111	7,720	228	283	1,111	7,781	450	9,342	(1,251)	8,091	1983/NA	2013	3-40 years
Essex House	IL	Lemoyne	PA	16,050	936	25,585	668	248	936	25,609	892	27,437	(3,976)	23,461	2002/NA	2013	3-40 years
Manor at Oakridge	IL	Harrisburg	PA	15,150	992	24,379	764	105	992	24,392	856	26,240	(3,885)	22,355	2000/NA	2013	3-40 years
Niagara Village	IL	Erie	PA	12,845	750	16,544	790	629	750	16,947	1,016	18,713	(2,273)	16,440	1999/NA	2015	3-40 years
Walnut Woods	IL	Boyertown	PA	15,600	308	18,058	496	189	308	18,078	665	19,051	(2,820)	16,231	1997/NA	2013	3-40 years
Indigo Pines	IL	Hilton Head	SC	15,334	2,850	15,970	832	1,348	2,850	16,370	1,780	21,000	(2,524)	18,476	1999/NA	2015	3-40 years
Holiday Hills Estates	IL	Rapid City	SD	12,063	430	22,209	790	462	430	22,512	949	23,891	(2,620)	21,271	1999/NA	2015	3-40 years
Echo Ridge	IL	Knoxville	TN	20,910	1,522	21,469	770	319	1,522	21,627	931	24,080	(2,693)	21,387	1997/NA	2015	3-40 years
Uffelman Estates	IL	Clarksville	TN	9,600	625	10,521	298	200	625	10,557	462	11,644	(1,675)	9,969	1993/NA	2013	3-40 years
Arlington Plaza	IL	Arlington	TX	7,135	319	9,821	391	168	319	9,863	517	10,699	(1,708)	8,991	1987/NA	2013	3-40 years
Cypress Woods	IL	Kingwood	TX	17,281	1,376	19,815	860	398	1,376	20,018	1,055	22,449	(2,917)	19,532	2008/NA	2015	3-40 years
Dogwood Estates	IL	Denton	TX	15,779	1,002	18,525	714	143	1,002	18,577	805	20,384	(3,142)	17,242	2005/NA	2013	3-40 years
Madison Estates	IL	San Antonio	TX	9,262	1,528	14,850	268	662	1,528	14,917	863	17,308	(2,257)	15,051	1984/NA	2013	3-40 years
Pinewood Hills	IL	Flower Mound	TX	15,000	2,073	17,552	704	106	2,073	17,561	801	20,435	(3,012)	17,423	2007/NA	2013	3-40 years
The Bentley	IL	Dallas	TX	13,725	2,351	12,270	526	330	2,351	12,413	713	15,477	(2,146)	13,331	1996/NA	2013	3-40 years
The El Dorado	IL	Richardson	TX	7,350	1,316	12,220	710	224	1,316	12,233	921	14,470	(2,353)	12,117	1996/NA	2013	3-40 years
Ventura Place	IL	Lubbock	TX	14,100	1,018	18,034	946	466	1,018	18,086	1,360	20,464	(3,402)	17,062	1997/NA	2013	3-40 years
Whiterock Court	IL	Dallas	TX	10,239	2,837	12,205	446	343	2,837	12,265	729	15,831	(2,098)	13,733	2001/NA	2013	3-40 years
Chateau Brickyard	IL	Salt Lake City	UT	6,408	700	3,297	15	1,557	700	4,487	382	5,569	(1,226)	4,343	1984/2007	2012	3-40 years
Olympus Ranch	IL	Murray	UT	18,340	1,407	20,515	846	478	1,407	20,877	962	23,246	(2,792)	20,454	2008/NA	2015	3-40 years
Pioneer Valley Lodge	IL	North Logan	UT	5,908	1,049	17,920	740	161	1,049	17,963	858	19,870	(3,130)	16,740	2001/NA	2013	3-40 years
Colonial Harbor	IL	Yorktown	VA	16,389	2,211	19,523	689	411	2,211	19,546	1,077	22,834	(3,292)	19,542	2005/NA	2013	3-40 years
Elm Park Estates	IL	Roanoke	VA	13,582	990	15,648	770	441	990	15,828	1,031	17,849	(2,103)	15,746	1991/NA	2015	3-40 years
Heritage Oaks	IL	Richmond	VA	11,214	1,630	9,570	705	973	1,630	10,096	1,152	12,878	(2,648)	10,230	1987/NA	2013	3-40 years
Bridge Park	IL	Seattle	WA	15,427	2,315	18,607	1,135	390	2,315	18,760	1,372	22,447	(2,870)	19,577	2008/NA	2015	3-40 years
Peninsula	IL	Gig Harbor	WA	20,830	2,085	21,983	846	174	2,085	22,091	912	25,088	(2,912)	22,176	2008/NA	2015	3-40 years
Oakwood Hills	IL	Eau Claire	WI	13,275	516	18,872	645	151	516	18,881	787	20,184	(3,118)	17,066	2003/NA	2013	3-40 years
The Jefferson	IL	Middleton	WI	13,394	1,460	15,540	804	361	1,460	15,750	955	18,165	(2,112)	16,053	2005/NA	2015	3-40 years
Managed IL Properties Total				1,560,289	126,065	1,781,720	71,208	44,250	126,065	1,801,474	95,704	2,023,243	(276,888)	1,746,355			

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2018
(dollars in thousands)

		Location			Initial Cost to the Company			Gross Amount Carried at Close of Period							
Property Name	Type	City	State	Encumbrances	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Total [(A)]	Accumulated Depreciation	Net Book Value	Year Constructed / Renovated	Year Acquired	Life on Which Depreciation in Income Statement is Computed
Desert Flower	AL/MC	Scottsdale	AZ	7,902	2,295	16,901	101	1,665	2,295	18,036	631	20,962	(3,629)	17,333	1999/2005	2012	3-40 years
Orchard Park	AL/MC	Clovis	CA	6,368	1,126	16,889	45	1,553	1,126	18,099	388	19,613	(3,450)	16,163	1998/2007	2012	3-40 years
Sunshine Villa	AL/MC	Santa Cruz	CA	15,260	2,243	21,082	58	1,024	2,243	21,618	546	24,407	(4,190)	20,217	1990/NA	2012	3-40 years
Barkley Place	AL/MC	Fort Myers	FL	11,063	1,929	9,158	1,040	913	1,929	10,104	1,007	13,040	(2,901)	10,139	1988/NA	2013	3-40 years
Grace Manor	AL/MC	Port Orange	FL	4,109	950	4,482	135	212	950	4,587	242	5,779	(648)	5,131	2011/NA	2015	3-40 years
Royal Palm	AL/MC	Port Charlotte	FL	13,932	2,019	13,696	1,370	2,272	2,019	14,953	2,385	19,357	(4,360)	14,997	1985/NA	2013	3-40 years
Summerfield	AL/MC	Bradenton	FL	12,073	1,367	14,361	1,247	1,753	1,367	14,704	2,657	18,728	(4,239)	14,489	1988/NA	2013	3-40 years
Sunset Lake Village	AL/MC	Venice	FL	9,762	1,073	13,254	838	767	1,073	13,406	1,453	15,932	(3,173)	12,759	1998/NA	2013	3-40 years
Village Place	AL/MC	Port Charlotte	FL	8,121	1,064	8,503	679	1,141	1,064	8,834	1,489	11,387	(2,441)	8,946	1998/NA	2013	3-40 years
Ivy Springs Manor	AL/MC	Buford	GA	13,581	1,230	13,067	270	278	1,230	13,178	437	14,845	(1,631)	13,214	2012/NA	2015	3-40 years
Willow Park	AL/MC	Boise	ID	10,934	1,456	13,548	58	684	1,456	14,033	257	15,746	(2,873)	12,873	1997/2011	2012	3-40 years
Grandview	AL/MC	Peoria	IL	11,165	1,606	12,015	280	449	1,606	12,287	457	14,350	(1,714)	12,636	2014	2014	3-40 years
The Gardens	AL/MC	Ocean Springs	MS	6,005	850	7,034	460	524	850	7,311	707	8,868	(1,540)	7,328	1999/2004/2013	2014	3-40 years
Courtyards at Berne Village	AL/MC	New Bern	NC	14,704	1,657	12,893	1,148	1,346	1,657	13,654	1,733	17,044	(3,696)	13,348	1985/2004	2013	3-40 years
Kirkwood Corners	AL/MC	Lee	NH	2,417	578	1,847	124	433	578	2,049	355	2,982	(570)	2,412	1996	2014	3-40 years
Pine Rock Manor	AL/MC	Warner	NH	7,937	780	8,580	378	469	780	8,854	573	10,207	(1,882)	8,325	1994	2014	3-40 years
Pines of New Market	AL/MC	Newmarket	NH	5,777	629	4,879	353	432	629	5,151	513	6,293	(1,111)	5,182	1999	2014	3-40 years
Sheldon Park	AL/MC	Eugene	OR	11,906	929	20,662	91	1,574	929	21,929	398	23,256	(4,118)	19,138	1998/NA	2012	3-40 years
Glen Riddle	AL/MC	Media	PA	19,417	1,932	16,169	870	1,428	1,932	17,161	1,306	20,399	(3,748)	16,651	1995/NA	2013	3-40 years
Maple Court	AL/MC	Powell	TN	3,612	761	6,482	305	146	761	6,517	416	7,694	(1,136)	6,558	2013	2014	3-40 years
Raintree Terrace	AL/MC	Knoxville	TN	7,214	643	8,643	490	593	643	8,857	869	10,369	(1,985)	8,384	2012	2014	3-40 years
Courtyards at River Park	AL/MC	Fort Worth	TX	20,170	2,140	16,671	672	2,078	2,140	17,852	1,569	21,561	(4,314)	17,247	1986/NA	2012	3-40 years
Legacy at Bear Creek	AL/MC	Keller	TX	5,371	1,770	11,468	810	294	1,770	11,559	1,013	14,342	(1,620)	12,722	2013/NA	2015	3-40 years
Legacy at Georgetown	AL/MC	Georgetown	TX	5,267	3,540	14,653	840	150	3,540	14,713	930	19,183	(1,921)	17,262	2013/NA	2015	3-40 years
Windsor	AL/MC	Dallas	TX	21,089	5,580	31,306	1,250	1,797	5,580	32,294	2,059	39,933	(5,225)	34,708	1972/2009	2014	3-40 years
Canyon Creek	AL/MC	Cottonwood Heights	UT	5,992	1,488	16,308	59	1,195	1,488	17,029	533	19,050	(3,400)	15,650	2001/NA	2012	3-40 years
Golden Living	AL/MC	Taylorsville	UT	7,238	1,111	3,126	39	1,199	1,111	3,784	580	5,475	(1,146)	4,329	1976/1994	2012	3-40 years
Heritage Place	AL/MC	Bountiful	UT	13,563	570	9,558	50	1,415	570	10,515	508	11,593	(2,566)	9,027	1978/2000	2012	3-40 years
Managed AL/MC Properties Total				281,949	43,316	347,235	14,060	27,784	43,316	363,068	26,011	432,395	(75,227)	357,168			
Triple Net Lease Properties																	
Watermark at Logan Square	CCRC	Philadelphia	PA	50,276	8,575	46,031	2,380	990	8,575	46,776	2,625	57,976	(6,253)	51,723	1984/2009	2015	3-40 years
Triple Net Lease Properties Total				50,276	8,575	46,031	2,380	990	8,575	46,776	2,625	57,976	(6,253)	51,723			
Corporate Office																	
Corporate office	N/A	New York	NY	—	—	—	—	155	—	—	155	155	—	155	N/A	2018	3-5 years
Corporate Office Total				—	—	—	—	155	—	—	155	155	—	155			
Grand Total				$ 1,892,514	$ 177,956	$ 2,174,986	$ 87,648	$ 73,179	$ 177,956	$ 2,211,318	$ 124,495	$ 2,513,769	$ (358,368)	$ 2,155,401			

(A) For United States federal income tax purposes, the initial aggregate cost basis, including furniture, fixtures, and equipment, was approximately $2.53 billion as of December 31, 2018.

NEW SENIOR INVESTMENT GROUP INC. AND SUBSIDIARIES
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December 31, 2018
(dollars in thousands)

The following table is a rollforward of the gross carrying amount and accumulated depreciation of real estate assets (depreciation is calculated on a straight line basis using the estimated useful lives detailed in Note 2):

	Year Ended December 31,		
Gross carrying amount	2018	2017	2016
Beginning of period	$ 2,511,762	$ 2,773,179	$ 2,790,928
Acquisitions	—	—	—
Additions	32,072	20,667	21,285
Sales and/or transfers to assets held for sale	(18,294)	(280,593)	(23,213)
Impairment of real estate held for sale	(8,725)	—	—
Disposals and other	(3,046)	(1,491)	(15,821)
End of period	$ 2,513,769	$ 2,511,762	$ 2,773,179
Accumulated depreciation			
Beginning of period	$ (275,794)	$ (218,968)	(129,788)
Depreciation expense	(87,698)	(91,623)	(92,372)
Sales and/or transfers to assets held for sale	5,124	34,728	3,084
Disposals and other	—	69	108
Balance at end of year	$ (358,368)	$ (275,794)	$ (218,968)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act of 1934, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the 2013 Internal Control-Integrated Framework.

Based on our assessment, management concluded that, as of December 31, 2018, the Company's internal controls over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Incorporated by reference to our definitive proxy statement for the 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2018.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to our definitive proxy statement for the 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2018.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference to our definitive proxy statement for the 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2018.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Incorporated by reference to our definitive proxy statement for the 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2018.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to our definitive proxy statement for the 2018 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2018.

PART IV

ITEM 15. EXHIBITS; FINANCIAL STATEMENT SCHEDULES

(a) Financial statements and schedules:

See "Financial Statements and Supplementary Data" included in Part II, Item 8 of this Form 10-K

(b) Exhibits filed with this Form 10-K:

2.1	Separation and Distribution Agreement dated October 16, 2014, between the Registrant and Drive Shack (incorporated by reference to Drive Shack's Report on Form 10-Q, Exhibit 2.2, filed on November 5, 2014).
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	Certificate of Designation for the Series A Preferred Stock (incorporated by reference to New Senior's Current Report on Form 8-K, Exhibit 3.1, filed on January 3, 2019).
3.3	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	Lease Termination Agreement dated as of May 9, 2018, by and among NCT Master Tenant I LLC and NCT Master Tenant II LLC (as Tenants), Holiday AL Holdings LP (as Guarantor) and the other parties named therein.
10.3	Termination and Cooperation Agreement, dated November 19, 2018, by and between New Senior Investment Group Inc. and FIG LLC (incorporated by reference to New Senior's Current Report on Form 8-K, Exhibit 10.1, filed November 20, 2018).
10.4	Transition Services Agreement, dated December 31, 2018, by and between New Senior Investment Group Inc. and FIG LLC (incorporated by reference to New Senior's Current Report on Form 8-K, Exhibit 10.1, filed January 3, 2019).
10.5**	Letter Agreement, dated November 16, 2018, by and between New Senior Investment Group Inc. and Susan Givens.
10.6**	Letter Agreement, dated December 18, 2018, by and between New Senior Investment Group Inc. and David Smith.
10.7**	Letter Agreement, dated December 18, 2018, by and between New Senior Investment Group Inc. and Bhairav Patel.
10.8**	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).
10.9**	Amended and Restated New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to New Senior's Registration Statement on Form S-8, Exhibit 99.1, filed January 22 2019)
10.10**	Form of Restricted Stock Award Agreement
10.11**	Form of Option Award Agreement
10.12	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 ("Borrower"), and Walker & Dunlop, LLC, as Lender ("Lender") (incorporated by reference to New Senior's Report on Form 8-K, Exhibit 10.1, filed on May 14, 2015).
10.13	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).
10.14	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 ("Borrower"), and Walker & Dunlop, LLC, as Lender ("Lender") (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.1, filed August 17, 2015).
10.15	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).
10.16	Master Multifamily Loan and Security Agreement - Senior Housing, dated as of October 10, 2018, by and among the entities listed on Schedule 1 thereto, as Borrowers, and Lender (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.1, filed on October 15, 2018).
10.17	Multifamily Note - Floating Rate, dated as of October 10, 2018, executed by Borrowers in favor of Lender (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.2, filed on October 15, 2018).

10.18	Credit Agreement, dated as of December 13, 2018, by and among the Company, as borrower, Agent, the lenders that are parties therein, and KeyBanc Capital Markets Inc., as lead arranger (incorporated by reference to New Senior's report on Form 8-K, Exhibit 10.1, filed December 19, 2018)
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, independent registered accounting firm.
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.
**	Management contract or compensatory plan or arrangement.

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 10.12 and Exhibit 10.13, 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 filed as exhibits, 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 10.14 and Exhibit 10.15, 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 filed as exhibits, except as to the borrower thereto, the principal amount and certain property-specific provisions.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

NEW SENIOR INVESTMENT GROUP
By: /s/ Robert Savage
Robert Savage
Chairman of the Board
February 26, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following person on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Robert Savage
Robert Savage
Chairman of the Board
February 26, 2019

By: /s/ Susan Givens
Susan Givens
Director and Chief Executive Officer
February 26, 2019

By: /s/ David Smith
David Smith
Executive Vice President, Chief Financial Officer
February 26, 2019

By: /s/ Bhairav Patel
Bhairav Patel
Executive Vice President of Finance and Accounting
February 26, 2019

By: /s/ Virgis W. Colbert
Virgis W. Colbert
Director
February 26, 2019

By: /s/ Michael D. Malone
Michael D. Malone
Director
February 26, 2019

By: /s/ Stuart A. McFarland
Stuart A. McFarland
Director
February 26, 2019

By: /s/ Cassia van der Hoof Holstein
Cassia van der Hoof Holstein
Director
February 26, 2019

By: /s/ David Milner
David Milner
Director
February 26, 2019

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Section 2: EX-10.2 (EXHIBIT 10.2)

LEASE TERMINATION AGREEMENT

This LEASE TERMINATION AGREEMENT (this "**Agreement**") is made and entered into as of the 9th day of May, 2018, by and among NCT MASTER TENANT I LLC, a Delaware limited liability company having its principal office at c/o Holiday Retirement, 480 N Orlando Ave, Suite 236, Winter Park, Florida 32789 ("**Tenant 1**"), NCT MASTER TENANT II LLC, a Delaware limited liability company having its principal office at c/o Holiday Retirement, 480 N Orlando Ave, Suite 236, Winter Park, Florida 32789 ("**Tenant 2**"; together with Tenant 1, each, a "**Tenant**" and collectively, "**Tenants**"), the entities listed on Schedule A attached hereto, each a Delaware limited liability company and each having its principal office at 1345 Avenue of the Americas, Floor 45, New York, NY 10105 (collectively, "**Landlord 1**"), the entities listed on Schedule B attached hereto, each a Delaware limited liability company and each having its principal office at 1345 Avenue of the Americas, Floor 45, New York, NY 10105 (collectively, "**Landlord 2**"; each of the entities constituting Landlord 1 and Landlord 2, a "**Landlord**" and collectively, "**Landlords**"), the entities listed on Schedule C attached hereto, each a Delaware limited liability company having its principal office at c/o Holiday Retirement, 480 N Orlando Ave, Suite 236, Winter Park, Florida 32789 (collectively, "**Subtenants**"), HOLIDAY AL HOLDINGS LP, a Delaware limited partnership ("**Guarantor**") and HOLIDAY AL MANAGEMENT SUB LLC, a Delaware limited liability company having its principal office at c/o Holiday Retirement, 480 N Orlando Ave, Suite 236, Winter Park, Florida 32789 ("**Manager**").

W I T N E S S E T H:

WHEREAS, Landlord 1 and Tenant 1 entered into that certain Master Lease, dated as of December 23, 2013 ("**Lease 1**"), pursuant to which Landlord 1 leases or subleases, as applicable, to Tenant 1 the Property (as defined in Lease 1), upon and subject to all of the terms, covenants and conditions in Lease 1;

WHEREAS, Landlord 2 and Tenant 2 entered into that certain Master Lease, dated as of December 23, 2013 ("**Lease 2**"; together with Lease 1, each, a "**Lease**" and collectively, the "**Leases**"), pursuant to which Landlord 2 leases or subleases, as applicable, to Tenant 2 the Property (as defined in Lease 2), upon and subject to all of the terms, covenants and conditions in Lease 2. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Leases;

WHEREAS, Guarantor has (1) guaranteed the obligations of Tenant 1 under Lease 1 pursuant to that certain Guaranty of Lease, dated as of December 23, 2013, by Guarantor to Landlord 1 ("**Guaranty 1**") and (2) guaranteed the obligations of Tenant 2 under Lease 2 pursuant to that certain Guaranty of Lease, dated as of December 23, 2013, by Guarantor to

Landlord 2 ("**Guaranty 2**"; together with Guaranty 1, each, a "**Guaranty**" and collectively, the "**Guaranties**");

WHEREAS, Tenants have entered into a Facility Sublease with respect to each Facility, and Subtenant under each Facility Sublease has entered into a management agreement with Manager with respect to each Facility (the "**Existing Management Agreements**"); and

WHEREAS, (1) Tenants and Landlords now desire to terminate the Leases, (2) Tenants desire to surrender possession of the Premises (as defined below) to Landlords, and Landlords desire to accept such possession, (3) Tenants and Subtenants desire to terminate the Facility Subleases, (4) Guarantor desires to terminate the Guaranties, (5) Subtenants and Manager desire to terminate the Existing Management Agreements and (6) certain affiliates of Landlords desire to enter into new management agreements, and certain affiliates of Landlords and Manager desire to enter into sub-management agreements, for the Facilities, in each case upon the terms and conditions hereinafter set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and of the sums paid by Tenants to Landlords pursuant to the terms of this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. Definitions. The following terms shall have the meanings ascribed to them in this Section 1:

(a) "**Additional Termination Payment**" means an amount equal to $70,000,000 (Seventy Million Dollars) in immediately available funds.

(b) "**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For the purposes of this definition, the term "**controls**," "**is controlled by**" or "**under common control with**" means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

(c) "**Claims**" means any and all losses, actions, causes of action, suits, debts, dues, sums of money, expenses (including reasonable attorneys' fees and other litigation costs), accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, actual out-of-pocket damages, judgments, extents, executions, claims and demands of any kind or nature whatsoever, whether they sound in law, equity, tort or contract.

(d) "**Existing Loan Agreements**" means, collectively, (i) that certain Loan Agreement, dated as of December 23, 2013, between Landlord 1, as borrower, and GS Commercial Real Estate LP, as lender (as amended), (ii) that certain Loan Agreement, dated as of December 23, 2013, between Landlord 2, as borrower, and GS Commercial Real Estate LP, as lender (as amended), and (iii) that certain Mezzanine Loan Agreement, dated as of December 23, 2013, between NIC 12 Owner LLC and GS Commercial Real Estate LP, as lender (as amended).

(e) "**Forfeited Shortfall Deposits**" means all Shortfall Deposits, excluding that portion of the "Shortfall Deposits" (the "**Excluded Shortfall Deposits**") required to be deposited pursuant to the terms of Lease 1 or Lease 2 to cause the Tenant(s) to comply with the Lease Coverage Ratio for any testing period commencing on or after April 1, 2018, and any interest accrued thereon.

(f) "**Shortfall Deposits**" means, collectively, (i) the "Shortfall Deposits" (as defined in Lease 1) deposited by Tenant 1 pursuant to the terms of Lease 1, and (ii) the "Shortfall Deposits" (as defined in Lease 2) deposited by Tenant 2 pursuant to the terms of Lease 2, the aggregate amount of which is, as of the date of this Agreement, $2,268,476 (Two Million, Two Hundred Sixty Eight Thousand and Four Hundred and Seventy Six Dollars), plus all interest accrued thereon.

(g) "**Holiday Parent**" means Holiday AL Acquisition LLC, a Delaware limited liability company.

(h) "**New Senior Parent**" means New Senior Investment Group Inc., a Delaware corporation.

(i) "**Person**" means an individual, a corporation, a company, a voluntary association, a partnership, a joint venture, a limited liability company, a trust, an estate, an unincorporated organization or other entity.

(j) "**Premises**" means, collectively, the "Property" (as defined in Lease 1) and the "Property" (as defined in Lease 2).

(k) "**Security Deposits**" means, collectively, the "Security Deposit" (as defined in Lease 1) and the "Security Deposit" (as defined in Lease 2), in the aggregate amount of $43,353,925 (Forty Three Million, Three Hundred and Fifty Three Thousand and Nine Hundred and Twenty Five Dollars), plus all interest accrued thereon.

2. Cancellation of Leases.

(a) (i) On or prior to the Effective Date, Tenants shall pay to Landlord the Additional Termination Payment, and (ii) effective as of the Effective Date, Tenants hereby agree to forfeit and relinquish to Landlords (without any further action by the parties being required and with Landlords entitled to retain) all of Tenants' right, title, and interest in and to the Security Deposits and the Forfeited Shortfall Deposits, in each case in consideration of the cancellation and termination of the Leases. The Leases (and, in connection therewith, the

Guaranties, the Facility Subleases and the Existing Management Agreements) shall be cancelled and terminated upon and effective as of the Effective Date as if such date were the date set forth in such agreements for the end and expiration of the respective terms thereof; provided, however, notwithstanding the foregoing or anything to the contrary contained in this Agreement, neither any Tenant nor Guarantor shall be released from or with respect to (x) any obligations or liabilities (including in respect of indemnification) under or arising in connection with the Leases and/or the Guaranties, respectively, with respect to any matter, circumstance or condition existing or arising on or prior to the Effective Date, including the obligation to pay Landlords the sum of all Rent due under the Leases through and including the Effective Date (the "**Outstanding Rent**"), (y) any obligations or liabilities (including in respect of indemnification) under or arising in connection with the Leases and/or the Guaranties, respectively, that survive expiration or termination of any such agreement by its terms, or (z) any obligations or liabilities (including in respect of indemnification) under this Agreement. On and as of the Effective Date, Tenants shall give, grant and surrender unto Landlords, and their respective successors and assigns, all of the right, title and interest of Tenants in and to the Premises, the improvements and certain personal property in accordance with the terms of the Leases (including Section 8.1 of each Lease) as if the Effective Date were the date set forth in such agreements for the end and expiration of the respective terms thereof. Each of Tenants hereby agrees and acknowledges that this Agreement shall serve as the direction by Tenants to any Person holding all or any portion of the Security Deposits or the Forfeited Shortfall Deposits to deliver to Landlords (or at Landlords' written direction) all such amounts on or after the Effective Date. Landlords shall cause any Excluded Shortfall Deposits to be returned to Tenants on or promptly following the Effective Date.

(b) From and after the Effective Date, Tenants shall have no interest in the Premises or in any portion thereof. Tenants shall defend, indemnify and hold Landlords harmless from and against any and all Claims resulting from the breach by any Tenant of any agreement, representation or warranty in this Agreement, including, without limitation, any Claims made by any succeeding tenant in connection with either Tenant's failure to surrender possession of the Premises to the applicable Landlord on or before the Effective Date, and such obligations shall survive the termination of this Agreement. On the Effective Date, Tenants and Landlords shall make appropriate and customary balance sheet prorations, based on information available as of the Effective Date, of all income generated by, and all costs and expenses incurred in connection with the operation of, the Premises. Tenants and Landlords agree that such prorations shall be performed on an accrual basis with respect to all items and that all income and expenses allocable to the period prior to the Effective Date shall be for the account of Tenants, and all income and expenses allocable to the period from and after the Effective Date shall be for the account of Landlords; provided, that, all capital expenditures incurred prior to the Effective Date shall be for the account of Tenants and all capital expenditures incurred from and after the Effective Date shall be for the account of Landlords. Within sixty (60) days after the Effective Date ("Reproration Period"), Tenants and Landlords agree to adjust such prorations made as of the Effective Date to account for any income or expenses (i) that were not prorated as of the Effective Date or (ii) that were prorated based on estimates (and final information is then available and sufficient to determine the actual amounts); provided, however, to the extent that further prorations are necessary with respect to any items contemplated by clause (i) or (ii) due to

final information becoming available after the Reproration Period, Landlords and Tenants agree to make such additional prorations at the time that such final amounts become available. Each party shall pay the net amounts due to the other party pursuant to the terms of this Section 2 (b) by wire transfer of immediately available funds within five (5) Business Days after the prorations are calculated in each instance.

(c) For purposes of this Agreement, the "**Effective Date**" shall be the date upon which all of the following conditions have been satisfied: (i) this Agreement shall have been executed and delivered by the parties hereto, (ii) Tenants shall have paid to Landlords the Additional Termination Payment in immediately available funds to an account as directed in writing by Landlords, (iii) Tenants shall have paid the Outstanding Rent to Landlords and (iv) on or before May 21, 2018, Landlords shall have refinanced, in full, all obligations (including principal, interest, prepayment penalties and associated fees and expenses) under the Existing Loan Agreements, and the replacement financing shall permit (or not restrict) the transactions contemplated by this Agreement, including the termination of the Leases and other agreements as contemplated hereby and the execution and delivery by certain affiliates of Landlords and Manager, as applicable, of the New Management Agreements; provided, that if all of the conditions set forth in the preceding clauses (i) through (iv) are not satisfied on or before May 21, 2018, this Agreement shall be of no further force or effect, and the Leases, the Facility Subleases, the Guaranties and the Existing Management Agreements shall continue in full force and effect in accordance with their respective terms as if this Agreement had never been executed; provided, further, that nothing contained herein shall be construed as releasing a party from liability for the breach of any agreement, representation or warranty of such party under this Agreement. Landlords shall use their reasonable best efforts to satisfy the condition set forth in the clause (iv) of the preceding sentence on or before May 21, 2018.

(d) Except as aforesaid, Tenants acknowledge and agree that Tenants shall continue to be bound by all of the terms, covenants and conditions of the Leases through and including the Effective Date, including, without limitation, Tenant's obligation to pay Rent and make Shortfall Deposits.

3. Releases. Upon and effective as of the Effective Date, Tenants, on behalf of themselves and on behalf of any other person or entity claiming through or under any Tenant, do hereby release and forever discharge Landlords and Landlords' respective members, partners, shareholders, managers, directors, employees, agents and their respective attorneys, heirs, administrators, representatives, executors, successors and assigns (collectively, the "**Landlord Parties**"), from any and all Claims that any Tenant may have had, now has, or may have against any Landlord or any of the Landlord Parties, arising out of any act or omission of any Landlord under the Leases. For clarity, nothing contained herein shall be construed as releasing Landlords from liability for the breach of any agreement, representation or warranty of Landlords under this Agreement.

(a) Upon and effective as of the Effective Date, and subject to the proviso in the second sentence of Section 2(a) hereof and Tenants' other obligations hereunder, Landlords, on behalf of themselves and on behalf of any other person or entity claiming through

or under any Landlord, do hereby release and forever discharge Tenants, Subtenants, Guarantor, Manager and their respective members, partners, shareholders, managers, directors, employees, agents and their respective attorneys, heirs, administrators, representatives, executors, successors and assigns (collectively, the "**Tenant Parties**"), from any and all Claims that any Landlord may have had, now has, or may have against any Tenant or any of the Tenant Parties, to the extent arising out of any act or omission of any Tenant under the Leases. For clarity, nothing contained herein shall be construed as releasing Tenants from liability for the breach of any agreement, representation or warranty of Tenants under this Agreement.

4. New Management Agreements. Upon the Effective Date, certain affiliates of Landlords shall enter into a new management agreement for each Facility in substantially the same form as Exhibit A attached hereto and certain affiliates of Landlords and Manager shall enter into a new sub-management agreement for each Facility in substantially the same form as Exhibit B attached hereto (collectively, the "**New Management Agreements**").

5. Representations and Warranties.

(a) Each Tenant makes the following representations and warranties to Landlords with the understanding that such representations and warranties will be relied upon by Landlords as an inducement to enter into this Agreement:

(i) Tenant has not made or entered into, or agreed to make or enter into, any assignment, transfer, conveyance or other disposition of the Leases or of its interest therein, other than the Facility Subleases and the Resident Agreements in accordance with Article 21 of the Leases. Tenant has not, by virtue of any act by Tenant or any of its contractors, agents, employees, representatives, successors or assigns, hypothecated, mortgaged or granted any security interest in, or created any lien or encumbrance upon, the leasehold estate created under the Leases. There are no judgments, decrees or awards in existence affecting Tenant's interest in the Leases.

(ii) This Agreement is the binding obligation of such Tenant enforceable in accordance with its terms.

(iii) The person signing this Agreement on behalf of such Tenant is duly elected and is presently an officer of such Tenant, and as such officer of such Tenant, is vested with absolute authority to act on behalf of such Tenant with respect to this Agreement and the execution, delivery and performance of this Agreement have been duly authorized by all appropriate action on the part of such Tenant.

(b) Each Landlord makes the following representations and warranties to Tenants with the understanding that such representations and warranties will be relied upon by Tenants as an inducement to enter into this Agreement:

(i) This Agreement is the binding obligation of such Landlord enforceable in accordance with its terms.

(ii) The person signing this Agreement on behalf of such Landlord is vested with absolute authority to act on behalf of such Landlord with respect to this Agreement and the execution, delivery and performance of this Agreement have been duly authorized by all appropriate action on the part of such Landlord.

6. Brokerage. Landlords and Tenants respectively represent and warrant to the other that neither it nor anyone acting on its behalf has dealt with any real estate broker or finder who might be entitled to a commission or similar fee based upon the negotiation of this Agreement, and that no discussions or negotiations were had with any other broker or finder concerning the subject matter of this Agreement. Tenants agree to indemnify, defend and hold Landlords and the Landlord Parties harmless from and against any and all claims for brokerage commissions or similar fees arising out of any discussions or negotiations allegedly had by any Tenant with any broker or brokers in respect of this Agreement. Landlords agree to indemnify, defend and hold Tenants and the Tenant Parties harmless from and against any and all claims for brokerage commissions or similar fees arising out of any discussions or negotiations allegedly had by any Landlord with any broker or brokers in respect of this Agreement.

7. Attorneys' Fees. Each party to this Agreement agrees to bear its own attorneys' fees and costs incurred in connection with the discussions preceding, negotiations for, and documentation of this Agreement.

8. Forum and Jurisdiction Selection Clause; Notices. The parties hereto, to the extent they may lawfully do so, hereby submit to the jurisdiction of any State or Federal Court located in New York County, New York as well as to the jurisdiction of all courts from which an appeal may be taken from the aforesaid courts for the purpose of any suit, action, or other proceedings arising out of any of the parties' obligations under or with respect to this Agreement and the parties hereto expressly waive any and all objections that said parties may have as to jurisdiction and/or venue in any such courts. The parties hereto further agree that they may be validly served with any legal process in connection with the foregoing by the mailing of a copy thereof by registered or certified mail, return receipt requested, at their addresses set forth below:

Landlords:

New Senior Investment Group Inc.

c/o Fortress Investment Group LLC

1345 Avenue of the Americas, 45th Floor

New York, NY 10105

	Attn: Bhairav Patel
with a copy to:	Wachtell, Lipton, Rosen & Katz 51 West 52nd Street New York, New York 10010 Attention: David E. Shapiro Victor Goldfeld
with a copy to:	Skadden, Arps, Slate, Meagher & Flom LLP Four Times Square New York, New York 10036 Attention: Joseph A. Coco Peter D. Serating
Tenants:	c/o Holiday Retirement 480 N Orlando Ave, Suite 236 Winter Park, Florida 32789 Attn: Chief Financial Officer
with a copy to:	Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019-6064 Attention: Ariel Deckelbaum
Subtenants:	c/o Holiday Retirement 480 N Orlando Ave, Suite 236 Winter Park, Florida 32789 Attn: Chief Financial Officer
with a copy to:	Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, New York 10019-6064 Attention: Ariel Deckelbaum
Manager:	c/o Holiday Retirement 480 N Orlando Ave, Suite 236 Winter Park, Florida 32789 Attn: Chief Financial Officer

with a copy to: Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Attention: Ariel Deckelbaum

Any instructions, notices or other communications required or which may be given under this Agreement shall be in writing and shall be delivered personally or sent by certified or registered mail, postage prepaid, or via a nationally recognized overnight courier, to each party to this Agreement, and shall be deemed given when so delivered personally or, if mailed, two days after the date of mailing, at each party's address as above set forth or in any case to such other address or addresses as hereinafter shall be furnished as provided in this Section 8 by either party to the other party.

9. Entire Agreement; Amendment and Wavier. This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by each of the parties hereto, and in the case of a waiver, by the party against whom it is to be effective.

10. Voluntary Agreement. The parties to this Agreement agree that they have thoroughly discussed all aspects of this Agreement with their private attorneys, that they have read and fully understand all the provisions of this Agreement and that they are voluntarily entering into this Agreement.

11. Binding Effect; Governing Law. This Agreement shall be binding upon and inure to the benefit of all the parties hereto and their respective heirs, administrators, representatives, executors, successors and assigns. This Agreement is made and entered into in the State of New York and shall in all respects be interpreted, enforced and governed under the laws of the said state, without regard for principles of conflicts of law that would result in the application of the laws of another jurisdiction.

12. Confidentiality. Each party shall keep confidential the terms and provisions of this Agreement. The foregoing shall not preclude any party from disclosing such information if compelled to disclose the same by judicial, regulatory or administrative process or applicable stock exchange listing requirements or by other requirements of any applicable law. If any party is requested or required to disclose any such information, such party shall promptly notify the other parties of any such request or requirement so the other parties may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 14. Furthermore, each party may disclose the terms and provisions of this Agreements to its members, directors, officers, employees, lenders and legal and financial advisors, and other professionals and consultants who need to know such information in order to effectuate the terms and provisions of this Agreement; provided that with respect to any such third party that is provided such information or materials, such person(s) are informed of the confidentiality requirements of this Agreement and their duty to comply with them.

13. Miscellaneous. Should any provision of this Agreement require judicial interpretation, it is agreed that the court interpreting or construing this Agreement shall not construe it against one party more strictly by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent prepared such

document, it being agreed that the agents of all parties have participated in the preparation of this Agreement, and that all parties were afforded adequate opportunity to consult legal counsel prior to execution of this Agreement. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision hereof shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall be considered to be an original document, and shall not be amended or modified orally, but only by an agreement in writing, signed by each of the parties hereto. The paragraph captions are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope or context of this Agreement or any provisions hereof. The respective parties hereto shall and hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other (except an action for personal injury) on any matter whatsoever arising out of or in any way connected to this Agreement or the enforcement of the rights and/or obligations of the parties hereunder. Time is of the essence of this Agreement. The parties agree to execute and deliver to the other parties hereto any agreement, document or instrument deemed reasonably necessary or desirable to give effect to the transactions described in this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlords, Tenants, Subtenants and Manager have set their hands effective as of the day and year first set forth above.

LANDLORD 1:

NIC 12 ARLINGTON PLAZA OWNER LLC
NIC 12 BLAIR HOUSE OWNER LLC
NIC 12 BLUE WATER LODGE OWNER LLC
NIC 12 BRIARCREST ESTATES OWNER LLC
NIC 12 CHATEAU RIDGELAND OWNER LLC
NIC 12 CHERRY LAUREL OWNER LLC
NIC 12 COLONIAL HARBOR OWNER LLC
NIC 12 COUNTRY SQUIRE OWNER LLC
NIC 12 COURTYARD AT LAKEWOOD OWNER LLC
NIC 12 DESOTO BEACH CLUB OWNER LLC
NIC 12 EL DORADO OWNER LLC
NIC 12 ESSEX HOUSE OWNER LLC
NIC 12 FLEMING POINT OWNER LLC
NIC 12 GRASSLANDS ESTATES OWNER LLC
NIC 12 GREELEY PLACE OWNER LLC
NIC 12 GRIZZLY PEAK OWNER LLC
NIC 12 JACKSON OAKS OWNER LLC
NIC 12 MAPLE DOWNS OWNER LLC
NIC 12 PARKWOOD ESTATES OWNER LLC
NIC 12 PIONEER VALLEY LODGE OWNER LLC
NIC 12 REGENCY RESIDENCE OWNER LLC
NIC 12 SIMI HILLS OWNER LLC
NIC 12 STONEYBROOK LODGE OWNER LLC
NIC 12 SUMMERFIELD ESTATES OWNER LLC
NIC 12 VENTURA PLACE OWNER LLC,
each a Delaware limited liability company

By: /s/ Ivy Hernandez
Name: Ivy Hernandez
Title: Vice President

[Signatures Continue on Following Page]

LANDLORD 2:

NIC 13 THE BENTLEY OWNER LLC
NIC 13 DOGWOOD ESTATES OWNER LLC
NIC 13 FOUNTAINS AT HIDDEN LAKES OWNER LLC
NIC 13 HIDDEN LAKES OWNER LLC
NIC 13 ILLAHEE HILLS OWNER LLC
NIC 13 LODGE AT COLD SPRING OWNER LLC
NIC 13 MADISON ESTATES OWNER LLC
NIC 13 MANOR AT OAKRIDGE OWNER LLC
NIC 13 OAKWOOD HILLS OWNER LLC
NIC 13 ORCHID TERRACE OWNER LLC
NIC 13 PALMER HILLS OWNER LLC
NIC 13 PINEWOOD HILLS OWNER LLC
NIC 13 PUEBLO REGENT OWNER LLC
NIC 13 THE REGENT OWNER LLC
NIC 13 ROCKCREEKOWNERLLC
NIC 13 SHELDON OAKS OWNER LLC
NIC 13 SKY PEAKS OWNER LLC
NIC 13 THORNTON PLACE OWNER LLC
NIC 13 UFFELMAN ESTATES OWNER LLC
NIC 13 VILLAGE GATEOWNERLLC
NIC 13 VISTA DE LA MONTANA OWNER LLC
NIC 13 WALNUT WOODS OWNER LLC
NIC 13 THE WESTMONT OWNER LLC
NIC 13 WHITEROCK COURT OWNER LLC,
each a Delaware limited liability company

By: /s/ Ivy Hernandez

Name: Ivy Hernandez

Title: Vice President

[Signatures Continue on Following Page]

NIC 13 DURHAM REGENT OWNER LP, a Delaware limited partnership

By: NIC 13 Durham Regent Owner GP, LLC, its general partner

By: /s/ Ivy Hernandez
Name: Ivy Hernandez
Title: Vice President

NIC 13 JORDAN OAKS OWNER LP, a Delaware limited partnership

By: NIC 13 Jordan Oaks Owner GP, LLC, its general partner

By: /s/ Ivy Hernandez
Name: Ivy Hernandez
Title: Vice President

[Signatures Continue on Following Page]

State of New York)

.ss:
County of New York)

On the 9th day of May in the year 2018, before me, the undersigned, a Notary Public in and for said State, personally appeared Ivy Hernandez, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity as Vice President, and that by her signature on the instrument, the persons upon behalf of which the individual acted, executed the instrument.

/s/ Jose A. Torres
NOTARY PUBLIC

SUBTENANTS:

NH ARLINGTON PLAZA LLC
NH BENTLEY LLC
NH BLAIR HOUSE LLC
NH BLUE WATER LODGE LLC
NH BRIARCREST ESTATES LLC
NH CHATEAU RIDGELAND LLC
NH CHERRY LAUREL LLC
NH COLONIAL HARBOR LLC
NH COUNTRY SQUIRE LLC
NH COURTYARD AT LAKEWOOD LLC
NH DESOTO BEACH CLUB LLC
NH DOGWOOD ESTATES LLC
NH DURHAM REGENT LLC
NHH EL DORADO LLC
NH ESSEX HOUSE LLC
NH FLEMING POINT LLC
NH FOUNTAINS AT HIDDEN LAKES LLC
NH GRASSLAND ESTATES LLC
NH GREELEY PLACE LLC
NH GRIZZLY PEAK LLC
NH HIDDEN LAKE LLC
NH ILLAHEE HILLS LLC
NH JACKSON OAKS LLC
NH JORDAN OAK LLC
NH LODGE AT COLD SPRING LLC
NH MADISON ESTATES LLC
NH MANOR AT OAKRIDGE LLC
NH MAPLE DOWNS LLC
NH OAKWOOD HILLS LLC
NH ORCHID TERRACE LLC
NH PALMER HILLS LLC
NH PARKWOOD ESTATES LLC
NH PINEWOOD HILLS LLC
NH PIONEER VALLEY LODGE LLC
NH PUEBLO REGENT LLC
NH REGENCY RESIDENCE LLC
NH REGENT LLC
NH ROCK CREEK LLC
NH SHELDON OAKS LLC
NH SKY PEAKS LLC
NH SIMI HILLS LP
NH STONEYBROOK LODGE LLC

NH SUMMERFIELD ESTATES LLC
NH THORNTON PLACE LLC
NH UFFELMAN ESTATES LLC
NH VENTURA PLACE LLC
NH VILLAGE GATE LLC
NH VISTA DE LA MONTANA LLC
NH WALNUT WOODS LLC
NH WESTMONT LP
NH WHITEROCK COURT LLC,
each a Delaware limited liability company

By: /s/ Tyler Nelson
Name: Tyler Nelson
Title: CFO

TENANT 1:
NCT MASTER TENANT I LLC,
a Delaware limited liability company

By: /s/ Tyler Nelson
Name: Tyler Nelson
Title: CFO

TENANT 2:
NCT MASTER TENANT II LLC,
a Delaware limited liability company

By: /s/ Tyler Nelson
Name: Tyler Nelson
Title: CFO

MANAGER:
HOLIDAY AL MANAGEMENT SUB LLC,
a Delaware limited liability company

By: /s/ Tyler Nelson
Name: Tyler Nelson
Title: CFO

GUARANTOR:
HOLIDAY AL HOLDINGS LP, a Delaware
limited partnership

By: Holiday AL Holdings GP LLC, a Delaware
limited liability company, its general partner

By: /s/ Tyler Nelson
Name: Tyler Nelson
Title: CFO

State of Florida)

.ss:
County of Orange)

On the 9 day of May in the year 2018, before me, the undersigned, a Notary Public in and for said State, personally appeared Tyler Nelson, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Kalpesh P. Patel

NOTARY PUBLIC

State of Florida)

.ss:
County of Orange)

On the 9 day of May in the year 2018, before me, the undersigned, a Notary Public in and for said State, personally appeared Tyler Nelson, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

/s/ Kalpesh P. Patel

NOTARY PUBLIC

Schedule A

Landlord 1

2. NIC 12 ARLINGTON PLAZA OWNER LLC;
3. NIC 12 BLAIR HOUSE OWNER LLC;
4. NIC 12 BLUE WATER LODGE OWNER LLC;
5. NIC 12 BRIARCREST ESTATES OWNER LLC;
6. NIC 12 CHATEAU RIDGELAND OWNER LLC;
7. NIC 12 CHERRY LAUREL OWNER LLC;
8. NIC 12 COLONIAL HARBOR OWNER LLC;
9. NIC 12 COUNTRY SQUIRE OWNER LLC;
10. NIC 12 COURTYARD AT LAKEWOOD OWNER LLC;
11. NIC 12 DESOTO BEACH CLUB OWNER LLC;
12. NIC 12 EL DORADO OWNER LLC;
13. NIC 12 ESSEX HOUSE OWNER LLC;
14. NIC 12 FLEMING POINT OWNER LLC;
15. NIC 12 GRASSLANDS ESTATES OWNER LLC;
16. NIC 12 GREELEY PLACE OWNER LLC;
17. NIC 12 GRIZZLY PEAK OWNER LLC;
18. NIC 12 JACKSON OAKS OWNER LLC;
19. NIC 12 MAPLE DOWNS OWNER LLC;
20. NIC 12 PARKWOOD ESTATES OWNER LLC;
21. NIC 12 PIONEER VALLEY LODGE OWNER LLC;
22. NIC 12 REGENCY RESIDENCE OWNER LLC;
23. NIC 12 SIMI HILLS OWNER LLC;
24. NIC 12 STONEYBROOK LODGE OWNER LLC;
25. NIC 12 SUMMERFIELD ESTATES OWNER LLC; and

NIC 12 VENTURA PLACE OWNER LLC.

Schedule B

Landlord 2

26. NIC 13 THE BENTLEY OWNER LLC;
27. NIC 13 DOGWOOD ESTATES OWNER LLC;
28. NIC 13 DURHAM REGENT OWNER LP (f/k/a NIC 13 Durham Regent Owner LLC);
29. NIC 13 FOUNTAINS AT HIDDEN LAKES OWNER LLC;
30. NIC 13 HIDDEN LAKES OWNER LLC;
31. NIC 13 ILLAHEE HILLS OWNER LLC;
32. NIC 13 JORDAN OAKS OWNER LP (f/k/a NIC 13 Jordan Oaks Owner LLC);
33. NIC 13 LODGE AT COLD SPRING OWNER LLC;
34. NIC 13 MADISON ESTATES OWNER LLC;
35. NIC 13 MANOR AT OAKRIDGE OWNER LLC;
36. NIC 13 OAKWOOD HILLS OWNER LLC;
37. NIC 13 ORCHID TERRACE OWNER LLC;
38. NIC 13 PALMER HILLS OWNER LLC;
39. NIC 13 PINEWOOD HILLS OWNER LLC;
40. NIC 13 PUEBLO REGENT OWNER LLC;
41. NIC 13 THE REGENT OWNER LLC;
42. NIC 13 ROCK CREEK OWNER LLC;
43. NIC 13 SHELDON OAKS OWNER LLC;
44. NIC 13 SKY PEAKS OWNER LLC;
45. NIC 13 THORNTON PLACE OWNER LLC;
46. NIC 13 UFFELMAN ESTATES OWNER LLC;
47. NIC 13 VILLAGE GATE OWNER LLC;
48. NIC 13 VISTA DE LA MONTANA OWNER LLC;
49. NIC 13 WALNUT WOODS OWNER LLC;
50. NIC 13 THE WESTMONT OWNER LLC; and
51. NIC 13 WHITEROCK COURT OWNER LLC.

Schedule C

Subtenants

52. NH ARLINGTON PLAZA LLC;
53. NH BENTLEY LLC;
54. NH BLAIR HOUSE LLC;
55. NH BLUE WATER LODGE LLC;
56. NH BRIARCREST ESTATES LLC;
57. NH CHATEAU RIDGELAND LLC;
58. NH CHERRY LAUREL LLC;
59. NH COLONIAL HARBOR LLC;
60. NH COUNTRY SQUIRE LLC;
61. NH COURTYARD AT LAKEWOOD LLC;
62. NH DESOTO BEACH CLUB LLC;
63. NH DOGWOOD ESTATES LLC;
64. NH DURHAM REGENT LLC;
65. NHH EL DORADO LLC;
66. NH ESSEX HOUSE LLC;
67. NH FLEMING POINT LLC;
68. NH FOUNTAINS AT HIDDEN LAKES LLC;
69. NH GRASSLAND ESTATES LLC;
70. NH GREELEY PLACE LLC;
71. NH GRIZZLY PEAK LLC;
72. NH HIDDEN LAKE LLC;
73. NH ILLAHEE HILLS LLC;
74. NH JACKSON OAKS LLC;
75. NH JORDAN OAK LLC;
76. NH LODGE AT COLD SPRING LLC;
77. NH MADISON ESTATES LLC;
78. NH MANOR AT OAKRIDGE LLC;
79. NH MAPLE DOWNS LLC;
80. NH OAKWOOD HILLS LLC;
81. NH ORCHID TERRACE LLC;
82. NH PALMER HILLS LLC;
83. NH PARKWOOD ESTATES LLC;
84. NH PINEWOOD HILLS LLC;
85. NH PIONEER VALLEY LODGE LLC;
86. NH PUEBLO REGENT LLC;
87. NH REGENCY RESIDENCE LLC;
88. NH REGENT LLC;
89. NH ROCK CREEK LLC;
90. NH SHELDON OAKS LLC;
91. NH SKY PEAKS LLC;
92. NH SIMI HILLS LP;
93. NH STONEYBROOK LODGE LLC;
94. NH SUMMERFIELD ESTATES LLC;

95. NH THORNTON PLACE LLC;
96. NH UFFELMAN ESTATES LLC;
97. NH VENTURA PLACE LLC;
98. NH VILLAGE GATE LLC;
99. NH VISTA DE LA MONTANA LLC;
100. NH WALNUT WOODS LLC;
101. NH WESTMONT LP; and
102. NH WHITEROCK COURT LLC.

Exhibit A

Form of New Management Agreement

[See attached.]

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "**Agreement**") is effective as of _____, 2018 (the "**Effective Date"**), and is entered into by and between [_____], a Delaware [limited liability company] ("**Manager**"), and [_____], a Delaware [partnership] [limited liability company] ("**Tenant**"). Tenant leases the senior living facility known as [_____] and located at [_____] (such facility, together with the land on which such facility is located, the "**Facility**") pursuant to a lease dated as of [_____], 2018 from [____], a Delaware limited [partnership] [liability company], and certain of its affiliates, as landlord, to Tenant, as tenant, and desires to retain Manager to manage and operate the Facility pursuant to the terms and conditions of this Agreement. Manager and Tenant agree as follows:

1. Appointment: As of the Effective Date and subject to the terms and conditions of this Agreement, Tenant hereby appoints Manager as its exclusive operating, managing and leasing agent for the Facility, which includes the power and authority to act in the name of and on behalf of Tenant to transact the business of operating and managing the Facility and to make and execute contracts, leases, and other writings, assurances, and instruments which may be needed to operate and manage the Facility as a senior housing community providing independent living services. Manager hereby accepts such appointment, together with all the rights, powers, and authority provided by Tenant, and Manager hereby agrees that as the operator of the Facility, it shall act in accordance with the terms of this Agreement. Tenant shall retain its leasehold interest in, and nothing herein shall be construed to give Manager any interest in: (a) the Facility; or (b) any assets necessary or convenient to the ownership, leasing, use, and operation of the Facility and acquired with Tenant's funds or revenues of the Facility (including any furnishings, fixtures, equipment, supplies, consumables, inventories, tangible and intangible personal property, accounts and accounts receivable, agreements with residents and other contracts or agreements relating to the Facility); provided, that (i) Manager shall have such rights to possession or use as may be required to allow Manager to perform its obligations under this Agreement, and (ii) Tenant shall have no ownership interest in any National Contract (as defined in Section 2(f)).

2. Management Responsibilities: Manager, upon its own initiative, shall use commercially reasonable efforts to bring to Tenant's attention opportunities to (i) increase or stabilize the revenues of the Facility and control or minimize the expenses of the Facility and (ii) improve the quality of services to the Residents. Manager shall promptly notify Tenant of (A) any events or conditions with respect to the Facility that have, or could reasonably be expected to have, a material adverse effect on Tenant or the Facility, (B) any condemnation with respect to the Facility, (C) any material casualty with respect to the Facility, (D) receipt of written notice of default of any material legal obligation of Tenant, and (E) the initiation of any legal matters or proceedings that under Section 2(o) cannot be settled without Tenant's consent. In addition to Manager's obligations set forth elsewhere in this Agreement, Manager shall perform the duties and provide the services described in this Section 2 below.

(a) Facility Management Team: Manager shall recruit, evaluate, select, employ, train, supervise, manage and discharge the Facility's management team, who shall be responsible for the functional operation of the Facility and execution on a day-to-day basis of policies established by Manager in accordance with this Agreement.

(b) Personnel:

(i) Manager (or an Affiliate of Manager) shall be the employer of all personnel employed from time to time at the Facility and all Facility sales personnel (collectively, "**Facility Employees**") and certain off-site personnel. All matters pertaining to the employment, selection, training, supervision, compensation, promotion and discharge of the Facility Employees are the responsibility of Manager, with respect to which Manager shall exercise reasonable care. Manager shall maintain staffing levels at the Facility at all times at levels which are sufficient to operate the Facility consistent with the Performance Standard. Subject to the other terms of this Agreement, Manager shall have the sole power to hire, discipline and/or dismiss all personnel employed at the Facility and to make all staffing decisions, provided, at Tenant's reasonable prior written request, Manager shall consult with Tenant regarding recruitment, hiring and dismissal with respect to any community general manager. Furthermore, upon prior written notice to Manager, Manager shall make any community general manager reasonably available for discussions with Tenant, provided that Manager shall be entitled to have a designated representative present during any such meetings. Manager shall establish all necessary and desirable personnel policies, wage structures and staff schedules for employment of personnel at the Facility. All Facility Employees' duties in connection with their employment shall be exclusively dedicated to the Facility, provided that (so long as sufficient staffing levels are maintained as provided above) Manager may from time to time assign any Facility Employee to provide services to any senior housing facility owned or managed by Manager or its Affiliates (other than the Facility), in which event all costs relating to such Facility Employee shall be allocated to the Facility and to the other facilities receiving the benefit of such services, provided the methodology used to allocate expenses to the Facility is reasonable and equitable and approved by Tenant.

(ii) Subject to prior notice to Tenant, Manager shall negotiate with any union lawfully entitled to represent employees and may execute in its own name, and not as agent for Tenant, collective bargaining agreements or labor contracts resulting therefrom, provided that, in no event shall Manager, without Tenant's prior written consent (which consent shall not be unreasonably withheld), enter into any collective bargaining agreements or labor contracts which shall cause Manager to incur expenses with respect to the Facility for any year in excess of the amounts contemplated by the Annual Budget for such year unless Manager agrees in writing that it shall be solely responsible for any material increase in costs resulting therefrom.

(iii) Manager shall comply, in all material respects, with all Applicable Laws having to do with worker's compensation, social security, unemployment insurance, hours of labor, wages, working conditions and other employer/employee related subjects with respect to the Facility Employees.

(iv) Within five (5) days after the end of each calendar month during the term of this Agreement, Manager shall deliver to Tenant a notification of the hiring and/or discharge, as applicable, of any community general manager or sales personnel during such calendar month. In addition, upon written request of Tenant (but in any event not more often than

one (1) time in any thirty (30) day period), Manager shall provide to Tenant a written schedule listing, as of a date that is not more than thirty (30) days prior to the date of delivery, all Facility Employees, such Facility Employee's title or job description, salary and additional compensation or perquisites (such as lodging, meals, maintenance, moving expenses, bonus and incentive compensation and the like).

(c) Operational Policies: Subject to the other terms of this Section 2, Manager shall maintain and develop all operational policies, procedures and manuals as may be necessary to ensure compliance with any licensure requirements of Tenant and/or the Facility and to ensure establishment and maintenance of the standards of resident services appropriate to operating the Facility as a senior independent living community.

(d) Forms: Manager shall maintain and develop all invoices and other such forms necessary for the operation of the Facility.

(e) Charges: Manager shall establish the schedules of recommended charges for occupancy, products and services, including any and all special charges to the residents of the Facility. Manager may periodically review and adjust any and all such charges.

(f) Utility and Service Contracts: Manager shall, on behalf of the Facility (in the name of Manager or its affiliate(s) (if necessary or beneficial) or in the name of, and as agent for, Tenant), enter into or cause the execution of service contracts as required in the ordinary course of business for the operation of the Facility including contracts for water, electricity, natural gas, telephone, sewer, cleaning, trash removal, pest control, cable television, elevator, and boiler maintenance, and other services related to the maintenance of the Facility or to the health and safety of its occupants and employees and such other contracts as may be necessary to carry out the obligations imposed on Manager under this Agreement. All Facility contracts (excluding (i) National Contracts (defined below) and (ii) contracts with Affiliates of Manager), which are in effect at the expiration or termination of this Agreement and which were entered into in accordance with the terms of this Agreement and are assignable, to the extent not in the name of Tenant, shall be assigned by Manager to Tenant or its designee effective as of the date of such expiration or termination of this Agreement; provided that if any contract requires consent to assignment pursuant to the terms thereof, and the counterparty to such contract will not consent to an assignment, any early termination fees shall be the responsibility of Tenant or its designee and Manager shall have no liability with respect thereto. Manager shall use good faith efforts to negotiate terms in each contract (other than National Contracts and any contract with a term of sixty (60) days or fewer) (x) permitting assignment to Tenant or its designee upon expiration or termination of this Agreement at no cost to Tenant or its designee and (y) requiring no termination or assignment fees. Manager shall perform as and when required under Facility contracts the duties and responsibilities imposed on Tenant under the terms thereof. Facility contracts may consist of any National Contract to the extent that (a) such National Contract offers market and competitive price and are otherwise on market terms, (b) the prices charged by the vendors under such National Contract with respect to the Facility are no greater than the prices charged for the same goods or services with respect to other facilities covered by such National Contracts and located in the same geographical region as the Facility, (c) Tenant has the right to review and approve the allocation methodology for each National Contract in connection with the Proposed Annual Budget and (d) Tenant shall have no liability for any Claims with respect to any National Contracts which Claims first arise or accrue from and after the date that this Agreement is terminated or Manager (and/or Sub-Manager) is no longer managing the Facility. "**National**

Contracts" shall mean any national or other contracts in the name of Manager or one of its Affiliates or Sub-Manager or one of its Affiliates pursuant to which the Facility, as well as any facility other than those owned or leased by Tenant or an Affiliate of Tenant, is receiving goods, services and/or other benefits. Manager shall use commercially reasonable efforts to obtain for the benefit of the Facility and Tenant all Rebates available, including by making bulk purchases and early payment of invoices. In the event that Manager or its Affiliates receive any Rebates, such Rebates shall accrue exclusively to the benefit of the Facility, except that, with respect to any Rebates under any National Contracts, Manager agrees to allocate a fair and reasonable portion of such Rebates to the Facility. Manager shall use a reasonable competitive bidding process with respect to any contracts or orders that are reasonably likely to result in the aggregate amount payable with respect thereto exceeding $100,000 in any twelve (12) month period. Manager shall not execute any contract with Manager or any Affiliate of Manager (it being agreed that, for purposes of this sentence, "control" (as used in the definition of the term "Affiliate") of any entity shall include ownership of more than ten percent (10%) of the equity interests in such entity, as well as the power to direct the management or policies of such entity) relating to the provision of goods or services for the Facility if Tenant is required to pay the costs of such contract pursuant to the terms of this Agreement, unless (A) Manager has disclosed such affiliation to Tenant in writing, and (B) Tenant has approved such contract in writing (after Manager's disclosure of such affiliation), which consent shall not be unreasonably withheld, conditioned or delayed, provided that the restriction set forth in this sentence shall not apply to any National Contract so long as the terms of subsections (a), (b) and (c) above are satisfied with respect to such National Contract. Upon Tenant's request from time to time, Manager shall provide Tenant with a complete list and copies of all Facility contracts, including all Occupancy Agreements (as defined in Section 2(n) below). From time to time, upon Tenant's request, Manager shall provide to Tenant a schedule of all existing contracts to which Manager or Sub-Manager is a party for the provision of goods or services to the Facility.

(g) Purchasing: Manager shall purchase or arrange for the purchase of inventories, provisions, supplies, and operating equipment necessary for the maintenance and operation of the Facility.

(h) Maintenance and Repair: Manager shall coordinate the repair and maintenance of the Facility in a condition that is substantially the same or better than existed as of the Effective Date (or, if later, the date of completion of any capital improvement to the Facility in accordance with the terms hereof), ordinary wear and tear and casualty excepted, including cleaning, painting, decorating, plumbing, electrical, HVAC, appliances, carpentry and ground care.

(i) Information and Other Requirements:

(i) Marketing and Overall Business Plan: Manager shall develop and implement the overall business and marketing plans for the Facility.

(ii) Tenant and Manager Representative Communications: Each party shall select a representative from time to time, and as notified to the other party in writing, for purposes of communications between Tenant and Manager with respect to the management and operation of the Facility, the Proposed Annual Budget, the Annual Budget and other matters requiring communication pursuant to the terms of this Agreement.

(iii) In-Person Meeting with Tenant: Upon not less than ten (10) business days' prior written request by Tenant, Manager shall cause a representative of Manager to meet at the Facility or participate in phone conversations with representatives of Tenant to discuss matters concerning the Facility (including the reports provided pursuant to Section 2(l)).

(j) Equipment and Improvements:

(i) Manager shall advise Tenant as to any recommended improvements to the Facility and/or as to the replacement of obsolete or run-down equipment. Tenant shall review and decide upon Manager's recommendations as soon as practicable. Manager shall not be liable for any cost or liability which Manager or Tenant may incur, or to which Tenant may be subject, in the event Tenant fails to act on or disregards Manager's recommendations (or for any failure of Manager to comply with this Agreement caused by such failure of Tenant, and Manager shall not be deemed to be in default hereunder as a result thereof) to the extent resulting from the failure of Tenant to follow or to act upon such recommendations. Notwithstanding the foregoing, Manager shall maintain the equipment and improvements in the same or better condition as existed as of the Effective Date (or, if applicable, as of such later date of completion of a capital improvement or equipment purchase with respect to such improvement or equipment), ordinary wear and tear and casualty excepted, and Manager shall cause all repairs, replacements and maintenance to be performed for such purpose; provided, however, that the same shall at all times be undertaken in a workmanlike and lien free manner. Subject to the terms of Section 2(j)(ii) below, Manager shall use the Facility's on-site maintenance personnel for all day-to-day maintenance activities, as and when reasonably practicable, and, as necessary, shall contract with qualified third party contractors to provide necessary services with respect to the Facility.

(ii) Tenant, in its sole discretion, may elect to make any repairs or capital improvements at the Facility, provided, if the same are unbudgeted, the cost for such additional repairs or capital improvements are paid by the Tenant outside of the Annual Budget (or pursuant to a modification of the Annual Budget) (each, an "**Tenant Project**"). With respect to any Tenant Project, except with respect to an emergency or as necessary to comply with Facility Loan Documents or other legal obligations (in which case as much prior notice shall be provided to Manager as is practicable), Tenant shall provide not less than sixty (60) days' written notice of the proposed repair or capital improvement project and coordinate with Manager to minimize disruption to operations at the Facility. If any repair or capital improvement project undertaken pursuant to the terms of this Section 2(j)(ii) results in a Disruption Condition for a period in excess of thirty (30) days and at the time of such project the occupancy at the Facility is not less than 90%, the Fee paid to Manager for any month in which all or a portion of a Disruption Period occurs shall not be less than the average Fee paid for the most recent three (3) month period during which there existed no Disruption Condition. Manager shall cause any repair or capital improvement contemplated by this Section 2(j)(ii) to be completed pursuant to Section 2(h); provided, however, if any such repair or capital improvement project is estimated to cost $50,000 or more, Tenant shall have the right, at its election, to manage and control the project, including selecting and managing the contractors. Notwithstanding anything to the contrary contained in this Agreement, if Tenant makes such election to manage and control any project (such project, an "**Tenant Controlled Project**"), Manager shall have no liability or obligation hereunder or otherwise with respect to any Tenant Controlled Project, the personnel and/or contractors selected by Tenant or their performance (or failure to perform), the quality of their work and/or any claims, demands, causes of action, losses, damages, fines, penalties, liabilities,

costs and expenses that arise from any Tenant Controlled Project, and Tenant shall be solely responsible for any Tenant Controlled Project and indemnify and hold harmless Manager for any Claims arising out of any such Tenant Controlled Project. Furthermore, for any project which Tenant does not elect to control pursuant to this Section 2(j) (any such project, a "**Manager-Controlled Project**"), Manager shall have no liability with respect to such Manager Controlled Project, the personnel and/or contractors selected by Manager or their performance (or failure to perform), the quality of their work and/or any claims, demands, causes of action, losses, damages, fines, penalties, liabilities, costs and expenses that arise from any Manager Controlled Project, provided Manager's performance of its duties with respect to such Manager Controlled Project does not constitute gross negligence or willful misconduct. For the purposes of this Section 2(j)(ii), with respect to any repair or capital improvement project undertaken pursuant to this Section 2(j)(ii), (i) "**Disruption Condition**" shall mean that not less than ten percent (10%) of the residential units at the Facility are unavailable for occupancy due to such project, and (ii) "**Disruption Period**" shall mean that period commencing on the date the applicable Disruption Condition commences and ending on the date that is the earlier of sixty (60) days following the date such Disruption Condition ceases to exist and the date all of the applicable units are occupied. In connection with any Manager-Controlled Project, Manager shall use commercially reasonable efforts to prevent any liens from being filed against the Facility, and shall seek (and, for any work or materials which cost more than $10,000 or for which acknowledgements, waivers and releases are required under any Applicable Facility Loan Documents, Superior Leases and Title Documents, shall obtain as a condition to payment therefor) payment acknowledgments, claim waivers and lien releases from the personnel and contractors performing work or furnishing materials, in connection with such project, but only to the extent that Tenant has made funds available to Manager to pay for such work or materials.

(k) Bookkeeping and Accounting: Manager shall keep, prepare and maintain books and records of the Facility in the ordinary course using a consistent method from period to period, accurately reflecting the operational and financial affairs of the Facility. All financial reports shall be prepared in accordance with GAAP, provided, for the avoidance of doubt, the parties agree that any move-in fees or other incentives paid by a resident will be reflected in the financial statements and amortized over the remaining expected length of stay for such resident on a straight line basis in accordance with GAAP. Manager will prepare and deliver, or cause to be prepared and delivered, to Tenant for its review, and file or cause to be filed, all property-level tax returns of the Facility, including sales and use tax returns, personal property tax returns and business, professional and occupational license tax returns, as applicable. Subject to the provisions of this Agreement, Manager shall use commercially reasonable efforts (i) to cause the Facility to be operated in a manner to assure that Tenant and the Facility receive all benefits of applicable tax exemptions or credits available thereto from any Governmental Authority and (ii) to appeal any tax assessments (x) in the event that Manager determines such assessments to be incorrect or unreasonable or (y) at the direction of Tenant, provided in each case Manager shall consult with Tenant in connection with such appeal process. Manager shall provide Tenant data in Manager's possession, or otherwise available to Manager, relating to the Facility which Tenant may need for the preparation of federal and state tax returns. Manager shall provide Tenant all documents and data in Manager's possession, or otherwise available to Manager, relating to the Facility which Tenant may need for the preparation of federal and state income tax returns. Manager shall provide such documents and information promptly upon request by Tenant. Manager shall not be responsible for the preparation of any of Tenant's income tax returns.

(l) Reports: Manager shall deliver or cause to be delivered to Tenant the following financial statements and reports with respect to its operations at the Facility:

(i) annual financial statements (balance sheet, cash flow statement, income statement, and book and tax depreciation schedules), certified to be true, accurate and complete, in all material respects, by Manager, and audited by an independent certified public accounting firm reasonably selected by Tenant, within 30 days after the end of each calendar year (the "**Annual Financial Statement**");

(ii) each of the monthly reports set forth and designated as "Monthly Reports" on Schedule 2(l) attached hereto (collectively, the "**Monthly Reports**"). The Monthly Reports shall be provided to Tenant in the format and within the number of days after the end of each such calendar month specified in Schedule 2(l) and shall be certified by Manager to be true, accurate and complete in all material respects;

(iii) the reports, statements and other items relating to the Facility or Manager which are required, as and (subject to Section 2(q)(i)) when required, under the Facility Loan Documents then in effect between Tenant and the Facility Lender, so long as the same remains in effect; provided, that, notwithstanding anything to the contrary contained herein, Tenant shall reimburse Manager for Manager's out-of-pocket costs and expenses incurred in connection with preparing any reports, statements or other items under this clause (iii) that are not customarily provided in connection with loans secured by properties that are similar to the Facility;

(iv) any other reports or statements set forth on Schedule 2(l); and

(v) any other reports or statements reasonably requested by Tenant.

All costs and expenses incurred in connection with the preparation of any statements, schedules, computations and other reports required under clauses (ii), (iii) and (iv) above shall be at Manager's expense. All costs and expenses incurred in connection with the delivery of audited financial statements pursuant to clause (i) above and Manager's out-of-pocket costs incurred in delivering any report or statement pursuant to clause (v) shall be at Tenant's expense.

So long as Tenant has paid to Manager all amounts due and owing to Manager pursuant to the terms of this Agreement and with respect to any such report, Manager's obligations under this Section 2(l) to prepare and deliver any report to Tenant shall survive the expiration of the Term or earlier termination of this Agreement but only with respect to the reports that would have been due and delivered by Manager for the applicable reporting period ending on or immediately after such expiration or termination date.

(m) Operating Plans and Budgets: The Annual Budget for calendar year 2018 shall be the budget attached hereto as Schedule 2 (m) (the "**Initial Budget**"). Each of Tenant and

Manager agrees and acknowledges that it has had a reasonable opportunity to review, and has approved, the Initial Budget. With respect to each subsequent calendar year during the Term, Manager shall prepare and shall submit to Tenant, for Tenant's review and approval, an annual operating plan and budget for the Facility setting forth in reasonable detail the estimated receipts and expenditures (capital, operating, maintenance and other) for the Facility on a monthly and an annual basis (including projected EBITDARM), a proposed cash flow statement, a proposed marketing plan, the method of calculation of the rates and prices for occupancy, products and services provided at the Facility, a proposed schedule of salaries and benefits for the Facility Employees and a financial analysis for any new programs to be established or any recommendations to close existing programs, which proposed annual operating plan and budget ("**Proposed Annual Budget**") shall be comparable in form to the Initial Budget. "**Annual Budget**" refers to the then operable annual plan and budget, which is either agreed upon by the parties or determined in accordance with Section 2(m)(iii) and Section 2(m)(iv) below, subject to the terms of this Agreement. Manager shall submit to Tenant on or prior to November 1 of each year for the succeeding calendar year a complete draft of the Proposed Annual Budget for Tenant's review. Manager and Tenant shall use good faith efforts to update, finalize and approve the Proposed Annual Budget prior to December 31 of each year. Once the Proposed Annual Budget has been submitted to Tenant the following provisions shall apply with respect to the review and approval thereof:

(i) If Tenant disagrees with any portion of the Proposed Annual Budget, Tenant will notify Manager in writing of the same on or prior to the later of (x) thirty (30) days after delivery to Tenant of the Proposed Annual Budget, or (y) December 10 of the year prior to the year covered by the Proposed Annual Budget (the "**Budget Response Deadline**"). If Tenant fails to respond or does not reject all or any portion of the Proposed Annual Budget for a given year on or prior to the Budget Response Deadline, Manager delivers to Tenant a notice stating that Tenant will be deemed to have approved the Proposed Annual Budget unless Tenant responds within five (5) days, and Tenant fails to respond or does not reject all or any portion of the Proposed Annual Budget during such five (5) day period, then Tenant shall be deemed to have approved the entire Proposed Annual Budget.

(ii) If Tenant rejects in writing any portion of the Proposed Annual Budget for any calendar year on or prior to the Budget Response Deadline (or prior to the deemed approval of the entire Proposed Annual Budget), Manager shall respond to Tenant's objections no later than seven (7) days after Tenant's rejection. If Tenant and Manager remain in disagreement with respect to the Proposed Annual Budget following such response from Manager, Tenant and Manager shall use good faith efforts to resolve such disagreement prior to the date that is the later of (the "**Budget Finalization Period**") (x) ninety (90) days after the date of delivery to Tenant of the Proposed Annual Budget for such calendar year, or (y) March 31 of the calendar year relating to such Proposed Annual Budget.

(iii) Manager shall implement the Annual Budget and shall not incur expenses with respect to the Facility for any year in excess of the amounts contemplated by the Annual Budget for such year without Tenant's prior written consent. Notwithstanding the foregoing, Manager shall not be deemed to be in default of its obligations under this Section 2(m)(iii) in the event: (u) Manager pays the Sub-Management Fee in accordance with the Sub-Management Agreement (even if such fee exceeds the amount set forth in the Annual Budget therefor, so long as Manager's estimate therefor set forth in the Proposed Annual Budget was its good faith estimate of such fee) (v) Manager incurs any expenditures for taxes and similar

charges, utility costs and insurance premiums in respect of the Facility, (w) Manager incurs any expenditures that must be made immediately in order to cure any violation, or to avoid any imminent violation, of Applicable Law that would impose material liability on Tenant or Manager, (x) Manager incurs any expenditures that do not cause the aggregate operating expenses or capital expenditures (as applicable) set forth in the Annual Budget to be exceeded by more than 5%, (y) in the event of an occurrence or condition that poses an imminent risk of damage to the Facility or injury to its occupants or employees, Manager incurs any expenditures required in connection therewith to protect the Facility and/or the health and safety of the Facility occupants and employees, and/or (z) Manager incurs any other expenditures specifically required or permitted pursuant to the terms of this Agreement (the foregoing, together with any other expenditures approved by Tenant, and any expenditures contemplated by any Annual Budget, "**Permitted Expenditures**"). Any other expenditures, including capital expenditures for repairs, replacements or improvements not contemplated by the Annual Budget (except as contemplated by this subsection (iii)), shall be subject to the prior written approval of Tenant; provided, however, Tenant shall not be deemed to have unreasonably withheld its approval if (aa) Tenant lacks the financial resources to cover the cost of such expenditure or (bb) the cost of any expenditure will exceed $15,000 individually or in the aggregate with other unbudgeted expenditures in the same calendar year.

(iv) In the event an Annual Budget (or portion thereof) has not been agreed upon on or prior to the beginning of a given calendar year, the Annual Budget (or corresponding portion thereof) for the prior calendar year shall serve as the applicable operating plan and budget until the earlier of (x) the date Tenant and Manager mutually agree upon the Annual Budget for such calendar year and (y) the expiration of the Budget Finalization Period; provided that if Tenant and Manager do not mutually agree upon the Annual Budget (and until such time as they so mutually agree) (1) each line item in such operating budget (or portion thereof) shall be an amount equal to 103% of the corresponding line item amount reflected in the prior calendar year's Annual Budget, (2) such operating budget shall be further increased to reflect (A) all revenue increases or decreases and variable cost increases or decreases resulting from any increase or decrease in the rate of occupancy at the Facility over the rate of occupancy contemplated in the prior year's Annual Budget and (B) increased or decreased costs relating to utility expenses, fuel, general real estate taxes, insurance premiums and other items not within the control of the Manager and (C) increased or decreased costs incurred under the terms of any National Contract over which Manager does not have discretion thereunder, and (3) any amounts included in the Annual Budget for the prior calendar year for specific capital improvements shall be disregarded only to the extent such improvements have been completed and paid for. To the extent that Manager and Tenant cannot resolve any disputed matters with respect to any Proposed Annual Budget on or prior to the expiration of the Budget Finalization Period, then Tenant shall make a final determination regarding such disputed matters and the Annual Budget for such calendar year shall reflect such final decisions.

(n) Occupancy Agreements: Manager shall, on behalf of and solely as agent for Tenant (and not in its own capacity), enter into agreements with the residents of the Facility (the "**Resident Agreements**") and other agreements, if any, for the use or occupancy of space in the Facility (whether by licensees, concessionaires, permissive use arrangement, subtenants, or otherwise) (such other agreements, together with the Resident Agreements, the "**Occupancy Agreements**") and perform, as and when required thereunder, the duties and responsibilities imposed on Tenant under the terms thereof. Manager shall use commercially reasonable efforts to ensure that all Occupancy Agreements entered into after the Effective Date, taken together in the

aggregate, contain economic terms which are consistent with the then applicable Annual Budget as contemplated by Section 2(m). Manager shall prepare the forms of Occupancy Agreement to be used at the Facility and shall obtain the approval of Tenant (not to be unreasonably withheld, conditioned or delayed), and (if required under the Facility Loan Documents) the Facility Lender, of such forms, before they are used at the Facility. From time to time Manager may reasonably modify any of the forms of Occupancy Agreement used at the Facility to the extent such modifications (i) are required by Applicable Law or (ii) are made with respect to a particular Resident, comply with Applicable Law and are on market terms. Manager shall not otherwise amend or modify the previously approved Resident Agreement form(s) without Tenant's approval (not to be unreasonably withheld, conditioned or delayed).

(o) Legal Proceedings: Manager shall, through legal counsel reasonably selected by Manager and, to the extent Tenant's approval is required under this Section 2(o) for the initiation or settlement of the applicable legal matter or proceeding, approved by Tenant, coordinate all legal matters and proceedings relating to the Facility, provided Tenant shall have the exclusive right to approve (i) if, and only if, Tenant holds in its own name regulatory licenses and certifications with respect to the Facility, all settlements of administrative proceedings and litigation related to such licensure or certifications of the Facility, (ii) the initiation by Manager of any claim or lawsuit with respect to the Facility involving an amount equal to or greater than $25,000 (other than any eviction proceeding, which shall not require the prior approval of Tenant), and (iii) the settlement of any contract claim or other claim (other than any claim enforcing the obligations of any resident under any Resident Agreement or any claim against the Facility covered by insurance (and for which counsel has been appointed or approved by the insurance company), which shall not require the prior approval of Tenant) with respect to any matter relating to the Facility involving an amount equal to or greater than $25,000. Notwithstanding the foregoing, (x) any legal matter or proceeding naming, or involving the assertion of claims against, the Manager which does not involve relief sought by or through Tenant and could not reasonably be expected to result in any judgment or lien against, or citation of, the Facility or the Tenant or any cost to Tenant directly or pursuant to Tenant's indemnity obligation hereunder (whether pursuant to a settlement or otherwise), may, at Manager's sole option, be controlled solely, and may be settled, by Manager and counsel appointed by Manager in its sole discretion and at Manager's sole cost, (y) Tenant agrees that Manager shall have the right to reasonably approve any legal counsel with respect to any legal matter or proceeding contemplated herein that names or otherwise involves Manager and all strategies, decisions and/or settlements with respect to any such matter or proceeding shall be subject to the prior consent of Manager, which consent may be granted or withheld in Manager's sole discretion in the case of a matter or proceeding described in clause (x) above and (z) any legal matter, claim, or suit brought by Manager against Tenant or by Tenant against Manager shall not be subject to the terms of this Section 2(o).

(p) Licensing: Tenant will be the named licensee on the permits, licenses and certifications, if any, for the Facility, and Manager shall use commercially reasonable efforts to transfer, or cause to be transferred, any such permits, licenses and certifications to the name of Tenant promptly following the Effective Date. The parties hereby agree and acknowledge that, during the term of this Agreement, Manager shall maintain in full force and effect the permits, licenses and certifications, if any, required by Applicable Law for the operation of the Facility (and Tenant shall assist Manager and cooperate with Manager as reasonably required in connection therewith). In order to ensure Manager's compliance with its obligations under this Agreement, if Tenant intends to enter into any regulatory agreement or order, Tenant shall

promptly provide Manager with a copy of such agreement or order, and prior to signing any such regulatory agreement or order, Tenant shall, to the extent permitted by Applicable Law, provide Manager the right and reasonable opportunity to review, comment on, and, if such agreement or order modifies Manager's obligations with respect to the Facility, consult with Tenant regarding, the same.

(q) Standard of Performance: Manager shall use commercially reasonable efforts to manage the Facility at all times as an independent living senior housing community in compliance with Applicable Laws (in all material respects), Manager's Standards, this Agreement, the Annual Budget and all material requirements of any and all Applicable Facility Loan Documents, Superior Leases and Title Documents (the "**Performance Standard**").

(i) With respect to any documents or information relating to the Facility required to be delivered pursuant to any Applicable Facility Loan Document, Superior Lease or Title Document, Manager shall use commercially reasonable efforts to provide the same to Tenant in sufficient time for Tenant to reasonably review any such documents and information and deliver the same to the party entitled thereto prior to the due date under such Applicable Facility Loan Document, Superior Lease or Title Document. In the event that Manager has reason to believe that any Applicable Law or Facility Loan Document, Superior Lease or Title Document may be violated with respect to the Facility, Manager shall promptly notify Tenant.

(ii) Tenant understands that Manager or Affiliates of Manager manage and operate other senior housing communities (whether owned or leased or managed by Manager and its Affiliates or third parties) that compete or may potentially compete with the Facility (collectively, "**Competing Facilities**"). Manager agrees that it (i) shall act in an impartial manner with respect to managing, operating, leasing and marketing the Facility and any Competing Facilities (ii) shall avoid a course of conduct giving preferential treatment to any Competing Facilities over the Facility, after taking into account all reasonable and relevant factors and circumstances that relate to the Facility, any Competing Facilities and the residents therein, and (iii) during the Term of this Agreement and for a period of six (6) months after the termination of this Agreement, shall not (and shall cause its Affiliates not to) intentionally solicit or persuade any resident of the Facility or any family member or guardian of any resident of the Facility to become the resident of or move the resident to another facility owned, operated or managed by Manager or any of its Affiliates; provided, however, the foregoing shall not apply to any recommendation of the removal or transfer of a resident if it (x) is in the best interest of the care of the resident or (y) is in response to an unsolicited request by the resident or his/her family or caregiver for a recommendation for alternative facilities or (z) if Manager or its Affiliates engage in such actions in the ordinary course of operating their business consistent with past practice (including the use of mass mailing or broadly distributed media) and such actions do not have, and could not reasonably be expected to have, a material, persistent, or recurring adverse effect on the Facility. The parties acknowledge that the remedies available at law for any breach of this Section 2(q)(ii) will, by their nature, be inadequate. Accordingly, Tenant may obtain injunctive or other equitable relief to restrain a breach or threatened breach of this provision or to specifically enforce this provision, without proving that any monetary damages have been sustained. The terms of this Section 2(q)(ii) shall survive the expiration or termination of this Agreement.

(iii) Manager shall not, and shall cause its Affiliates and the Facility Employees and their respective agents not to, violate the FCA in any manner that affects the

Facility or the occupants of the Facility. Manager shall provide information to, and consult with, Tenant as reasonably requested by Tenant from time to time with respect to the internal controls and policies maintained by Manager and its Affiliates in order to ensure compliance with the foregoing covenant, provided that no such provision of information or consultation will relieve Manager of its obligation to comply with such covenant or will impose any obligation or liability on Tenant with respect thereto. Manager shall notify Tenant promptly upon receiving written notice of any actual or alleged violation of the FCA or any investigation or inquiry in connection therewith.

(r) Limitations: Notwithstanding anything to the contrary contained in this Section 2 or elsewhere in this Agreement, without the prior written consent of Tenant, Manager shall not (i) enter into any contract on behalf of the Facility (other than any National Contract) unless the same has a term of less than sixty (60) days or can be terminated upon sixty (60) days' notice or less without the payment of any termination fee in excess of $2,500, (ii) enter into or renew (or increase the payments with respect to) any contract on behalf of the Facility involving annual payments by Tenant (including if the contract could reasonably be expected to result in annual payments to Tenant) of more than $15,000, even if the amount contemplated by such contract is set forth in the then applicable Annual Budget, (iii) enter into on behalf of the Facility any contract with any Affiliate of Manager, or (iv) enter into any contract with respect to the Facility that contains any restriction on assignment by Manager or Tenant or any change of control of Tenant or Manager.

(s) Units: Manager shall be entitled from time to time to make available any unoccupied guest units at the Facility for use by participants of the Travel Program so long as Residents of the Facility are permitted to use unoccupied guest units at other facilities managed by Manager pursuant to, and in accordance with, the terms of the Manager's Travel Program.

(t) Manager's Obligations Generally: Notwithstanding anything to the contrary contained in this Agreement, Manager shall not be in default of the terms of this Agreement for failure to perform any agreement or obligation required hereunder or otherwise for failure to comply with the terms of this Agreement to the extent (A) Manager is unable to perform in accordance with the terms of this Agreement because the Annual Budget is not sufficient due to factors that are not within Manager's reasonable control, provided Manager has provided written notice to Tenant identifying the insufficiency of the applicable line item, and Tenant elects not to adjust the Annual Budget to remedy such insufficiency, or (B) Tenant fails to fund any amount required to be funded to the Operating Account (including funds required to pay Permitted Expenditures) in accordance with the terms of this Agreement. Notwithstanding anything to the contrary contained in this Agreement, Manager shall not have any obligation or liability with respect to any non-renewal, withdrawal, suspension, violation or administrative review of Tenant's licenses and/or certifications required for the operation of the Facility to the extent resulting from the actions or inaction of Tenant.

(u) SOX Compliance: Manager shall cooperate with Tenant, at Tenant's sole cost and expense, as Tenant may reasonably request from time to time to enable Tenant to comply with all provisions of the Sarbanes-Oxley Act of 2002, and all rules and regulations promulgated thereunder or implementing the provisions thereof applicable to Tenant, including taking any actions reasonably requested by Tenant from time to time to enable Tenant to (i) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for

external purposes in accordance with generally accepted accounting principles, and (ii) establish and maintain disclosure controls and procedures that are effective in timely alerting Tenant's principal executive officer and its principal financial officer to material information required to be included in Tenant's periodic reports required under the Securities Exchange Act of 1934.

(v) Status; Authority; Binding Effect. Manager represents and warrants that, as of the date hereof, (i) Manager is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is formed, qualified to conduct business in the State in which the Facility is located, and has all requisite power and authority to manage the Facility and any other managed property, to carry on its business as it is now being conducted, to enter into this Agreement and to observe and perform its terms; (ii) the consummation of the transactions contemplated herein have been duly authorized and approved by all necessary limited liability company action of Manager; and (iii) assuming this Agreement is enforceable against Tenant, this Agreement shall constitute the legal, valid, and binding obligation of Manager, enforceable against Manager in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by application of equitable principles).

(w) Notice of Events. If required by the Facility Loan Documents, Manager will, promptly after obtaining written notice or actual knowledge thereof, provide Tenant notice of (i) the occurrence of any material injury to any person at the Facility or any condition that could reasonably be expected to result in material injury to any person at the Facility, (ii) the occurrence of any material damage to the Facility or any condition that could reasonably be expected to result in material damage to the Facility, (iii) a material threat of litigation with respect to the Facility, (iv) an investigation by a Governmental Authority of an incident at the Facility or (v) any lapse in insurance coverage required to be maintained pursuant to the terms of this Agreement. Tenant has the right to require that notice of any such material threat of litigation be given to any insurance provider. Within forty-eight (48) hours of receipt by Manager of any material written notice from any Governmental Authority including any notice of violation or other material correspondence, surveys, complaint investigation report, licensing renewals or plan of correction, Manager shall provide Tenant with a copy of such notice by fax, overnight mail, email or other comparable means of expedited transmission. Within forty-eight (48) hours of receipt by Tenant of any material written notice from any Governmental Authority including any notice of violation or other material correspondence, surveys, complaint investigation report, licensing renewals or plan of correction. Tenant shall provide Manager with a copy of such notice by fax, overnight mail, email or other comparable means of expedited transmission.

3. Operating Responsibilities and Operating Account:

(a) Operating Costs: Except as otherwise specifically provided to the contrary in this Agreement with respect to certain costs for which Manager is expressly responsible and except for costs for which Manager may be held responsible under the default and/or indemnification provisions of this Agreement, all costs, wages, salaries of Facility Employees and all expenses, fees, obligations and liabilities incident to or arising out of the ownership, leasing or operation of the Facility, including all real estate and personal property taxes and assessments or related governmental charges payable by or assessed against Sub-Manager, Manager, Tenant, or the Facility relating exclusively to the Facility (other than income or other taxes based on Sub-Manager's, Manager's or Tenant's receipt of income from the operation of the Facility), franchise, sales and use taxes, insurance costs and expenses, any and all

payments under personal property leases used in the operation of the Facility (but excluding payments relating to any real property lease(s)) and all fees paid by Tenant to Manager pursuant to this Agreement or paid pursuant to any Sub-Management Agreement, in each case whether or not specified in this Agreement, and otherwise incurred by Manager in accordance with the terms of this Agreement including all Permitted Expenditures (collectively, the "**Facility Expenses**"), shall be the responsibility of Tenant, and shall be paid by Manager as and when due from the funds in the Operating Account as contemplated by Section 3(b); provided, however, all real property taxes, all debt service (and all fees, penalties and costs related thereto) and any reserves and/or escrows required by the terms of any Facility Loan Documents shall be paid in a timely manner directly by Tenant and Manager shall have no obligation with respect thereto. Notwithstanding the foregoing, in the event the funds available in the Operating Account are insufficient to pay (i) payroll (to the extent Permitted Expenditures), (ii) amounts due under National Contracts when owed (to the extent Permitted Expenditures), (iii) expenditures required to cause compliance with Applicable Law (to the extent Permitted Expenditures) or (iv) expenditures required to protect the Facility and/or the health and safety of the Facility occupants or employees in the event of an imminent threat thereto, Manager shall have the right, but not the obligation, to pay such expenses from its own funds and to seek reimbursement therefor from Tenant or from funds in the Operating Account. Facility Expenses shall also include a pro rata portion of any expenses incurred by Manager for the benefit of the Facility which also benefit one or more other facilities operated by Manager or an Affiliate of Manager, provided that the methodology used to allocate expenses to the Facility is reasonable and equitable and approved by Tenant. Notwithstanding the foregoing, Manager is specifically responsible for all expenses (w) relating to all corporate offsite personnel and other offsite overhead expenses of Manager and its Affiliates (specifically excluding expenses relating to any employee that are payable by Tenant pursuant to any contract, which contract is approved by Tenant), (x) of any in-house risk manager, architect, accountant, attorney or professional advisor or consultant employed by Manager or its Affiliate or by Tenant, in consultation with Manager, to ensure compliance with the Performance Standard, (y) incurred in the management or operation of properties or communities other than the Facility, and (z) otherwise designated hereunder as an obligation or responsibility of Manager.

(b) Operating Account: Manager shall establish and maintain an operating account in the name, and for the benefit, of Tenant with regard to the operation of the Facility and complying with the terms of any Applicable Facility Loan Documents, Superior Leases and Title Documents (the "**Operating Account**") and a security deposit account (the "**Security Deposit Account**" together with the Operating Account, the "**Accounts**"). At all times during the Term, Tenant shall maintain a balance in the Operating Account in the amount of $[_____], which amount may be modified from time to time by mutual agreement of Tenant and Manager (as so modified, the "**Minimum Balance**"). With respect to the Accounts, during the Term, Manager shall have sole control of the Accounts and shall be authorized to deposit funds, check balances, withdraw funds, execute checks, and make disbursements in accordance with the terms of this Agreement. Pursuant to written authorization which shall be given by Manager to the Bank, Tenant shall have the right to deposit funds and the right to view-only on-line access to account information (the parties agreeing that, unless Manager is in default beyond all notice and cure periods under this Agreement, Tenant shall have no right to withdraw funds, execute checks and/or make or direct any other disbursements whatsoever from the Accounts or to close the Accounts). Such Accounts shall be established with a bank(s) designated by Tenant (the "**Bank**"). All funds received from or in connection with the operation of the Facility (other than security deposits, which shall be deposited in the Security Deposit Account) shall be deposited in the Operating Account and, subject to Tenant fulfilling its obligations hereunder with respect to

funding any Cash Flow Shortfall (as defined below), Manager shall pay when due the payroll obligations for the Facility Employees, taxes and insurance premiums (except to the extent paid from an escrow account pursuant to the Facility Loan Documents), accounts payable incurred in the operation of the Facility, and all other Facility Expenses (provided, in each case, that the same are Permitted Expenditures). Manager shall not be responsible for payment of debt service and/or any fees, penalties and costs related thereto and/or the amounts needed for Tenant to fund reserves and/or escrows required by any Facility Loan Documents (collectively, the "**Monthly Debt Payments**"); however, Tenant and/or any Facility Lender may arrange (and Manager shall cooperate with Tenant and/or such Facility Lender (as applicable) as necessary to arrange) for an automatic withdrawal from the Operating Account of the Monthly Debt Payments. In the event Manager fails to pay when due any amounts due in connection with the operation of the Facility for which sufficient funds were available in the Operating Account, Manager shall be responsible for any fees or penalties resulting from such delinquent payment and shall indemnify Tenant with respect to any Claims (as defined in Section 5) related thereto. Notwithstanding anything to the contrary contained herein, in the event that operating cash flows of the Facility are, at any time, insufficient to cause the Operating Account to have a balance at least equal to the greater of (x) the amount necessary to pay Facility Expenses constituting Permitted Expenditures from time to time or (y) the Minimum Balance (such amount required to be maintained, the "**Required Balance**", and such shortfall, a "**Cash Flow Shortfall**"), then Tenant shall, within twenty (20) days after receipt of a written request of Manager (such period, the "**Funding Cure Period**"), deposit in the Operating Account funds sufficient to cover such Cash Flow Shortfall. Promptly following delivery by Manager to Tenant of the Monthly Reports for any month during the Term, Manager shall disburse to Tenant any surplus funds from the Operating Account (the parties agreeing that "**surplus funds**" is the amount, if any, of cash in the Operating Account as of the last day of the month for which the Monthly Reports were delivered minus the Required Balance. The Security Deposit Account shall be used exclusively for depositing resident security deposit funds. Manager shall not deposit any income or proceeds from the Facility in any account other than the Accounts, nor shall Manager co-mingle funds belonging to Manager in the Operating Account.

(c) Authority and Responsibility: Subject to the terms of this Agreement, Manager shall (i) prepare the payroll and prepare and file all payroll tax returns and reports, (ii) prepare and sign checks, (iii) pay all accounts payable as they become due, (iv) prepare and file such cost reports as required to establish reimbursement rates and/or receive payment under all federal or state third party reimbursement programs, and (v) except to the extent real property taxes are escrowed with Facility Lender (in which event Manager's sole responsibility under this clause (v) will be to forward property tax bills, assessments and other notices received at the Facility to Tenant or any person designated by Tenant), obtain bills for real estate and personal property taxes, improvement assessments and other like charges that are, or may become, liens against the Facility, recommend to Tenant payment thereof or appeal therefrom and, unless otherwise directed by Tenant, make payment thereof in a timely manner and promptly provide evidence of payment thereof to Tenant (and any service provider designated by Tenant). It is specifically agreed that Manager has sole responsibility, power and authority for the preparation, filing and payment out of the Operating Account of all payrolls and payroll taxes of every nature with respect to the Facility Employees.

(d) Collection of Accounts: Manager shall issue bills and collect accounts and monies owed for goods and services performed and furnished at the Facility during the Term, including subject to the terms of Section 2(o), enforcing the rights of Tenant, Manager and/or the

Facility as creditor under any Occupancy Agreement or contract or in connection with the rendering of any services; provided, however, that (i) regardless of any standard of performance set forth in this Agreement, Tenant acknowledges and agrees that there can be no assurances that Manager will be able to collect any or all of such accounts receivable and (ii) the accounting, billing and collection policies at the Facility (including with respect to the write-off of any amounts owed) shall be subject to the reasonable approval of Tenant.

4. Books and Records: (a) Manager shall maintain records, books and accounts with respect to the management and operation of the Facility that are true and accurate and shall retain those records during the Term and, to the extent a subsequent operator of the Facility elects not to take possession of the same upon termination of the Term, for a period of three (3) years thereafter, or such longer period as required under Applicable Law. Upon the expiration of the Term or termination of this Agreement, Manager will provide all files, books, records and checks to Tenant in an electronic or other format reasonably requested by Tenant. Notwithstanding anything to the contrary contained herein and for the avoidance of doubt, the Manager shall maintain books and records with respect to the operations of the Facility only and shall not have any obligation to maintain the Tenant's books and records generally.

(a) Subject to the requirements of Applicable Law, during the Term, Tenant and its agents, representatives, employees and auditors may, at such reasonable times as Tenant may request, inspect, audit and copy (i) the books and records of the Facility that are reasonably requested by such auditor and of the type that would customarily be required for the purpose of the performance of a standard audit for an owner of senior living facilities and (ii) any other books, records or materials pertaining exclusively to the Facility. If an audit by Tenant discloses any sum due Tenant by Manager or any overpayment to Manager, Manager will promptly reimburse Tenant for any amounts due. If the audit discloses any sum due to Manager by Tenant, Tenant shall promptly reimburse Manager for any amounts due. If the audit discloses any sum due Tenant or any overpayment to Manager of more than five percent (5%) of the aggregate amounts to which Tenant is entitled hereunder, Manager will be solely responsible for the reasonable cost of the audit. Otherwise, the audit will be at Tenant's sole expense.

5. Indemnification:

(a) In addition to indemnity obligations set forth elsewhere in this Agreement, subject to Section 5(c), Tenant shall reimburse, indemnify, defend and hold harmless Manager and its Affiliates and their respective direct and indirect owners, partners, members, directors, officers, employees, agents and advisors for, from and against any and all Claims sustained or incurred by or asserted against any one or more of them caused by (i) the gross negligence, willful misconduct, fraud or illegal acts of Tenant or its Affiliates and their respective agents (other than Manager) and employees, (ii) Manager's performance of its duties and obligations within the scope of its authority pursuant to the terms of this Agreement, and/or (iii) any breach by Tenant of any provision of this Agreement, including any failure of Tenant to timely fund to the Operating Account amounts necessary to pay, or to reimburse Manager for, Permitted Expenditures, in each case except to the extent such Claims are Manager Liability Claims. As used in this Agreement, "**Claims**" means any claims, demands, causes of action, losses, damages, fines, penalties, liabilities, costs and expenses, including reasonable attorneys' fees and court costs, but, in each case, excluding any consequential, punitive, indirect or special damages.

(b) Subject to Section 5(c), Manager shall reimburse, indemnify, defend and hold harmless Tenant and its Affiliates and their respective direct and indirect owners, partners, members, directors, officers, employees, agents and advisors for, from and against any and all Claims sustained or incurred by or asserted against any one or more of them caused by (i) the gross negligence, willful misconduct, fraud or illegal acts of Manager or its Affiliates and their respective agents and employees (but excluding any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employee), (ii) any actual or alleged violation of the FCA, or any actual or alleged illegal conduct with respect to benefits or deferrals of rent for veterans or their family members, in each case on the part of or caused by Manager, any of its Affiliates or any Facility Employees or their respective agents, (iii) any claim that Manager's use of intellectual property infringes the rights of a third party (collectively, "**Manager Liability Claims**"), and/or (iv) any breach by Manager of any provisions of this Agreement (but excluding breaches caused by any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employee).

(c) The parties hereto agree and acknowledge that the indemnification rights and obligations herein do not, and will not, diminish any other rights and remedies available hereunder in the event of a default by any party hereunder or derogate from the final sentence of Section 3(a).

6. Insurance:

(a) Required Insurance: Unless Tenant and Manager agree otherwise for Tenant to maintain such insurance, Manager shall at all times during the Term maintain, or cause to be maintained, with insurance companies reasonably acceptable to Tenant, the insurance listed on Schedule 6 (the "**Required Insurance**"); provided, however, that Tenant shall have the right to elect (by written notice to Manager) to obtain the insurance coverage specified in clauses (a)(1) – (a)(8) of Schedule 6 to the extent Tenant is able to obtain such insurance at a lower cost than Manager. Except as otherwise provided in clause (d) of Schedule 6, the cost of the Required Insurance, including any applicable deductibles or self-insured retention amounts, shall be Tenant's expense and paid by Manager to the extent funds are available in the Operating Account. As long as Sub-Manager maintains insurance coverage for the Facility under any program of insurance that also covers other properties owned or operated by Sub-Manager or any of its Affiliates (all properties covered by such program, the "**Insurance Pool Properties**"), except as otherwise provided in this Agreement, with respect to the insurance coverage specified in clauses (a)(9), (a)(10), (a)(12), (a)(13) and (a)(14) of Schedule 6 Manager shall cause Sub-Manager to allocate the insurance premiums, fixed costs, third-party administrator charges, surcharges, taxes, fees and expected losses for any self-insured retention to Tenant according to its usual and customary allocation methodology applicable to other Insurance Pool Properties (and Tenant shall have the right to review and reasonably approve the allocation methodology and calculations and to receive copies of actuarial reports in connection therewith). Notwithstanding anything to the contrary herein, the Required Insurance shall comply with all requirements set forth in the Facility Loan Documents, provided, that, Tenant provides Manager with written notice of such requirements. Tenant hereby confirms that the insurance policies that are in effect as of the Effective Date comply with the requirements set forth in the Facility Loan Documents.

(b) Certain Requirements:

(i) All Required Insurance shall name Manager and Tenant and their respective members and principals as additional named insureds and shall protect their interests as they may appear. In addition, the Facility Lender shall be named as mortgagee, loss payee and an additional insured party, as applicable.

(ii) Each policy of Required Insurance shall have attached thereto an endorsement that such policy shall not be canceled (except for non-payment of premium) or materially changed without at least thirty (30) days' prior written notice to Tenant and Manager and that such policy shall not be cancelled for non-payment of premium without at least ten (10) days' prior written notice to Tenant and Manager.

(iii) Policies must be written on a per occurrence basis except for earthquake, general and professional liability coverage, and any excess liability coverage.

(iv) Coverage must be issued by an insurance carrier with an A.M. Best general policyholder's rating of "A" or better and a performance index rating of "X" or higher and a rating of "A-" by S&P or Moody's or Fitch rating agencies.

(v) All policies and renewals of Required Insurance are to be written for not less than one year.

(vi) All existing or new policies of Required Insurance must be paid in full and cannot be financed; provided, that policies may be paid in installments or within the time limits specified in the particular insurance policy.

(vii) All policies of Required Insurance shall be primary and non-contributory and provide that any insurance maintained by Tenant or its Affiliates is excess of the Required Insurance.

(viii) All policies of Required Insurance shall include a waiver of subrogation rights, and all rights of recovery, that is in favor and for the benefit of Tenant, the Facility Lender and their respective Affiliates, shareholders, directors, officers, employees and agents.

(c) Tail Insurance: With respect to the liability policies of Required Insurance, Manager may obtain and maintain liability insurance on a claims-made basis; provided, however, that (i) the retroactive date must be or precede the Effective Date, (ii) upon the expiration or termination of this Agreement, Manager shall keep in force equivalent liability insurance required under this Agreement for, or shall acquire or purchase an extended reporting period or "tail insurance" on the policy existing as of the date of expiration or termination of this Agreement that has a term of, at least three (3) years after the expiration or termination of this Agreement, (iii) if the retroactive date is advanced or the policy is cancelled or not renewed and not replaced with a policy with the same retroactive date, Manager shall acquire or purchase an extended reporting period for such cancelled or non-renewed policy of not less than three (3) years following the date such policy was cancelled or not renewed, and (iv) the obligations referenced in clauses (ii) and (iii) of this Section 6(c) shall survive the expiration or termination of this Agreement. The cost of all tail coverage required herein and all losses within any retention of such tail insurance shall be at Tenant's expense.

(d) Collateral: If Manager's insurance carrier for the insurance coverage specified in clause (a)(14) of Schedule 6 requires Manager to post cash or letters of credit or other security for its obligation to pay claims within the deductible, then Tenant shall be required to provide its allocable share of such collateral in the same form of such security for the period commencing on the Effective Date. The parties acknowledge and agree that any cash or other security posted by Tenant will remain the property of Tenant and will be returned to Tenant upon withdrawal of the Facility from such insurance program in accordance with Section 6(e) below. Manager further agrees that it will use commercially reasonable efforts to ensure that all cash posted by Tenant is held in an interest bearing account (to the extent allowable by the respective insurer) and, to the extent that Tenant's cash is in such an account and the respective insurer permits periodic distributions of interest from such account, Manager will pass along to Tenant its allocable share of any such distributed interest earnings on a periodic basis.

From time to time after the Effective Date but no less frequently than once per annum (including promptly following the date of the termination of this Agreement or concurrently with the periodic collateral review-and-release process or policy renewal process of the applicable insurance carrier), Manager shall review and evaluate the collateral needs associated with its workers compensation programs and will determine Tenant's allocable share of such collateral. Such allocation will be made by Manager reasonably and in good faith, and Tenant shall have the right to review and reasonably approve the allocation methodology and calculations. The Facility's pro rata share of the collateral requirement will be based upon the Facility's share of ultimate aggregate losses for the periods during which it has participated or expects to participate in the shared loss program as a percentage of the ultimate aggregate losses for all facilities covered by the insurance policies requiring the collateral. Tenant agrees promptly to post with Manager any additional cash or letter of credit that is determined to be owed by Tenant in connection with any such review (including as required by the annual renewal of the policy). Manager agrees promptly to refund to Tenant any cash and/or reduce the amount of the associated letter of credit previously posted by Tenant in excess of the amount that is determined to be owed by Tenant in connection with any such review, as appropriate in light of the collateral review.

(e) Withdrawal: Upon the termination of this Agreement or the withdrawal of the Facility from Manager's shared loss workers compensation program, Tenant will be entitled to the refund of any cash it has deposited and/or the release of any letter of credit which it has posted conditioned upon Tenant: (i) making a payment to Manager representing its allocable share of estimated future claims incurred as of the withdrawal date under such program (including fully developed incurred by not reported claims as estimated by an actuarial firm engaged by Manager), and (ii) making a payment equal to third-party administrator charges associated with its future liabilities for claims under such program (in the amount of the then-current standard third-party administrator charges). Upon the termination of this Agreement or the withdrawal of the Facility from Manager's shared loss general liability and professional liability programs, Tenant shall (i) make a payment to Manager representing its allocable share of estimated future claims incurred as of the withdrawal date under such programs (including fully developed incurred by not reported claims as estimated by an actuarial firm engaged by Manager), and (ii) make a payment equal to its allocable share of Manager's internal costs for the administration of claims for which Tenant has future liabilities under such programs.

7. Payment/Fees:

(a) Calculation of Fee. As consideration for the services rendered by Manager in accordance with this Agreement, Tenant shall pay to Manager during the Term a monthly fee equal to four percent (4.0%) of the monthly Effective Costs (as defined below) of the Facility for the period commencing on the Effective Date (the "**Fee**"). Payment of the Fee shall be due on the fifth (5th) business day of the immediately succeeding calendar month. The Fee shall be payable by deduction from the Operating Account. Manager shall also be reimbursed for all Facility Expenses paid from its own funds as contemplated by Section 3(a).

(b) Effective Costs. "Effective Costs" means collectively (i) Manager's direct costs of arranging and administering the Sub-Management Agreement plus (ii) the Sub-Management Fee.

(c) Pro-Rata Fee Payment. If the services of Manager commence or terminate other than on the first (1st) day of the month, the Fee shall be pro-rated proportionate to the number of days in the month for which services are actually rendered.

(d) Source of Payment. Subject to the Facility Loan Documents (including the agreement entered into pursuant to Section 10 below), any Fee due to Manager hereunder may be disbursed by Manager to itself out of the Operating Account. To the extent the Operating Account has insufficient funds to cover any such disbursement, or to reimburse Manager for any Facility Expenses paid from its own funds as contemplated by Section 3(a), then Tenant shall be obligated to pay any such amounts to Manager promptly upon demand. Any amounts disbursed by Sub-Manager to itself out of the Operating Account, or paid directly by Tenant to Sub-Manager, on account of the Sub-Management Fee in accordance with the Sub-Management Agreement shall be credited against the Fee payable to Manager hereunder.

(e) Casualty: If the Facility is damaged as the result of a casualty and such damage results in the temporary or permanent closure of the Facility, or any portion thereof resulting in a Disruption Condition, thereby reducing the Fee or the Sub-Management Fee, Tenant shall pay to Manager as the Fee for any period of such interruption during which Manager is continuing to operate the Facility monthly amounts equal to 50% of the average monthly Fee and 50% of the average monthly Sub-Management Fee earned by Manager or Sub-Manager pursuant to the terms of this Agreement or the Sub-Management Agreement for the twelve (12) months immediately preceding the interruption. Manager shall maintain business interruption insurance during the Term in accordance with the terms of Section 6, and any cost incurred in connection therewith shall be funded into the Operating Account, as necessary in accordance with Section 3(b), by Tenant.

8. Term: The Term of this Agreement shall commence on the Effective Date and, unless earlier terminated in accordance with the provisions hereof, shall expire on the tenth (10^{th}) anniversary of the Effective Date (the "**Initial Term**"), provided the Initial Term shall be extended continuously and automatically for one (1) year periods (each, an "**Extended Period**" and together with the Initial Term, the "**Term**") unless either Tenant or Manager delivers to the other a written notice of termination of this Agreement not less than sixty (60) days prior to commencement of the next Extended Period.

9. Remedies/Termination: Any party shall be deemed to be in "**Default**" hereunder if such party breaches, in any material respect, this Agreement and (i) with respect to any monetary default, fails to cure the same within five (5) days of written notice from the non

-breaching party of the default or (ii) with respect to any other default, fails to cure the same within thirty (30) days of written notice from the non-breaching party of the default, provided if such default contemplated by clause (ii) cannot be cured with the use of reasonable and diligent efforts within such 30-day period, such breaching party shall have such additional cure period (not to exceed ninety (90) days during the first year of the Term and sixty (60) days thereafter) as is reasonable to cure so long as such party continuously and diligently pursues such cure. In the event of any Default by any party hereunder, the other party shall have any and all rights and remedies available at law and in equity, which rights and remedies shall survive the expiration and/or termination of this Agreement, provided that, subject to Section 9(c), each party's right to terminate this Agreement shall be limited to the provisions of this Section 9. This Agreement may be terminated (x) by mutual agreement of Manager and Tenant, and (y) upon the written notice of the party terminating this Agreement to the other party, after the occurrence of any of the events described in Section 9(a) or Section 9(b), as applicable.

(a) Termination by Tenant:

(i) Default: Tenant may terminate this Agreement upon the occurrence of a Default (beyond the notice and cure periods contemplated by the first paragraph of Section 9) by Manager by delivery of written notice to Manager, provided that no such termination notice shall be effective if the Default is cured prior to the receipt by Manager of the termination notice.

(ii) Bankruptcy or Dissolution and Certain Other Events: Tenant may terminate this Agreement upon the occurrence of any Bankruptcy/Dissolution Event with respect to Manager. For purposes of this clause (ii), a "**Bankruptcy/Dissolution Event with respect to Manager**" shall mean the commencement or occurrence of any of the following: Manager shall apply for or consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of Manager's assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or any answer seeking reorganization or arrangement with creditors, or take advantage of any insolvency law, or if any order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor adjudicating Manager as bankrupt or insolvent or approving a petition seeking reorganization of Manager, or appointing a receiver, trustee, or liquidator with respect to all or a substantial part of Manager's assets, and such order, judgment, or decree shall continue for any period of ninety (90) consecutive days. In addition, Tenant may terminate this Agreement upon the occurrence of any of the following: (1) any fraud, gross negligence or willful misconduct of Manager (not including any fraud, gross negligence or willful misconduct of any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employees) affecting Tenant or the Facility or (2) the conviction of any of Manager's employees or agents providing services at the Facility of any crime at or with respect to the Facility unless Manager, subject to the requirements of Applicable Law and any employment contract, terminates such employee or agent or takes such other reasonable action such that such employee or agent is no longer providing services at or with respect to the Facility.

(iii) Casualty or Condemnation: Tenant may terminate this Agreement in the event Tenant (x) temporarily or permanently closes the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or substantially all of the Facility or (y) is required under the Facility Loan Documents to restrict

access to the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or any portion of the Facility.

(iv) Default/Termination Under Facility Loan Documents. Subject to the terms of any agreement contemplated by Section 10 hereof, this Agreement shall terminate if any Facility Lender exercises its right to terminate this Agreement following an "Event of Default" under the Facility Loan Documents; provided, however, that Tenant shall be obligated to pay to Manager Manager's reasonable and documented out-of-pocket costs and expenses resulting from such termination (up to $16,000) if this Agreement is terminated pursuant to the terms of this subsection (iv) and such termination results from the fault of Tenant and/or any Affiliate of Tenant (as opposed to the fault of Manager, a Manager default hereunder, a condition caused by Manager or some other reason not caused by Tenant and/or any Affiliate of Tenant).

(v) Change of Control/Transfer of Interests. In the event there occurs a sale, transfer or other disposition, in one or more transactions, that results directly or indirectly, in a change in control of Manager, unless Tenant approves, Tenant may terminate this Agreement at any time within one year from the date of the consummation of any such transaction by delivering thirty (30) days' prior written notice to Manager.

(vi) Intentionally Omitted.

(vii) Termination for Convenience. Tenant may terminate this Agreement effective as of any date after the one (1) year anniversary of the Effective Date, provided that Tenant has (A) delivered written notice of such termination to Manager at least sixty (60) days' prior to the effective date of such termination, and (B) paid the Termination Fee to Manager. Notwithstanding the foregoing, Tenant may terminate this Agreement effective as of any date after the three (3) year anniversary of the Effective Date without any Termination Fee being owed, provided that Tenant has delivered written notice of such termination to Manager at least thirty (30) days prior to the effective date of such termination. For the purposes of this Agreement, the "**Termination Fee**" shall mean an amount equal to the Prior Fees multiplied by the number that is the lesser of the number of months remaining on the Term (not including any extensions) and forty-eight (48). For the purposes of this Agreement, "**Prior Fees**" shall mean, as of the date of determination, the average of the monthly Fee and Sub-Management Fee payable hereunder and under any Sub-Management Agreement, respectively, during the twelve (12) full calendar months immediately prior to such date.

(viii) Notwithstanding anything to the contrary contained herein, Tenant shall not be permitted to terminate this Agreement pursuant to subparagraph (v) of this Section 9(a), or to otherwise terminate this Agreement pursuant to a mutual agreement with Manager, prior to the six (6) month anniversary of the Effective Date. Sub-Manager shall be a third-party beneficiary of this subparagraph (viii).

(b) Termination by Manager:

(i) Default: Manager may terminate this Agreement upon the occurrence of a Default (beyond the notice and cure periods contemplated by the first paragraph of Section 9) by Tenant by delivery of written notice to Tenant, provided that no such termination notice shall be effective if the Default is cured prior to the receipt by Tenant of the termination notice, provided Tenant shall pay to Manager Manager's actual, out-of-pocket costs and expenses

resulting from such termination (up to $16,000) within ten (10) days of the effective date of such termination.

(ii) Bankruptcy or Dissolution: Manager may terminate this Agreement upon the occurrence of any Bankruptcy/ Dissolution Event with respect to Tenant. For purposes of this clause (ii), a "**Bankruptcy/Dissolution Event with respect to Tenant**" shall mean the commencement or occurrence of any of the following: If Tenant shall apply for or consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of Tenant's assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or any answer seeking reorganization or arrangement with creditors, or take advantage of any insolvency law, or if an order, judgment, or decree shall be entered by a court of competent jurisdiction on the application of a creditor adjudicating Tenant as bankrupt or appointment a receiver, trustee, or liquidator of Tenant with respect to all or a substantial part of Tenant's assets, and such order, judgment or decree shall continue in effect for any period of ninety (90) consecutive days.

(iii) Casualty or Condemnation: Manager may terminate this Agreement in the event Tenant temporarily or permanently closes the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or a substantially all of the Facility.

(iv) Insufficient Funds: Manager may terminate this Agreement if the Facility is not generating sufficient revenue to pay the costs and expenses of the Facility that are Permitted Expenditures, there are insufficient funds in the Operating Account, and Tenant has failed, within five (5) days of receipt of notice from Manager of the expiration of the applicable Funding Cure Period, to deposit sufficient funds in the Operating Account to pay all such costs and expenses, provided Tenant shall pay to Manager Manager's actual, out-of-pocket costs and expenses resulting from such termination (up to $16,000) within ten (10) days of the effective date of such termination.

(v) Budget: Manager may terminate this Agreement at any time on five (5) business days' written notice to Tenant if Manager has a reasonable basis to believe that any or all of the amounts set forth in any Annual Budget are not sufficient to allow Manager to operate the Facility for the applicable calendar year in compliance with the terms of this Agreement, unless Tenant adopts the operating budget then proposed by Manager for such year within such five (5) business day period.

(vi) Sale or Transfer/Change of Control. In the event Tenant sells, assigns, or otherwise disposes of its interest in the Facility to an unaffiliated buyer or transferee (or there occurs a sale, transfer or other disposition, in one or more transactions, that results, directly or indirectly, in a change of control of Tenant, other than any sale, transfer or other disposition of, or similar transaction with respect to, any direct or indirect interest in New Senior), Manager may terminate this Agreement at any time within one (1) year from the date of the consummation of such transaction by delivering thirty (30) days' prior written notice to Tenant.

(vii) Notwithstanding anything to the contrary contained herein, Manager shall not be permitted to terminate this Agreement pursuant to subparagraph (vi) of this Section 9(b), or to otherwise terminate this Agreement pursuant to a mutual agreement with

Tenant, prior to the six (6) month anniversary of the Effective Date. Sub-Manager shall be a third-party beneficiary of this subparagraph (vii).

(c) Effect of Termination: Termination of this Agreement, or expiration of the Term, shall terminate all rights and obligations of the parties hereunder, except for any provision of this Agreement which is expressly described as surviving any expiration or termination of this Agreement. Such termination or expiration, however, shall not terminate the rights and obligations of the parties (including any compensation due to Manager under this Agreement) which accrued prior to the effective date of termination or expiration nor shall it prejudice the rights of either party against the other for any Default under this Agreement. The terms of this Section 9(c) shall survive the expiration or termination of this Agreement.

(d) Final Accounting: Upon the expiration of the Term or any other termination of this Agreement as herein provided, Manager shall (i) deliver to Tenant a final accounting within sixty (60) days of such expiration or termination; (ii) surrender and deliver to Tenant possession of the Facility on the effective date of such termination or expiration; (iii) surrender and deliver to Tenant possession and control of the Operating Account, and all rents and income of the Facility and other monies of Tenant on hand and in any bank account as soon as reasonably practicable (but not later than the effective date of such termination or expiration); (iv) deliver to Tenant, as received, any monies due Tenant under this Agreement but received after such termination or expiration as soon as reasonably practicable (but not later than ten (10) business days after receipt); (v) deliver to Tenant all materials and supplies, keys, contracts and documents, and all accounting papers and records, pertaining exclusively to the Facility as soon as reasonably practicable (but not later than the effective date of such termination or expiration); (vi) subject to Section 2(f), assign contract rights with respect to the Facility to Tenant or its designee as soon as reasonably practicable (but no later than the effective date of such termination or expiration); and (vii) deliver to Tenant, or Tenant's duly appointed agent, all other books and records, contracts, leases, resident's agreements, receipts for deposits and unpaid bills relating exclusively to the Facility as soon as reasonably practicable (but no later than the effective date of such termination or expiration) which shall include access to all data files (either through the cloud or Manager's servers). The terms of this Section 9(d) shall survive the expiration or termination of this Agreement.

(e) Cooperation After Term:

(i) In the event this Agreement is terminated or expires, Manager shall reasonably cooperate with Tenant in good faith to ensure that operational responsibility for the Facility is transferred to Tenant or such other entity as may be designated by Tenant as soon as practicable. Without limiting the generality of the foregoing, Manager shall (i) take all actions reasonably necessary to ensure that, from and after the expiration or earlier termination of this Agreement, Tenant or its designee shall directly receive all funds and monies due Tenant and (ii) do all acts and execute and deliver all documents reasonably requested by Tenant (at Tenant's cost and expense, unless this Agreement is terminated pursuant to Section 9(a)(i) or 9(a)(ii)) to ensure or facilitate an orderly continuation of the business of the Facility and an orderly transfer of the management and operation of the Facility to Tenant or any entity designated by Tenant.

(ii) At least fifteen (15) business days prior to the effective date of expiration or termination of this Agreement or if the parties do not have at least thirty (30) days' prior notice of such expiration or termination, ten (10) business days after Tenant receives a

notice of termination of this Agreement from Manager or any Facility Lender, Tenant or its designee may, with respect to each then current Facility Employee (whether directly employed by Manager or an Affiliate of Manager), either (x) offer such employee employment with Tenant or its designee, effective as of the expiration or termination date, or (y) inform Manager that Tenant does not intend to offer employment to such Facility Employee, in which case, Manager (or Manager's Affiliate, as applicable) may, at its sole option, continue to employ such Facility Employee or terminate such Facility Employee's employment. For those Facility Employees hired by Tenant or its designee upon expiration or termination of this Agreement, Tenant (or such designee) will credit such employees with all vacation, paid time off, or other leave benefits that such employees had earned and accrued but not yet used while employed by Manager (or its Affiliate) and Manager shall pay Tenant (or Tenant's designee) a cash amount for such amount as of the date of expiration or termination of this Agreement. Manager agrees not to solicit or otherwise interfere with Tenant's efforts to so employ any Facility Employee to whom Tenant elects to offer such employment.

(iii) Notwithstanding anything in this Agreement to the contrary, from and after any expiration or termination of this Agreement, upon Tenant's request, Manager shall continue to provide the management services provided by Manager hereunder on the terms and conditions contained herein for such period of time (not to exceed ninety (90) days) after the expiration or termination as may be required for Tenant (acting with reasonable diligence) to engage a new manager or operator and to insure or facilitate an orderly continuation of the business of the Facility and to accomplish an orderly transfer of the operation and management of the Facility to Tenant or a new manager or operator.

(iv) The terms of this subsection (e) shall survive the expiration or termination of this Agreement.

10. Subordination of Management Agreement:

(a) Manager agrees to execute upon request, in favor of any Facility Lender, a consent to collateral assignment of management agreement or any similar agreement required by such Facility Lender in connection with the Facility Loan Documents, in each case, in form reasonably acceptable to Manager and the applicable counterparty, which agreement shall include customary subordination provisions and representations and covenants by Manager, and to comply with any agreement executed by Manager in favor of any Facility Lender. Tenant shall indemnify Manager for any Claims resulting from Manager's compliance with this Section 10(a).

(b) Manager acknowledges that Tenant is authorized (and is entitled to authorize any Facility Lender) to file any financing statements, continuation statements, termination statements and amendments (including an "all assets" or "all personal property" collateral description or words of similar import) with respect to Tenant's assets in form and substance as any Facility Lender may require in order to protect and preserve such Facility Lender's lien priority and security interest in the Facility and Tenant's assets (and to the extent any Facility Lender has filed any such financing statements, continuation statements or amendments prior to the Effective Date, such filings by the Facility Lender are expressly permitted hereunder).

(c) Lender shall have the right to terminate this Agreement at any time upon the occurrence and during the continuance of an "Event of Default" under the Facility Loan Documents.

11. Branding/Proprietary Materials: Manager shall have the right, at its sole election, to use its own branding, trade names and trademarks in connection with the management and operation of the Facility, including displaying the same on signage, marketing and promotional materials, or internal or external business documents being used in connection with the operation of the Facility during the term of this Agreement. Tenant acknowledges and agrees that, at such time as this Agreement expires or is terminated, Tenant shall have no right to continue to use such branding, trade names and/or trademarks in connection with the operation of the Facility and all of the same will be removed and destroyed by Tenant promptly after the effective date of the termination or expiration of this Agreement (and Manager's replacement with a successor manager or operator of the Facility), unless Manager elects (and at its sole cost and expense) to make other arrangements to remove and retain the same. In addition, all separate forms and operating procedures developed and employed by Manager in the performance of its duties and obligations pursuant to this Agreement are proprietary in nature and shall remain the property of Manager, provided that to the extent such forms are in use at the Facility as of the termination or expiration of this Agreement, Manager hereby grants Tenant and its designee a license to continue to use and modify such forms (excluding any of Manager's branding, trade names and/or trademarks contained therein) exclusively in the operation of the Facility, provided any derivative works shall remain the property of Manager. The terms of this Section 11 shall survive the expiration or termination of this Agreement.

12. Status; Authority; Binding Effect:

(a) Tenant represents and warrants to Manager that, as of the Effective Date, (i) Tenant is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is formed, qualified to conduct business in the State in which the Facility is located, and has all requisite power and authority to own and operate the Facility and any other property owned or operated by it, to carry on its business as it is now being conducted, to enter into this Agreement and to observe and perform its terms; (ii) the consummation of the transactions contemplated herein have been duly authorized and approved by all necessary [_____] action of Tenant; (iii) the execution, delivery and performance by Tenant of this Agreement will not (A) require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any obligation pursuant to, any provision of any instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Tenant is a party or by which Tenant's property is bound or (B) violate, in any material respect, any applicable law relating to Tenant or its property; and (iv) assuming this Agreement is enforceable against Manager, this Agreement shall constitute the legal, valid, and binding obligation of Tenant, enforceable against Tenant in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by application of equitable principles).

(b) Manager represents and warrants to Tenant that, as of the Effective Date, (i) Manager is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is formed, qualified to conduct business in the State in which the Facility is located, and has all requisite power and authority to manage, operate and lease the Facility in

accordance with the terms of this Agreement, to carry on its business as it is now being conducted, to enter into this Agreement and to observe and perform its terms; (ii) the consummation of the transactions contemplated herein have been duly authorized and approved by all necessary limited liability company action of Manager; (iii) the execution, delivery and performance by Manager of this Agreement will not (A) require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any obligation pursuant to, any provision of any instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Manager is a party or by which Manager's property is bound or (B) violate, in any material respect, any applicable law relating to Manager or its property; and (iv) assuming this Agreement is enforceable against Tenant, this Agreement shall constitute the legal, valid, and binding obligation of Manager, enforceable against Manager in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by application of equitable principles).

13. Assignment: This Agreement may not be assigned or transferred by either of Manager or Tenant to any Person without the prior written consent of the other party hereto, except as follows:

(a) Manager may assign or transfer this Agreement and its rights and obligations hereunder to an Affiliate of Manager upon prior written notice to Tenant (provided Manager shall remain jointly and severally liable with such assignee or transferee);

(b) in connection with (and as a condition to) the sale, assignment, transfer or other disposition of the Facility by Tenant, Tenant shall assign this Agreement to any transferee and such transferee shall assume the obligations of Tenant hereunder (and, upon such assignment, Tenant shall be fully released from any liability accruing under this Agreement from and after such assignment);

(c) subject to the terms of Section 10 hereof, Tenant may, upon notice to but without the need to secure the consent of Manager, assign this Agreement as collateral security for any debt secured by the Facility; and

(d) Tenant may assign this Agreement to an Affiliate as set forth in, and in accordance with, Section 30 hereof.

Notwithstanding the foregoing, Manager shall have the right to delegate its duties hereunder, and the authority granted hereunder to Manager to perform such duties, pursuant to the terms of that certain Sub-Management Agreement, dated as of the date hereof, by and between Manager and Holiday AL Management Sub LLC, a Delaware limited liability company (including any successor or counterparty pursuant to any Sub-Management Agreement, "**Sub-Manager**") (as agreed and acknowledged by Tenant) or any other sub-management agreement approved by Tenant (the "**Sub-Management Agreement**"), provided that at all times (i) the Sub-Management Agreement is subject and subordinate to the terms of this Agreement and all of Tenant's

approval and other rights hereunder and (ii) Sub-Manager qualifies as an independent contractor. In the event that Sub-Manager is in violation of, or fails to comply with, any of the terms of Section 34 of the Sub-Management Agreement, Manager shall immediately terminate the Sub-Management Agreement at the written direction of Tenant. Tenant shall have the right to terminate this Agreement if Manager fails to terminate the Sub-Management Agreement in accordance with the terms of this Section 13. Manager agrees that the Sub-Management Agreement shall not be amended or modified without the prior written consent of Tenant.

14. Attorney's Fees: In the event either party brings an action to enforce this Agreement, the prevailing party in such action shall be entitled to receive the reasonable out of pocket attorney's fees and costs incurred by it in such amount as a court may deem reasonable, whether at trial or appellate court level. The terms of this Section 14 shall survive the expiration or termination of this Agreement.

15. Confidentiality: All non-public information provided by one party to the other party (the "**Receiving Party**") pursuant to or relating to this Agreement shall be kept confidential by the Receiving Party; provided, however, that the Receiving Party shall be permitted to disclose any such information to its Affiliates and its and their respective employees, partners, members, officers, directors, managers, agents and advisors and to current and prospective lenders, purchasers or replacement operators or managers, and shall be permitted to disclose any such information as required to perform its duties and obligations under this Agreement, by Applicable Law or stock exchange rule (applicable to it or any of its Affiliates or any of their respective direct or indirect equityholders), in pleadings or other submissions in any judicial and arbitration proceedings between the parties, or by mutual agreement of the parties hereto; in each instance such persons receiving any confidential information shall be subject to this confidentiality provision and shall be notified accordingly. The covenants contained in this Section 15 shall continue for three (3) years after the termination of or expiration of this Agreement.

16. Notices: All notices, demands and other communications which may be or are required to be given hereunder or with respect hereto shall be in writing and shall be deemed to have been duly given if delivered (a) personally, (b) by overnight courier service, (c) by United States registered mail, postage prepaid, or (d) via electronic mail, in each case directed to the respective parties as follows, or to such other address as either party may, from time to time, designate by notice pursuant to this Section 16. Notices sent by personal delivery, overnight courier and electronic mail shall be deemed given when delivered (if delivered prior to 5:00 p.m. (local time)), and notices sent by United States registered mail shall be deemed given four (4) business days after the date of deposit in the United States mail:

MANAGER

[_____]
c/o Fortress Investment Group LLC
1345 Avenue of the Americas, 45th Floor
New York, NY 10105
Attn: [_____]

TENANT

[_____]
c/o Fortress Investment Group LLC
1345 Avenue of the Americas, 45th Floor
New York, NY 10105
Attn: [_____]

17. Entire Agreement; Binding Nature: This Agreement constitutes the entire agreement between the parties and supersedes and cancels any and all other agreements between the parties relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assignees as provided in this Agreement.

18. No Waiver: No waiver by either party of any breach of the other party or of any event, circumstance or condition permitting a party to terminate this Agreement or to otherwise exercise remedies shall constitute a waiver of any other default of the other party or of any other event, circumstance or condition permitting such termination or exercise of remedies, whether of the same or of any other nature or type and whether preceding, concurrent or succeeding; and no failure on the part of either party to exercise any right it may have by the terms hereof or by law or in equity upon the default of the other party and no delay in the exercise of such right shall prevent the exercise thereof by the party not in breach at any time when the other party may continue to be so in default, and no such failure or delay and no waiver of default shall operate as a waiver of any other default, or as a modification in any respect of the provisions of this Agreement. The subsequent acceptance of any payment or performance pursuant to this Agreement shall not constitute a waiver of any preceding default by a party not in breach or of any preceding event, circumstance or condition permitting termination hereunder, other than default in the payment of the particular payment or the performance of the particular matter so accepted, regardless of the knowledge of the party not in breach of the preceding breach or the preceding event, circumstance or condition, at the time of accepting such payment or performance, nor shall the acceptance by the party not in default of such payment or performance after termination constitute a reinstatement, extension or renewal of this Agreement or revocation of any notice or other act by the party not in breach.

19. Severability: If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to the persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby; and, each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

20. Governing Law: This Agreement shall be governed by the laws of the State of New York without regard to its conflict of laws provision or the conflict of laws provisions of any other jurisdiction which would cause the applicable of any other law other than that of the state of New York.

21. Counterparts: This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument, binding on the parties, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart. This Agreement may be delivered by facsimile or email transmission. This Agreement shall be effective if each party hereto has executed and delivered at least one counterpart hereof.

22. Force Majeure: Notwithstanding anything to the contrary contained herein, neither party will be deemed to be in violation of this Agreement to the extent it is prevented from performing any of its obligations hereunder for any reason beyond its control, including strikes, shortages, war, acts of God or any statute, regulation or rule of federal, state or local government

or agency (or modification thereof), it being understood that financial inability, general economic conditions or changes in the capital markets or the senior housing industry generally which, in each case (except financial inability), do not disproportionately harm the Facility shall not constitute such a reason.

23. Relationship of the Parties: The relationship of the parties shall be that of a principal and independent contractor and all acts performed by Manager during the Term shall be deemed to be performed in its capacity as an independent contractor. Nothing contained in this Agreement is intended to or shall be construed to give rise to or create a partnership or joint venture or lease between Tenant, its successors and assigns on the one hand, and Manager, its successors and assigns, on the other hand.

24. Construction: Each of the parties acknowledges and agrees that it has participated in the drafting and negotiation of this Agreement. Accordingly, in the event of a dispute with respect to the interpretation or enforcement of the terms hereof, no provision shall be construed so as to favor or disfavor either party hereto. Whenever the word "include" or like terms are used in this Agreement, they shall be interpreted in a non-exclusive manner as though the words "without limitation" immediately followed.

25. Consents: Except as otherwise specifically provided herein, in any instance that consent of any party is required hereunder, such consent shall not be unreasonably withheld, conditioned or delayed by the party having such consent right.

26. Withholding Taxes and State Income Tax Returns: Manager confirms that: (a) Tenant is not required to withhold taxes from any amounts payable to Manager under this Agreement under the Code; (b) to the extent required by law, to exempt Tenant from withholding on payments to Manager, Manager shall promptly deliver a Form W-9 to Tenant dated as of the date of this Agreement (and shall update such form as necessary or upon request); and (c) Manager files, or is included in state income tax returns filed by Manager's direct or indirect parent and such entity files, state income tax returns in each state where Manager, directly or indirectly or through its subsidiaries, leases or operates any property owned by Tenant or its Affiliates.

27. Inspection of the Facility. Tenant and any Facility Lender and their respective employees and agents and consultants may, upon prior written notice and at reasonable times, visit the Facility for the purpose of (i) inspecting the Facility, (ii) inspecting the performance by Manager of its obligations under this Agreement or (iii) showing the Facility to current or prospective purchasers, investors, lessees or lenders. Upon reasonable prior request, Manager shall facilitate access permitted under this Section 27.

28. Amendments: The terms, conditions and provisions of this Agreement may not be modified except in writing executed and delivered by each of the parties hereto.

29. Failure to Perform: If Manager shall at any time fail to perform any obligation on its part to be performed hereunder, then without limiting its other remedies Tenant, after ten (10) business days' written notice (or such shorter notice as may be required for Tenant to take action to prevent a default or an event of default under the Facility Loan Documents) to Manager, may (but shall not be obligated to) perform any obligation on Manager's part to be performed as provided in this Agreement and may enter upon the Facility for said purpose and take all such

action thereon as may be necessary or desirable therefor. Any out-of-pocket sums paid or costs or expenses incurred in connection therewith shall be paid by Manager to Tenant within five (5) days of written demand of Manager therefor. The rights of Tenant and Manager pursuant to this Section 29 shall survive the expiration of the Term and any earlier termination of this Agreement.

30. REIT Status: Notwithstanding anything to the contrary in this Agreement: Manager acknowledges that: (i) it (or its direct or indirect owner) intends to qualify as a "taxable REIT subsidiary" under the Code, (ii) one or more of Tenant's direct or indirect parent entities intend to qualify as a REIT and (iii) Manager, Tenant and their direct or indirect owners therefore are subject to operating and other restrictions under the Code. Notwithstanding anything to the contrary in this Agreement, if Tenant determines that this Agreement or Manager's operation of the Facility under this Agreement could jeopardize Manager's (or Manager's owner's) qualification as a taxable REIT subsidiary or the qualification of Tenant's direct or indirect parent as a REIT, Manager shall reasonably cooperate with Tenant to revise this Agreement or restructure this arrangement so that Tenant is satisfied with such qualification; provided, that (a) any such actions shall be completed at no additional cost to Manager, (b) the economic terms of this Agreement shall not be materially modified or changed and (c) to the extent that such revision or restructuring results in Manager being required to perform additional services, Manager shall be paid an additional fee for such additional services as reasonably agreed upon by Manager and Tenant. If Tenant and Manager cannot take actions to the reasonable satisfaction of Tenant to protect such tax status, Tenant shall have the right to terminate this Agreement upon 5 days' notice to Manager without payment of the Termination Fee. This Section 30 shall apply for so long as the Facility is owned by an entity or through an ownership structure that is subject to REIT tax requirements.

31. Independent Contractor. Manager represents and warrants (i) that the management fee payable under this Agreement is an arm's length management fee that provides adequate compensation for Manager's services hereunder and (ii) that, as of the Effective Date, Sub-Manager is an Independent Contractor. Throughout the Term, (i) Manager shall ensure that Sub-Manager qualifies as an Independent Contractor, and (ii) Manager shall not cause the Facility to be treated as a "qualified health care property" as defined in Section 856(e)(6)(D)(i) for purposes of Section 856(d)(8)(B) and Section 856(d)(9) of the Code. Manager shall, from time to time, provide to Tenant information requested by Tenant to allow Tenant to confirm Sub-Manager's status as an Independent Contractor and the Facility's status as other than a qualified health care property. If Manager or any Affiliate of Manager becomes aware that Sub-Manager may no longer constitute an Independent Contractor or the Facility may be treated as a qualified health care property, then Manager shall promptly (but in any event within five (5) days) so notify Tenant. This Section 31 shall apply for so long as the Facility is owned by an entity, or through an ownership structure, that is subject to REIT tax requirements

32. Certain Definitions:

(a) "**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly, controls or is controlled by, or is under common control with, such Person.

(b) "**Applicable Facility Loan Documents, Superior Leases and Title Documents**" means all (A) Facility Loan Documents, Superior Leases and Title Documents in effect as of the Effective Date and (B) all Facility Loan Documents, Superior Leases and Title Documents entered into after the date hereof, but (with respect to this clause (B)) only to the

extent (i) Manager has received written notice of, and an opportunity to consult and comment on, the obligations imposed by such instrument on Manager or the Facility prior to the imposition of such obligations and (ii) such obligations are reasonable and customary for facilities similar to the Facility and may be performed by Manager using commercially reasonable efforts without additional cost to Manager (unless such cost is *de minimis* or reimbursed by Tenant).

(c) "**Applicable Law(s)**" means all statutes, laws, ordinances, rules, regulations, requirements, judgments, orders and decrees of any Governmental Authority, including any requirement(s) or standard of any agency or other Governmental Authority required for any party to maintain licensure or certifications.

(d) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. References to Code Sections include any similar or successor provisions thereto.

(e) "**Facility Lender**" means any lender under any Facility Loan.

(f) "**Facility Loan**" means any loan made to Tenant or any of its Affiliates on or after the Effective Date and secured by the Facility or equity interests in direct or indirect owners thereof.

(g) "**Facility Loan Documents**" means any agreement, document or other instrument evidencing or securing any Facility Loan so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(h) "**FCA**" means the False Claims Act, 31 U.S.C. §§ 3729-3733, any successor or similar federal or state statutes or laws, and any regulations promulgated under any of the foregoing, in each case as amended from time to time.

(i) "**Governmental Authority**" means (i) any government or political subdivision thereof, whether foreign or domestic, national, state, county, municipal or regional; (ii) any agency or instrumentality of any such government, political subdivision or other government entity (including any central bank or comparable agency); and (iii) any court, in each case, to the extent having jurisdiction over the Facility, the Tenant or the Manager, as applicable.

(j) "**GAAP**" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

(k) "**Independent Contractor**" means a person that satisfies the following requirements, at all times while they are a party to this Agreement or while their status as an Independent Contractor is relevant under this Agreement:

(i) Such person does not own, directly or indirectly (for purposes of Code Section 856(d)), more than 35% of the shares of Manager, Tenant or any Affiliate of Manager or Tenant;

(ii) Not more than 35% of the total combined voting power (or value) or the total shares of such person's stock is owned, directly or indirectly, by one or more persons that own 35% or more of the shares of Manager, Tenant or any Affiliate of Manager or Tenant, provided, that, for any class of stock of Manager, Tenant or any Affiliate of Manager or Tenant that is regularly traded on an established securities market, only persons owning, directly or indirectly, more than 5% of such class of stock (for purposes of Code Section 856(d)) shall be taken into account as owning any stock of such class (but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purposes of determining the applicable percentage of ownership);

(iii) None of Manager, Tenant or any related person (for purposes of Code Section 856) thereto derives any income from such person, any Affiliate of such person or any entity in which such person owns a direct or indirect interest without the prior written consent of Tenant, which Tenant may grant or withhold in its sole and absolute discretion;

(iv) To the extent that any of Manager, Tenant or any related person (for purposes of Code Section 856) derives income from any direct or indirect owner of such person that intends to qualify as an Independent Contractor or any entity that has a common parent with such person, such owner or entity shall keep its own books and records, operate as a separate entity from its Affiliates and have, or its direct or indirect parent shall have, its own officers and employees; and

(v) Such person otherwise qualifies as an "independent contractor" for purposes of Code Section 856.

(l) "**Manager's Standards**" means, at any time and from time to time, operational and physical standards that are materially consistent with the practices and standards then implemented at senior housing communities managed or operated by Manager or any of its Affiliates (if the Sub-Management Agreement is not then in effect) or Holiday Retirement or any of its Affiliates (if the Sub-Management Agreement is then in effect).

(m) "**New Senior**" means New Senior Investment Group, Inc.

(n) "**Person**" means any individual, sole proprietorship, joint venture, corporation, partnership, limited liability company, governmental body, regulatory agency or other entity of any nature.

(o) "**Rebates**" means any discounts, rebates and/or other monetary benefits on items purchased or services rendered at Tenant's cost for the benefit of the Facility (whether only for the Facility or for the Facility in combination with other facilities managed by Manager or its Affiliates).

(p) "**REIT**" means a "real estate investment trust" within the meaning of Code Section 856 through 860.

(q) "**Resident**" means any individual residing at the Facility.

(r) "**Sub-Management Fee**" means the "Fee" as defined in the Sub-Management Agreement.

(s) "**Superior Lease**" means any lease pursuant to which Tenant leases all or any portion of the Facility so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(t) "**Title Document**" means any easement, covenant, condition, restriction or similar document or instrument affecting title to the Facility (whether fee or leasehold or otherwise) and recorded in the land records of the jurisdiction in which the Facility is located so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(u) "**Travel Program**" means the program administered by Manager whereby residents of a Manager-managed facility are permitted to stay, subject to the availability of a guest room at the subject location, at another Manager-managed facility up to seven nights free of charge.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates set forth below.

MANAGER

[_____]

By: _____
Name:
Title:

Date: _____, 2018

TENANT

[_____]

By: _____
Name:
Title:

Date: _____, 2018

Schedule 2(l)

Monthly Reports

(a) balance sheet as of month end (including current month, prior month, and period to period change);

(b) detailed profit and loss statement, showing monthly and year-to-date comparisons to Annual Budget, with summary explanation of any material variances from the Annual Budget;

(c) 12-month profit and loss trend report;

(d) rent roll as of month end;

(e) general ledger;

(f) cash disbursements journal; and

(g) cash receipts journal.

Schedule 2(m)

2018 Annual Budget

See attached.

Schedule 6

Insurance

(a) ***Required Insurance Coverage.***

(1) Property damage to be covered by an "All Risk" Property Insurance Policy for the Facility which must not include a coinsurance provision. The policy amount must cover one hundred percent (100%) full replacement cost of the improvements of the Facility and terrorism coverage must be included or procured as a separate policy covering the Facility. The deductible may not exceed $250,000.00 per occurrence. Such policy must provide business interruption coverage on actual loss sustained or minimum twelve (12) months' gross income/rents/actual loss sustained with a maximum deductible of seventy-two (72) hours per occurrence. An extended period of indemnity for three hundred and sixty five (365) days is required.

(2) Windstorm and Flood coverage, and exclusions are acceptable, provided a separate policy or coverage is obtained for these exclusions as applicable. Such coverage shall be required for the Facility when the property damage insurance excludes any type of wind or flood related event. State insurance plans are acceptable if that is the only coverage available in that insurance market. Business income/rent loss coverage is in the manner set forth in clause (1) above. One hundred percent (100%) replacement cost is required or an amount agreed to by Tenant. Maximum deductible is five percent (5%) of the total insured value. If the Facility lies within Special Flood Hazard Area (SFHA) A or V, flood coverage is required at one hundred percent (100%) full replacement cost of the improvements of the Facility. If one hundred percent (100%) replacement cost is not available, then the maximum amount of insurance available under the National Flood Insurance Program (NFIP) must be obtained and amount agreed to by Tenant. The maximum deductible is five percent (5%) of the Total Insured Value as listed on the policy. The NFIP policy declaration page is acceptable evidence of coverage. An excess flood or Difference in Conditions (DIC) policy must provide for the difference, if any, between the maximum limit provided by NFIP policies and the full replacement cost. Business income/rent loss is required in the manner set forth in clause (1) above.

(3) Ordinance and Law coverage, and if the Facility is a legal non-conforming use project, the policy must include coverage for Loss to Undamaged Portion of the Building (Coverage A) which must equal one hundred percent (100%) replacement costs of the structure(s), Demolition Cost (Coverage B) and Increased Cost of Construction (Coverage C), each at a minimum of twenty percent (20%) of full replacement cost of the Facility.

(4) Boiler and Machinery coverage shall be required where any centralized HVAC, boiler, water heater or other type of pressure-fired vessel is in operation at the Facility. Such coverage must be equal to one hundred percent (100%) full replacement cost of the Facility. The deductible may not exceed property insurance policy deductible.

(5) Earthquake coverage, and the seismic risk will be determined for properties in Seismic Zones 3 or 4. Such coverage is required if the Probable Maximum Loss (PML / SUL) is twenty percent (20%) or greater. If earthquake insurance is required, the amount of coverage required will be determined based on Facility Loan requirements or earthquake simulation modeling for the Facility. The maximum deductible is five percent (5%) of the total insured value.

(6) Business Income/Rent Loss coverage for Actual loss sustained or minimum of twelve (12) months' of gross income/rents. Extended period of indemnity – three hundred and sixty five (365)

days' loss of income/rents. Such coverage is required for all property insurance coverage including windstorm, flood, earthquake and terrorism even if written on a stand-alone basis. The maximum deductible is seventy-two (72) hours per occurrence.

(7) Builder's Risk coverage is required during construction after an insured loss or general construction. Must be written for one hundred percent (100%) of the completed value on a non-reporting basis. The maximum deductibles are $50,000.00 per occurrence.

(8) Sinkhole/Mine Subsidence coverage is required if the Facility is in an area prone to these geological phenomena. One hundred percent (100%) replacement cost is required. The maximum deductibles are $100,000.00 per occurrence or the applicable earthquake deductible if earth movement coverage applies.

(9) General Liability coverage for the minimum limit of general liability coverage for bodily injury, death and property damage must be $1,000,000.00 per occurrence/claim, with a $2,000,000.00 general aggregate limit. Terrorism coverage must be provided.

(10) Excess/Umbrella Liability coverage with limits of not less than $39,000,000.00 per occurrence/claim and aggregate limits for bodily injury, death and property damage.

(11) Commercial Auto Liability coverage for $1,000,000.00 per occurrence is required where the Facility uses cars, vans or trucks for business purposes.

(12) Healthcare Professional and Excess Liability covering bodily injury and property damage. Minimum Professional Liability and Excess Liability Insurance is $39,000,000.00.

(13) Crime / Fidelity coverage at a minimum of $1,000,000.00 per occurrence is required and the maximum deductible or self-insured retention is $75,000.00, covering the Facility Employees in job classifications normally bonded in the seniors housing industry or as otherwise required by Applicable Law, and comprehensive crime insurance to the extent Manager determines it is necessary for the Facility.

(14) Workers Compensation and Employers Liability Coverage with Coverage A with statutory limits and Coverage B with limit of $500,000 per occurrence for bodily injury and by disease and policy limit. In states where insured are legally able to non-subscribe, Manager may elect to do so, as long as Manager has an approved non-subscriber plan in such state. Insurance under this clause may include a deductible or self-insured retention of no more than $1,000,000 per occurrence.

(b) ***Additional Tenant Requirements.*** Notwithstanding anything in Section 6 of the Agreement or this Schedule 6 to the contrary, Tenant may, from time to time, and upon 30 days' prior notice to Manager, require Manager to obtain and maintain higher liability limits, lower deductibles or additional insurance coverages or to obtain any coverages from and maintain them with insurers that (in each case) are (i) required under the Facility Loan Documents or (ii) deemed advisable by Tenant in its reasonable judgment for its protection against claims, liabilities and losses arising out of or connected with Manager's performance under this Agreement, in each case to the extent that such requirements are generally available using commercially reasonable efforts to operators of senior living facilities of a similar type and (in the case of clause (ii)) customary.

(c) ***Additional Requirements.***

(1) Manager shall provide Tenant and the Facility Lender a satisfactory ACORD 25 Liability and ACORD 28 Property certificate evidencing the existence of the insurance required by this Agreement and showing the interests of Tenant and Facility Lender prior to the commencement of the Term or, for a renewal policy, not less than five (5) days following the expiration date of the policy being renewed. Manager shall provide a complete copy of the related policy within ten (10) days after a request therefor by Tenant or the Facility Lender or within ten (10) days after Manager has received such policy from the insurer following the request.

(2) Manager may satisfy the requirements for insurance coverage under this Agreement through coverage under a so-called blanket policy or policies of insurance carried and maintained by Manager; provided, however, that the coverage afforded Tenant will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements of this Agreement by reason of the use of such blanket policy of insurance.

(3) Manager shall provide immediate written notice (A) to the insurer, the Facility Lender and Tenant of any material claim, or event of loss payable, under the policy for the insurance coverage specified in clauses (a)(1) – (a)(8) of Schedule 6, and (B) to the Facility Lender and Tenant of Manager's receipt of any proceeds relating to any event of loss described in clause (A) above. Tenant may require Manager to deliver to the Facility Lender in accordance with the Facility Loan Documents any proceeds received by Manager.

(d) ***Insurance Coverage by Contractors and Other Vendors.***

(1) Manager shall make commercially reasonable efforts to secure certificates of insurance from any contractors, service providers, and vendors that provide maintenance or repairs on or in the premises, or that provide supplies and inventory to the Facility, in either case in an amount exceeding $100,000.00 per year (collectively, "**Service Providers**"), which certificates (A) evidence valid and enforceable policies issued by insurers licensed and approved to do business in the state in which the Facility is located and having general policyholders and financial ratings of not less than "A-" and "VII", respectively, in the then current A.M. Best's Insurance Report; (B) name Tenant, Manager and the Facility Lender as additional insureds by endorsement on Service Provider's commercial general liability insurance policy; (C) are written on an occurrence policy form; (D) are primary and non-contributory and provide that any insurance maintained by Manager or Tenant for the Facility is excess of Service Provider's insurance; and (E) provide a waiver of subrogation and all rights of recovery by the insurer against and in favor of Manager and Tenant.

(2) Service Providers shall have and maintain insurance coverage with limits of not less than (A) $1,000,000.00 for each occurrence, (B) $1,000,000.00 for personal/advertising injury, (C) $2,000,000.00 general aggregate, and (D) $2,000,000.00 aggregate for products and completed operations. In addition, Service Providers shall have and maintain (I) workers' compensation coverage for injuries sustained by Service Provider's employees in the course of their employment and otherwise consistent with all Applicable Laws and employer's liability coverage with limits not less than $1,000,000.00 each accident, $1,000,000.00 bodily injury due to disease each employee and $1,000,000.00 bodily injury due to disease policy limit, and (II) automobile liability coverage for all owned and non-owned vehicles, including rented and leased vehicles, covering bodily injury, including death, and property damage with a limit of $1,000,000.00 each accident.

Exhibit B

Form of New Sub-Management Agreement

[See attached.]

SUB-MANAGEMENT AGREEMENT

between

HOLIDAY AL MANAGEMENT SUB LLC ("MANAGER")

and

_____ ("OPERATIONS")

May __, 2018

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SUB-MANAGEMENT AGREEMENT

THIS SUB-MANAGEMENT AGREEMENT (this "**Agreement**") is effective as of [_____], 2018 (the "**Effective Date"**), and is entered into by and between Holiday AL Management Sub LLC, a Delaware limited liability company ("**Manager**"), and [_____], a Delaware limited liability company ("**Operations**"). Pursuant to the terms of that certain Management Agreement dated as of the Effective Date (the "**Master Management Agreement**"), with respect to that certain senior living facility known as [_____] (the "**Facility**"), which is located at [_____], [_____], a Delaware limited [liability company][partnership] ("**Tenant**") retained Operations to manage and operate the Facility. As contemplated by the terms of the Master Management Agreement, Operations hereby delegates its obligations under the Master Management Agreement to Manager, and retains Manager to manage and operate the Facility pursuant to the terms and conditions of this Agreement. Capitalized terms used herein and not otherwise defined herein shall have the meanings given thereto in the Master Management Agreement. As parties hereto, Operations and Manager agree:

1. Appointment: As of the Effective Date and subject to the terms and conditions of this Agreement, Operations hereby appoints Manager to perform on behalf of Operations all of the duties and obligations of Operations under the Master Management Agreement and delegates to Manager the authority granted to Operations pursuant to the Master Management Agreement to perform such duties. Manager hereby accepts such appointment and delegation and Manager hereby agrees that as the operator of the Facility, it shall act in accordance with the terms of this Agreement and the Master Management Agreement. Nothing herein shall be construed to give Manager any interest in: (a) the Facility; or (b) any assets necessary or convenient to the ownership, leasing, use, and operation of the Facility and acquired with Tenant's or Operations' funds or revenues of the Facility (including any furnishings, fixtures, equipment, supplies, consumables, inventories, tangible and intangible personal property, accounts and accounts receivable, agreements with residents and other contracts or agreements relating to the Facility); provided, that (i) Manager shall have such rights of possession or use as may be required to allow Manager to perform its obligations under this Agreement, and (ii) Tenant and Operations shall have no ownership interest in any National Contract (as defined in Section 2(f)) of the Master Management Agreement.

2. Management Responsibilities:

(a) Manager, upon its own initiative, shall use commercially reasonable efforts to bring to the attention of Tenant and Operations opportunities to (i) increase or stabilize the revenues of the Facility and control or minimize the expenses of the Facility and (ii) improve the quality of services to the Residents. Manager shall promptly notify Tenant and Operations of (A) any events or conditions with respect to the Facility that have, or could reasonably be expected to have, a material adverse effect on Tenant, Operations or the Facility, (B) any condemnation with respect to the Facility, (C) any material casualty with respect to the Facility, (D) receipt of written notice of default of any material legal obligation of Tenant or Operations, and (E) the initiation of any legal matters or proceedings that under Section 2(o) of the Master Management Agreement cannot be settled without Tenant's consent.

(b) Manager acknowledges that Manager has been provided a copy of the Master Management Agreement and that Manager has reviewed the Master Management Agreement and, subject to the second to last sentence of this paragraph, accepts all of the terms, covenants, provisions, conditions and agreements contained in the Master Management Agreement, all of which are made a part of this Agreement as though fully set forth herein. Manager hereby agrees (i) to perform on behalf of Operations all of the duties and obligations of Operations under the Master Management Agreement (as fully as if Manager were the "Manager" thereunder and Manager's Affiliates were "Affiliates" of the "Manager" thereunder) and (ii) not to violate or breach any of the terms, covenants or conditions of the Master Management Agreement (and for such purpose all references therein to "Manager" and/or its "Affiliates" shall be deemed to refer to Manager and/or its Affiliates, as applicable). For the avoidance of doubt, Manager agrees and acknowledges that, in performing all of the duties of Operations set forth in the Master Management Agreement, in each instance that Operations is obligated to take any action or enter into any agreement on behalf of Tenant, or attempt to obtain Tenant's consent or approval, or engage in any discussion, meeting or consultation with Tenant or provide any notice or delivery required by or from Operations pursuant to the Master Management Agreement, Manager shall have an obligation to take such action or enter into such agreement or attempt to obtain such consent or approval or engage in such discussion, meeting or consultation or provide such notice or delivery on behalf of Operations, as applicable. To the extent that, and for such period as, any of Operations' obligations under the Master Management Agreement survive the termination of the Master Management Agreement, Manager's obligation hereunder to perform the same shall survive the termination of this Agreement. Manager

further agrees that (i) contemporaneously with all notices and deliveries required to be delivered to Tenant pursuant to the terms of the Master Management Agreement, Manager shall deliver such notices and deliveries to Operations; (ii) Operations shall be entitled to participate with Manager and Tenant in any discussion, meeting or consultation relating to the Facility and/or its management or operations; and (iii) all actions and conditions to which Tenant shall have consent rights shall also be subject to the prior approval and consent of Operations. Operations agrees that it will not enter into or approve any amendment or modification to the Master Management Agreement, without the prior approval of Manager, which approval may be granted or withheld in the sole discretion of Manager to the extent such amendment or modification would increase Manager's obligations or liabilities, or decrease Manager's rights, under this Agreement or otherwise adversely affect Manager. Manager shall manage the Facility at all times in accordance with the terms of the Master Management Agreement and this Agreement.

(c) To the extent Operations desires that any of Operations' projected, direct costs of arranging and administering this Agreement be included in the Proposed Annual Budget, Operations shall submit to Manager such costs not less than five (5) days prior to the date Manager is required to submit the Proposed Annual Budget to Tenant in accordance with Section 2(m) of the Master Management Agreement, and, upon such submission by Operations to Manager, Manager shall include such costs in the Proposed Annual Budget. Subject to the terms of any agreements entered into by Manager with the Facility Lender pursuant to Section 14 hereof, Manager shall make disbursements from the Operating Account to make all payments due to Operations pursuant to the Master Management Agreement when such payments are due (the parties agreeing that Manager shall be entitled to the payment and disbursement to Manager of the Sub-Management Fee prior to any payment made to Operations).

(d) Tenant will be the named licensee on the permits, licenses and certifications, if any, for the Facility, and Manager shall use commercially reasonable efforts to transfer, or cause to be transferred, any such permits, licenses and certifications to the name of Tenant promptly following the Effective Date. The parties hereby agree and acknowledge that, during the term of this Agreement, Manager shall maintain in full force and effect the permits, licenses and certifications, if any, required by Applicable Law for the operation of the Facility (and Operations and Tenant shall assist Manager and cooperate with Manager as reasonably required in connection therewith).

3. Legal Proceedings: Manager shall, through legal counsel reasonably selected by Manager and, to the extent Tenant's approval is required under Section 2(o) of the Master Management Agreement for the initiation or settlement of the applicable legal matter or proceeding, approved by Tenant and Operations, coordinate all legal matters and proceedings relating to the Facility, provided Tenant and Operations shall have the exclusive right to approve (i) if, and only if, Tenant or Operations holds in its own name regulatory licenses and certifications with respect to the Facility, all settlements of administrative proceedings and litigation related to such licensure or certifications of the Facility, (ii) the initiation by Manager of any claim or lawsuit with respect to the Facility involving an amount equal to or greater than $25,000 (other than any eviction proceeding, which shall not require the prior approval of Tenant or Operations), and (iii) the settlement of any contract claim or other claim (other than any claim enforcing the obligations of any resident under any Resident Agreement or any claim against the Facility covered by insurance (and for which counsel has been appointed or approved by the insurance company), which shall not require the prior approval of Tenant or Operations) with respect to any matter relating to the Facility involving an amount equal to or greater than $25,000. Notwithstanding the foregoing, (x) any legal matter or proceeding naming, or involving the assertion of claims against, the Manager which does not involve relief sought by or through Tenant or Operations and could not reasonably be expected to result in any judgment or lien against, or citation of, the Facility or the Tenant or Operations or any cost to

Tenant or Operations, directly or pursuant to any indemnity obligation hereunder or under the Master Management Agreement (whether pursuant to a settlement or otherwise), may, at Manager's sole option, be controlled solely, and may be settled, by Manager and counsel appointed by Manager in its sole discretion and at Manager's sole cost, (y) Operations agrees that Manager shall have the right to reasonably approve any legal counsel with respect to any legal matter or proceeding contemplated herein that names or otherwise involves Manager and all strategies, decisions and/or settlements with respect to any such matter or proceeding shall be subject to the prior consent of Manager, which consent may be granted or withheld in Manager's sole discretion in the case of a matter or proceeding described in clause (x) above and (z) any legal matter, claim, or suit brought by Manager against Tenant or Operations or by Tenant or Operations against Manager shall not be subject to the terms of this Section 3 and Section 2(o) of the Master Management Agreement.

4. Standard of Performance: Manager shall use commercially reasonable efforts to manage the Facility at all times as an independent living senior housing community in compliance with Applicable Laws (in all material respects), Manager's Standards, this Agreement, the Annual Budget and all material requirements of any and all Applicable Facility Loan Documents, Superior Leases and Title Documents (the "**Performance Standard**").

(i) Operations understands that Manager or Affiliates of Manager manage and operate other senior housing communities (whether owned or leased or managed by Manager and its Affiliates or third parties) that compete or may potentially compete with the Facility (collectively, "**Competing Facilities**"). Manager agrees that it (i) shall act in an impartial manner with respect to managing, operating, leasing and marketing the Facility and any Competing Facilities (ii) shall avoid a course of conduct giving preferential treatment to any Competing Facilities over the Facility, after taking into account all reasonable and relevant factors and circumstances that relate to the Facility, any Competing Facilities and the residents therein, and (iii) during the Term of this Agreement and for a period of six (6) months after the termination of this Agreement, shall not (and shall cause its Affiliates not to) intentionally solicit or persuade any resident of the Facility or any family member or guardian of any resident of the Facility to become the resident of or move the resident to another facility owned, operated or managed by Manager or any of its Affiliates; provided, however, the foregoing shall not apply to any recommendation of the removal or transfer of a resident if it (x) is in the best interest of the care of the resident or (y) is in response to an unsolicited request by the resident or his/her family or caregiver for a recommendation for alternative facilities or (z) if Manager or its Affiliates engage in such actions in the ordinary course of operating their business consistent with past practice (including the use of mass mailing or broadly distributed media) and such actions do not have, and could not reasonably be expected to have, a material, persistent, or recurring adverse effect on the Facility. The parties acknowledge that the remedies available at law for any breach of this Section 2(q)(ii) will, by their nature, be inadequate. Accordingly, Tenant may obtain injunctive or other equitable relief to restrain a breach or threatened breach of this provision or to specifically enforce this provision, without proving that any monetary damages have been sustained. The terms of this Section 2(q)(ii) shall survive the expiration or termination of this Agreement; and

(ii) Manager shall not, and shall cause its Affiliates and the Facility Employees and their respective agents not to, violate the FCA in any manner that affects the Facility or the occupants of the Facility. Manager shall provide information to, and consult with, Tenant and Operations as reasonably requested by Tenant or Operations from time to time with respect to the internal controls and policies maintained by Manager and its Affiliates in order to ensure compliance with the foregoing covenant, provided that no such provision of information or consultation will relieve Manager

of its obligation to comply with such covenant or will impose any obligation or liability on Tenant or Operations with respect thereto. Manager shall notify Tenant and Operations promptly upon receiving written notice of any actual or alleged violation of the FCA or any investigation or inquiry in connection therewith.

5. Units: Manager shall be entitled from time to time to make available any unoccupied guest units at the Facility for use by participants of the Travel Program so long as Residents of the Facility are permitted to use unoccupied guest units at other facilities managed by Manager pursuant to, and in accordance with, the terms of the Manager's Travel Program.

6. Manager's Obligations Generally: Notwithstanding anything to the contrary contained in this Agreement, Manager shall not be in default of the terms of this Agreement for failure to perform any agreement or obligation required hereunder or otherwise for failure to comply with the terms of this Agreement to the extent (A) Manager is unable to perform in accordance with the terms of this Agreement because the Annual Budget is not sufficient due to factors that are not within Manager's reasonable control, provided Manager has provided written notice to Tenant and Operations identifying the insufficiency of the applicable line item, and Tenant elects not to adjust the Annual Budget to remedy such insufficiency, or (B) Tenant fails to fund any amount required to be funded to the Operating Account (including funds required to pay Permitted Expenditures) in accordance with the terms of Section 3 of the Master Management Agreement. Notwithstanding anything to the contrary contained in this Agreement, Manager shall not have any obligation or liability with respect to any non-renewal, withdrawal, suspension, violation or administrative review of Tenant's or Operations' licenses and/or certifications required for the operation of the Facility to the extent resulting from the actions or inaction of Tenant or Operations.

7. Operating Responsibilities and Operating Account:

(a) Operating Costs: Except for the type of costs that would be payable by Operations pursuant to the terms of the Master Management Agreement (which costs shall be paid by Manager), all Facility Expenses shall be the responsibility of Tenant, and shall be paid by Manager as and when due from the funds in the Operating Account as contemplated by Section 3(b) of the Master Management Agreement. For avoidance of doubt, (i) Facility Expenses shall also include a pro rata portion of any expenses incurred by Manager for the benefit of the Facility which also benefit one or more other facilities operated by Manager or an Affiliate of Manager, provided that the methodology used to allocate expenses to the Facility is reasonable and equitable and approved by Tenant and (ii) notwithstanding the foregoing, Manager is specifically responsible for all expenses (w) relating to all corporate offsite personnel and other offsite overhead expenses of Manager and its Affiliates (specifically excluding expenses relating to any employee that are payable by Tenant pursuant to any contract, which contract is approved by Tenant), (x) of any in-house risk manager, architect, accountant, attorney or professional advisor or consultant employed by Manager or its Affiliate or by Tenant, in consultation with Manager, to ensure compliance with the Performance Standard, (y) incurred in the management or operation of properties or communities other than the Facility, and (z) otherwise designated hereunder as an obligation or responsibility of Manager.

(b) Operating Account: Manager shall establish and maintain the Accounts with the Bank. With respect to the Accounts, during the Term, Manager shall have sole control of the Accounts,

subject to the terms of Section 3(b) of the Master Management Agreement (including with respect to any cash management requirements under the Facility Loan Documents and Tenant's and Facility Lender's right to arrange for withdrawals from the Operating Account and Manager's obligations to cooperate in connection therewith) and shall be authorized to deposit funds, check balances, withdraw funds, execute checks, and make disbursements in accordance with the terms of this Agreement. Pursuant to written authorization which shall be given by Manager to the Bank, Tenant and Operations shall have the right to deposit funds and the right to view-only on-line access to account information (the parties agreeing that, subject to the terms of Section 3(b) of the Master Management Agreement, unless Manager is in default beyond all notice and cure periods under this Agreement, neither Tenant nor Operations shall have the right to withdraw funds, execute checks and/or make or direct any other disbursements whatsoever from the Accounts or to close the Accounts). Manager shall deposit all funds, and make payments and disburse funds, received from or in connection with the operation of the Facility, in accordance with the terms of the Master Management Agreement (including for the avoidance of doubt, disbursing funds from the Operating Account to pay the fee due to Operations pursuant to the Master Management Agreement). Manager shall not deposit any income or proceeds from the Facility in any account other than the Accounts, nor shall Manager co-mingle funds belonging to Manager in the Operating Account. Notwithstanding anything to the contrary contained in this Agreement or the Master Management Agreement, until such time as Manager is able to open a new account in the name of Tenant designated solely for the Facility as the "Operating Account", for the purposes of maintaining the "Operating Account", Manager shall have the right, subject to the Facility Loan Documents, to maintain a single account with Wells Fargo designated for the Facility and all other facilities covered by the Other Management Agreements into which all funds of the Facility and such other facilities shall be deposited, and from which funds shall be paid and disbursed, in connection with the operation of the Facility and such other facilities.

8. Books and Records. During the Term, Tenant and Operations and their agents, representatives, employees and auditors may, at such reasonable times as Tenant or Operations may request, inspect, audit and copy (i) the books and records of the Facility that are reasonably requested by such auditor and of the type that would customarily be required for the purpose of the performance of a standard audit for an owner of senior living facilities and (ii) any other books, records or materials pertaining exclusively to the Facility. If an audit by Tenant or Operations discloses any sum due Tenant or Operations by Manager or any overpayment to Manager, Manager will promptly reimburse Operations or Tenant for any amounts due. If the audit discloses any sum due to Manager by Tenant or Operations, Tenant or Operations shall promptly reimburse (or direct or cause Tenant to promptly reimburse) Manager for any amounts due. If the audit discloses any sum due Tenant or Operations or any overpayment to Manager of more than five percent (5%) of the aggregate amounts to which Tenant or Operations is entitled hereunder, Manager will be solely responsible for the reasonable cost of the audit. Otherwise, the audit will be at Tenant's or Operations' sole expense.

9. Indemnification:

(a) In addition to indemnity obligations set forth elsewhere in this Agreement, subject to Sections 9(c) and (d), Operations shall reimburse, indemnify, defend and hold harmless Manager and its Affiliates and their respective direct and indirect owners, partners, members, directors, officers, employees, agents and advisors for, from and against any and all Claims sustained or incurred by or asserted against any one or more of them caused by (i) the gross negligence, willful misconduct, fraud or illegal acts of Tenant or Operations or any of their respective Affiliates and their respective agents

(other than Manager) and employees, (ii) Manager's performance of its duties and obligations within the scope of its authority pursuant to the terms of the Master Management Agreement and this Agreement, and/or (iii) any breach by Tenant or Operations of any obligation of Tenant or Operations, respectively, of the Master Management Agreement or this Agreement, including any failure of Tenant to timely fund to the Operating Account amounts necessary to pay, or to reimburse Manager for, Permitted Expenditures, in each case except to the extent such Claims are Manager Liability Claims. As used in this Agreement, "**Claims**" means any claims, demands, causes of action, losses, damages, fines, penalties, liabilities, costs and expenses, including reasonable attorneys' fees and court costs, but, in each case, excluding any consequential, punitive, indirect or special damages.

(b) Subject to Section 9(d), Manager shall reimburse, indemnify, defend and hold harmless Tenant and Operations and their respective Affiliates and the respective direct and indirect owners, partners, members, directors, officers, employees, agents and advisors of the foregoing for, from and against any and all Claims sustained or incurred by or asserted against any one or more of them caused by (i) the gross negligence, willful misconduct, fraud or illegal acts of Manager or its Affiliates and their respective agents and employees (but excluding any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employee), (ii) any actual or alleged violation of the FCA, or any actual or alleged illegal conduct with respect to benefits or deferrals of rent for veterans or their family members, in each case on the part of or caused by Manager, any of its Affiliates or any Facility Employees or their respective agents, (iii) any claim that Manager's use of intellectual property infringes the rights of a third party (collectively, "**Manager Liability Claims**"), and/or (iv) any breach by Manager of any provisions of this Agreement (but excluding breaches caused by any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employee).

(c) In the event Manager shall have any Claim against Operations with respect to which Operations has (or would otherwise have) a Claim against Tenant, if Operations fails to indemnify Manager for the full amount of the Claim in accordance with this Agreement, Operations hereby agrees, and hereby grants to Manager, all of Operations' rights and remedies under the Master Management Agreement to enforce, at Manager's sole cost and expense, against Tenant, Tenant's obligations under the Master management Agreement (Tenant agreeing and acknowledging that manager is a third party beneficiary of the Master Management Agreement).

(d) The parties hereto agree and acknowledge that the indemnification rights and obligations herein do not, and will not, diminish any other rights and remedies available hereunder in the event of a default by any party hereunder or derogate from the final sentence of Section 7(a).

10. Insurance: With respect to any insurance required hereunder to be maintained by Manager pursuant to the terms of the Master Management Agreement on behalf of Operations, including the insurance listed on Schedule 6 attached to the Master Management Agreement (a copy of which is attached hereto as Exhibit A), Manager shall cause Operations to be listed as an additional named insured.

11. Payment/Fees:

(a) Calculation of Fee: As consideration for the services rendered by Manager in accordance with this Agreement, Operations shall pay to Manager during the Term a monthly fee equal to the Management Fee Percentage (as defined below) of the monthly Effective Gross Income (as defined below) of the Facility, determined on an accrual basis (the "**Monthly Fee**"). "**Management Fee**

Percentage" means, during the first year of the Term, 5%, and during the remainder of the Term, 4.5%. As additional consideration for the services rendered by Manager in accordance with this Agreement and the Other Management Agreements, Tenant and its Affiliates that are party to the Other Management Agreements shall pay to Manager during the Term, with respect to each calendar year during the Term, an annual incentive fee equal to 10% of the EBITDARM (as defined below) for such calendar year that is in excess of the Base Fee Amount (as hereinafter defined), determined on an accrual basis, if any (the "**Annual Incentive Fee**"; collectively, the Monthly Fee and the Annual Incentive Fee are referred to as the "**Fee**"); provided that (1) the Annual Incentive Fee (which is payable, for the avoidance of doubt, under this Agreement and the Other Management Agreements collectively) for any calendar year shall not exceed the sum of (i) 2.0% of the Effective Gross Income for such calendar year and (ii) 2.0% of the Effective Gross Income (as defined in each of the Other Management Agreements) for all of the facilities managed under the Other Management Agreements in the aggregate for such calendar year and (2) with respect to each partial calendar year during the Term, the provisions of this Section 11(a) with respect to the Annual Incentive Fee are subject to the provisions of Section 11(c) below. "**Base Fee Amount**" shall mean, with respect to each calendar year (or partial calendar year) during the Term, the total amount set forth on Schedule 11(a) attached hereto (which amount shall escalate at a rate equal to 3% per annum on January 1 of each calendar year during the Term, commencing with January 1, 2019); provided that, if this Agreement or any of the Other Management Agreements is terminated (but this Agreement and the Other Management Agreements are not all terminated) during any calendar year in the Term (other than on account of a default by Manager), then the Base Fee Amount for such calendar year and the balance of the calendar years during the Term shall be reduced by the amount set forth opposite the applicable facility for the applicable year on Schedule 11(a) (multiplied, in the case of the year in which such termination occurs, by a fraction whose numerator is the number of days in such year following the date of such termination and whose denominator is 365). The Monthly Fee shall accrue monthly and be paid on the fifth (5^{th}) business day of the immediately succeeding calendar month. Promptly following the end of each calendar year, Manager shall deliver to Tenant and Operations a reconciliation that includes the Annual Financial Statement, together with a statement setting forth the calculation of the Monthly Fee (for all twelve (12) months, in the aggregate) for such year, and, in the event of any overpayment or underpayment with respect to any month in such calendar year, Manager and Operations shall promptly make a payment to the other in the amount of the excess or shortfall, as applicable. Payment of the Annual Incentive Fee shall be due within ten (10) business days of demand therefor after submission by Manager to Operations of an Annual Financial Statement, together with a statement setting forth the calculation of the Annual Incentive Fee for the applicable calendar year. "**Facility EBITDARM**" shall mean, for the period of determination, Effective Gross Income (excluding adjustments for straight-line rent accounting) less Facility Expenses for the Facility (before Fees) for such period. "**EBITDARM**" shall mean, for the period of determination, the sum of (x) the Facility EBITDARM hereunder for such period and (y) the Facility EBITDARM (as defined in each of the Other Management Agreements) for all of the facilities managed under the Other Management Agreements in the aggregate for such period.

(b) Effective Gross Income: "**Effective Gross Income**" means all revenues during such period from the operation of the Facility, from whatever source, determined in accordance with GAAP (including income from residents, space rentals, service fee income and beverage income, income from vending machines, assisted living income, guest fees, and any other income generated from the operation of the Facility, but excluding, insurance proceeds (except for business interruption insurance proceeds), condemnation awards, security deposits (unless forfeited) and loan proceeds and advances, and interest on investments).

(c) Pro-Rata Fee Payment: If the services of Manager commence other than on the first day of the month, or expire or terminate other than on the last day of the month, the Monthly Fee

shall be pro-rated proportionate to the number of days in the month for which services are actually rendered. With respect to calendar year 2018, Manager will be paid the Annual Incentive Fee, if any, calculated in accordance with Section 11(a) (based on the EBITDARM for the entire calendar year 2018, including the period from January 1, 2018 through the Effective Date), except that the Annual Incentive Fee shall be pro-rated proportionate to the number of days in calendar year 2018 from and after (and including) the Effective Date). For clarity, the Annual Incentive Fee for calendar year 2018 shall not exceed the sum of (i) 2.0% of the Effective Gross Income for calendar year 2018 (pro-rated proportionate to the number of days in such calendar year included in the Term) and (ii) 2.0% of the Effective Gross Income (as defined in each of the Other Management Agreements) for all of the facilities managed under the Other Management Agreements in the aggregate for calendar year 2018 (pro-rated proportionate to the number of days in such calendar year included in the Term). With respect to the calendar year in which this Agreement expires or terminates, Manager will be paid the Annual Incentive Fee, if any, calculated in accordance with Section 11(a), except that the EBITDARM for the full calendar months prior to the expiration or termination of this Agreement shall be annualized and the Annual Incentive Fee shall be pro-rated proportionate to the number of days in such calendar year included in the Term. For clarity, the Annual Incentive Fee for the calendar year in which this Agreement expires or terminates shall not exceed the sum of (i) 2.0% of the Effective Gross Income for the period beginning on January 1 of such calendar year and ending on the date of such expiration or termination and (ii) 2.0% of the Effective Gross Income (as defined in each of the Other Management Agreements) for all of the facilities managed under the Other Management Agreements in the aggregate for such period.

(d) Source of Payment: Any Monthly Fee due to Manager hereunder and a portion of the Annual Incentive Fee due to Manager under this Agreement and the Other Management Agreements for any year (which portion is equal to (i) the total amount of the Annual Incentive Fee for such year multiplied by (ii) a fraction whose numerator is the Facility EBITDARM for such year and whose denominator is the EBITDARM for such year) may be disbursed by Manager to itself out of the Operating Account. To the extent the Operating Account has insufficient funds to cover any such disbursement, or to reimburse Manager for any Facility Expenses paid from its own funds as contemplated by Section 7(a) and Section 3(a) of the Master Management Agreement, then Operations shall be obligated to pay (or shall direct Tenant to cause and pay) any such amounts to Manager promptly upon demand.

(e) Casualty: If the Facility is damaged as the result of a casualty and such damage results in the temporary or permanent closure of the Facility, or any portion thereof resulting in a Disruption Condition, thereby interrupting the Effective Gross Income and Facility EBITDARM upon which Manager's payment of the Fee is based, Operations shall pay to Manager as the Fee for any period of such interruption during which Manager is continuing to operate the Facility monthly amounts equal to the greater of (i) the Monthly Fee due to Manager pursuant to Section 11(a) hereof, or (ii) 50% of the average Fee earned by Manager pursuant to this Section 11 for the twelve (12) months immediately preceding the interruption. Manager shall maintain business interruption insurance during the Term in accordance with the terms of Section 6 of the Master Management Agreement, and any cost incurred in connection therewith shall be funded into the Operating Account, as necessary in accordance with Section 3(b) of the Master Management Agreement.

12. Term: The Term of this Agreement shall commence on the Effective Date and, unless earlier terminated in accordance with the provisions hereof, shall expire on the fifth (5^{th}) anniversary of the Effective Date (the "**Initial Term**"), provided the Initial Term shall be extended continuously and automatically for one (1) year periods (each, an "**Extended Period**" and together with the Initial Term,

the "**Term**") unless either Operations or Manager delivers to the other a written notice of termination of this Agreement not less than sixty (60) days prior to commencement of the next Extended Period.

13. Remedies/Termination: Any party shall be deemed to be in "**Default**" hereunder if such party breaches, in any material respect, this Agreement (provided Operations shall be deemed to be in default hereunder (and a breaching party) if Tenant fails to perform its obligations, or fails to pay or fund any amount required to be paid or funded by Tenant, in accordance with the terms of the Master Management Agreement, except for (a) obligations required thereunder to be performed by Tenant for the personal benefit of Operations (where the failure to perform the same would not adversely affect Sub-Manager) and (b) payment of fees, reimbursements, indemnifications and other amounts required thereunder to be paid to Operations for its personal benefit (the obligations in clauses (a) and (b), collectively, "**Personal Obligations**")) and (i) with respect to any monetary default, fails to cure the same within five (5) days of written notice from the non-breaching party of the default or (ii) with respect to any other default, fails to cure the same within thirty (30) days of written notice from the non-breaching party of the default, provided if such default contemplated by clause (ii) cannot be cured with the use of reasonable and diligent efforts within such 30-day period, such breaching party shall have such additional cure period (not to exceed ninety (90) days during the first year of the Term and sixty (60) days thereafter) as is reasonable to cure so long as such party continuously and diligently pursues such cure. In the event of any Default by any party hereunder, the other party shall have any and all rights and remedies available at law and in equity, which rights and remedies shall survive the expiration and/or termination of this Agreement, provided that, subject to Section 13(c), each party's right to terminate this Agreement shall be limited to the provisions of this Section 13. This Agreement may be terminated (x) by mutual agreement of Manager and Operations, and (y) upon the written notice of the party terminating this Agreement to the other party, after the occurrence of any of the events described in Section 13(a) or Section 13(b), as applicable.

(a) Termination by Operations:

(i) Default. Operations may terminate this Agreement upon the occurrence of a Default (beyond the notice and cure periods contemplated by the first paragraph of Section 13) by Manager by delivery of written notice to Manager, provided that no such termination notice shall be effective if the Default is cured prior to the receipt by Manager of the termination notice.

(ii) Bankruptcy or Dissolution and Certain Other Events. Operations may terminate this Agreement upon the occurrence of any Bankruptcy/Dissolution Event with respect to Manager. For purposes of this clause (ii), a "**Bankruptcy/Dissolution Event with respect to Manager**" shall mean the commencement or occurrence of any of the following: Manager shall apply for or consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of Manager's assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or any answer seeking reorganization or arrangement with creditors, or take advantage of any insolvency law, or if any order, judgment, or decree shall be entered by any court of competent jurisdiction on the application of a creditor adjudicating Manager as bankrupt or insolvent or approving a petition seeking reorganization of Manager, or appointing a receiver, trustee, or liquidator with respect to all or a substantial part of Manager's assets, and such order, judgment, or decree shall continue for any period of ninety (90) consecutive days. In addition, Operations may terminate this Agreement upon the occurrence of any of the following: (1) any fraud, gross negligence or willful misconduct of Manager (not including any fraud, gross negligence or willful misconduct of any Facility Employee absent gross negligence in the hiring or supervising of such Facility Employees) affecting Operations or the Facility or (2) the conviction

of any of Manager's employees or agents providing services at the Facility of any crime at or with respect to the Facility unless Manager, subject to the requirements of Applicable Law and any employment contract, terminates such employee or agent or takes such other reasonable action such that such employee or agent is no longer providing services at or with respect to the Facility.

(iii) Casualty or Condemnation. Operations may terminate this Agreement in the event Tenant or Operations (x) temporarily or permanently closes the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or substantially all of the Facility or (y) is required under the Facility Loan Documents to restrict access to the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or any portion of the Facility.

(iv) Termination for Convenience. Operations may terminate this Agreement effective as of any date after the six (6) month anniversary of the Effective Date, provided that Tenant has (A) delivered written notice of such termination to Manager at least sixty (60) days prior to the effective date of such termination, and (B) paid the Termination Fee to Manager. Notwithstanding the foregoing, Operations may terminate this Agreement effective as of any date after the one (1) year anniversary of the Effective Date without any Termination Fee being owed, provided that Tenant has delivered written notice of such termination to Manager at least thirty (30) days prior to the effective date of such termination. For the purposes of this Agreement, the "**Termination Fee**" shall mean Ninety-Eight Thousand One Hundred Dollars ($98,100).

(v) Intentionally Omitted.

(vi) Default/Termination Under Facility Loan Documents. Subject to the terms of any agreement contemplated by Section 14 hereof, this Agreement shall terminate if any Facility Lender exercises its right to terminate this Agreement following an "Event of Default" under the Facility Loan Documents; provided, however, that Operations shall be obligated to pay to Manager Manager's reasonable and documented out-of-pocket costs and expenses resulting from such termination (up to $16,000) if this Agreement is terminated pursuant to the terms of this subsection (vi) and such termination results from the fault of Tenant or Operations and/or any Affiliate of Tenant or Operations (as opposed to the fault of Manager, a Manager default hereunder, a condition caused by Manager or some other reason not caused by Tenant or Operations and/or any Affiliate of Tenant or Operations).

(vii) Change of Control/Transfer of Interests. From and after the first (1st) anniversary of the Effective Date, in the event there occurs a sale, transfer or other disposition, in one or more transactions, that results directly or indirectly, in a change in control of Manager, unless Operations approves, Operations may terminate this Agreement at any time within one year from the date of the consummation of any such transaction by delivering thirty (30) days' prior written notice to Manager.

(viii) Intentionally Omitted.

(ix) Default/Termination Under Master Management Agreement. Subject to the terms of any subordination and attornment agreement contemplated by Section 14 hereof, this Agreement shall terminate if the Master Management Agreement is terminated; provided, that, if the Master Management Agreement is terminated pursuant to Section 9(a)(v) thereof, or is otherwise terminated pursuant to the mutual agreement of Operations and Tenant, in either case prior to the first (1st) anniversary of the Effective Date, Operations shall pay the Termination Fee to Manager. The proviso

clause of the preceding sentence is not intended to abrogate or modify Section 9(a)(viii) of the Master Management Agreement, or Manager's third-party beneficiary rights with respect thereto, in any way.

(b) Termination by Manager:

(i) Default. Manager may terminate this Agreement upon the occurrence of a Default (beyond the notice and cure periods contemplated by the first paragraph of Section 13) by Operations by delivery of written notice to Operations, provided that no such termination notice shall be effective if the Default is cured prior to the receipt by Operations of the termination notice, provided Operations shall pay to Manager Manager's actual, out-of-pocket costs and expenses resulting from such termination (up to $16,000) within ten (10) days of the effective date of such termination.

(ii) Bankruptcy or Dissolution. Manager may terminate this Agreement upon the occurrence of any Bankruptcy/ Dissolution Event with respect to Tenant or Operations. For purposes of this clause (ii), a "**Bankruptcy/Dissolution Event with respect to Tenant or Operations**" shall mean the commencement or occurrence of any of the following: If Tenant or Operations shall apply for or consent to the appointment of a receiver, trustee, or liquidator of all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or any answer seeking reorganization or arrangement with creditors, or take advantage of any insolvency law, or if an order, judgment, or decree shall be entered by a court of competent jurisdiction on the application of a creditor adjudicating such party as bankrupt or appointment a receiver, trustee, or liquidator of such party with respect to all or a substantial part of its assets, and such order, judgment or decree shall continue in effect for any period of ninety (90) consecutive days.

(iii) Casualty or Condemnation. Manager may terminate this Agreement in the event Tenant or Operations temporarily or permanently closes the Facility on account of damage to or destruction of, or a taking by (or sale under threat of) eminent domain of, all or a substantially all of the Facility.

(iv) Insufficient Funds. Manager may terminate this Agreement if the Facility is not generating sufficient revenue to pay the costs and expenses of the Facility that are Permitted Expenditures, there are insufficient funds in the Operating Account, and Tenant or Operations has failed, within five (5) days of receipt of notice from Manager of the expiration of the applicable Funding Cure Period, to deposit sufficient funds in the Operating Account to pay all such costs and expenses, provided Operations shall pay to Manager Manager's actual, out-of-pocket costs and expenses resulting from such termination (up to $16,000) within ten (10) days of the effective date of such termination.

(v) Budget. Manager may terminate this Agreement at any time on five (5) business days' written notice to Operations if Manager has a reasonable basis to believe that any or all of the amounts set forth in any Annual Budget are not sufficient to allow Manager to operate the Facility for the applicable calendar year in compliance with the terms of this Agreement, unless Operations adopts (or causes Tenant to adopt) the operating budget then proposed by Manager for such year within such five (5) business day period.

(vi) Sale or Transfer/Change of Control. Subject to any agreement contemplated by Section 14 hereof, in the event Tenant or Operations sells, assigns, or otherwise disposes of its interest in the Facility to an unaffiliated buyer or transferee (or there occurs a sale, transfer or other disposition, in one or more transactions, that results, directly or indirectly, in a change of control of Tenant

or Operations, other than any sale, transfer or other disposition of, or similar transaction with respect to, any direct or indirect interest in New Senior) Manager may terminate this Agreement at any time within one (1) year from the date of the consummation of such transaction by delivering thirty (30) days' prior written notice to Operations.

(vii) Termination under Master Management Agreement. Manager may terminate this Agreement upon ten (10) days' prior written notice to Operations in the event a "Default" (as defined in the Master Management Agreement) by Tenant has occurred and is continuing (other than as a result of a failure to perform a Personal Obligation) and Operations is entitle to terminate the Master Management Agreement as a result of such Default.

(c) Effect of Termination: Termination of this Agreement, or expiration of the Term, shall terminate all rights and obligations of the parties hereunder, except for any provision of this Agreement which is expressly described as surviving any expiration or termination of this Agreement. Such termination or expiration, however, shall not terminate the rights and obligations of the parties (including any compensation due to Manager under this Agreement) which accrued prior to the effective date of termination or expiration nor shall it prejudice the rights of either party against the other for any Default under this Agreement. The terms of this Section 13(c) shall survive the expiration or termination of this Agreement.

(d) Final Accounting: Upon the expiration of the Term or any other termination of this Agreement as herein provided, Manager shall (i) deliver to Tenant and Operations a final accounting within sixty (60) days of such expiration or termination; (ii) surrender and deliver to Tenant or its designee possession of the Facility on the effective date of such termination or expiration; (iii) surrender and deliver to Tenant, or as otherwise directed in writing by Operations, possession and control of the Operating Account, and all rents and income of the Facility and other monies of Tenant or Operations on hand and in any bank account as soon as reasonably practicable (but not later than the effective date of such termination or expiration); (iv) deliver to Tenant or Operations (as applicable), as received, any monies due Tenant or Operations, as applicable, but received after such termination or expiration as soon as reasonably practicable (but not later than ten (10) business days after receipt); (v) deliver to Tenant, or as otherwise directed in writing by Operations, all materials and supplies, keys, contracts and documents, and all accounting papers and records, pertaining exclusively to the Facility as soon as reasonably practicable (but not later than the effective date of such termination or expiration); (vi) subject to Section 2(f) of the Master Management Agreement, assign contract rights with respect to the Facility to Tenant, or as otherwise directed by Operations, as soon as reasonably practicable (but no later than the effective date of such termination or expiration); and (vii) deliver to Tenant, or as otherwise directed in writing by Operations, all other books and records, contracts, leases, resident's agreements, receipts for deposits and unpaid bills relating exclusively to the Facility as soon as reasonably practicable (but no later than the effective date of such termination or expiration) which shall include access to all data files (either through the cloud or Manager's servers). The terms of this Section 13(d) shall survive the expiration or termination of this Agreement.

(e) Cooperation After Term:

(i) In the event this Agreement is terminated or expires, Manager shall reasonably cooperate with Tenant and Operations in good faith to ensure that operational responsibility for the Facility is transferred to Operations or such other entity as may be designated by Operations as soon as practicable. Without limiting the generality of the foregoing, Manager shall (i) take all actions reasonably necessary to ensure that, from and after the expiration or earlier termination of this Agreement,

Tenant, Operations or their designee shall directly receive all funds and monies due Tenant and (ii) do all acts and execute and deliver all documents reasonably requested by Tenant or Operations (at the cost and expense of Operations, unless this Agreement is terminated pursuant to Section 13(a)(i) or 13(a)(ii)) to ensure or facilitate an orderly continuation of the business of the Facility and an orderly transfer of the management and operation of the Facility to Tenant or Operations or any entity designated by Tenant or Operations.

(ii) At least fifteen (15) business days prior to the effective date of expiration or termination of this Agreement or if the parties do not have at least thirty (30) days' prior notice of such expiration or termination, ten (10) business days after Operations receives a notice of termination of this Agreement from Manager or any Facility Lender, Tenant, Operations or their designee may, with respect to each then current Facility Employee (whether directly employed by Manager or an Affiliate of Manager), either (x) offer such employee employment with Tenant, Operations or their designee, effective as of the expiration or termination date, or (y) inform Manager that neither Tenant nor Operations intends to offer employment to such Facility Employee, in which case, Manager (or Manager's Affiliate, as applicable) may, at its sole option, continue to employ such Facility Employee or terminate such Facility Employee's employment. For those Facility Employees hired by Tenant, Operations or their designee upon expiration or termination of this Agreement, Tenant, Operations (or such designee), as applicable, will credit such employees with all vacation, paid time off, or other leave benefits that such employees had earned and accrued but not yet used while employed by Manager (or its Affiliate) and Manager shall pay Tenant, Operations (or their designee), as applicable, a cash amount for such amount as of the date of expiration or termination of this Agreement. Manager agrees not to solicit or otherwise interfere with Tenant's or Operations efforts to so employ any Facility Employee to whom Tenant or Operations elects to offer such employment. If Tenant and Operator deliver a conflicting election pursuant to this Section 13(e)(ii), the election of Tenant shall govern.

(iii) Notwithstanding anything in this Agreement to the contrary, from and after any expiration or termination of this Agreement, upon Tenant's or Operation's request, Manager shall continue to provide the management services provided by Manager hereunder on the terms and conditions contained herein for such period of time (not to exceed ninety (90) days) after the expiration or termination as may be required for Tenant or Operations (acting with reasonable diligence) to engage a new manager or operator and to insure or facilitate an orderly continuation of the business of the Facility and to accomplish an orderly transfer of the operation and management of the Facility to Tenant, Operations or a new manager or operator.

(iv) The terms of this subsection (e) shall survive the expiration or termination of this Agreement.

14. Subordination of Management Agreement:

a. Manager agrees to execute upon request, in favor of Tenant and/or any Facility Lender, (i) a subordination and attornment agreement in favor of Tenant or such Facility Lender, as applicable, with customary provisions and in a form reasonably acceptable to such party and Manager, and (ii) a consent to collateral assignment of management agreement or any similar agreement required by Tenant, Operations or such Facility Lender in connection with the Master Management Agreement and/or the Facility Loan Documents, in each case, in form reasonably acceptable to Manager and the applicable counterparty, which agreement shall include customary subordination provisions and representations and covenants by Manager, and to comply with any agreement executed by Manager in favor of any Facility Lender.

b. Manager acknowledges that each of Tenant and Operations is authorized (and is entitled to authorize any Facility Lender) to file any financing statements, continuation statements, termination statements and amendments (including an "all assets" or "all personal property" collateral description or words of similar import) with respect to Tenant's and/or Operations' assets in form and substance as any Facility Lender may require in order to protect and preserve such Facility Lender's lien priority and security interest in the Facility and Tenant's or Operations' assets (and to the extent any Facility Lender has filed any such financing statements, continuation statements or amendments prior to the Effective Date, such filings by the Facility Lender are expressly permitted hereunder).

c. Subject to the terms of any agreement between any Facility Lender and Manager contemplated by this Section 14, such Facility Lender shall have the right to terminate this Agreement at any time upon the occurrence and during the continuance of an "Event of Default" under the Facility Loan Documents.

d.

15. Branding/Proprietary Materials: Manager shall have the right, at its sole election, to use its own branding, trade names and trademarks in connection with the management and operation of the Facility, including displaying the same on signage, marketing and promotional materials, or internal or external business documents being used in connection with the operation of the Facility during the term of this Agreement. Operations acknowledges and agrees that, at such time as this Agreement expires or is terminated, neither Tenant nor Operations shall have any right to continue to use such branding, trade names and/or trademarks in connection with the operation of the Facility and all of the same will be removed and destroyed by Operations promptly after the effective date of the termination or expiration of this Agreement (and Manager's replacement with a successor manager or operator of the Facility), unless Manager elects (and at its sole cost and expense) to make other arrangements to remove and retain the same. In addition, all separate forms and operating procedures developed and employed by Manager in the performance of its duties and obligations pursuant to this Agreement are proprietary in nature and shall remain the property of Manager, provided that to the extent such forms are in use at the Facility as of the termination or expiration of this Agreement, Manager hereby grants Tenant and Operations and its designee a license to continue to use and modify such forms (excluding any of Manager's branding, trade names and/or trademarks contained therein) exclusively in the operation of the Facility, provided any derivative works shall remain the property of Manager. The terms of this Section 15 shall survive the expiration or termination of this Agreement.

16. Status; Authority; Binding Effect:

(a) Operations represents and warrants to Manager that, as of the Effective Date, (i) Operations is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is formed, qualified to conduct business in the State in which the Facility is located, and has all requisite power and authority to manage and operate the Facility and any other property owned or operated by it, to carry on its business as it is now being conducted, to enter into this Agreement and to observe and perform its terms; (ii) the consummation of the transactions contemplated herein have been duly authorized and approved by all necessary limited liability company action of Operations; (iii) the execution, delivery and performance by Operations of this Agreement will not (A) require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a

default under or result in the acceleration of any obligation pursuant to, any provision of any instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Operations is a party or by which Operations' property is bound or (B) violate, in any material respect, any applicable law relating to Operations or its property; (iv) assuming this Agreement is enforceable against Manager, this Agreement shall constitute the legal, valid, and binding obligation of Operations, enforceable against Operations in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by application of equitable principles); and (v) Manager has all licenses, permits, and approvals required under Applicable Law to operate the Facility in compliance with the Performance Standard in all material respects.

(b) Manager represents and warrants to Operations that, as of the Effective Date, (i) Manager is duly organized and validly existing and in good standing under the laws of the jurisdiction in which it is formed, qualified to conduct business in the State in which the Facility is located, and has all requisite power and authority to manage, operate and lease the Facility in accordance with the terms of this Agreement, to carry on its business as it is now being conducted, to enter into this Agreement and to observe and perform its terms; (ii) the consummation of the transactions contemplated herein have been duly authorized and approved by all necessary limited liability company action of Manager; (iii) the execution, delivery and performance by Manager of this Agreement will not (A) require the consent of, notice to or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any obligation pursuant to, any provision of any instrument of indebtedness, contract, indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which Manager is a party or by which Manager's property is bound or (B) violate, in any material respect, any applicable law relating to Manager or its property; and (iv) assuming this Agreement is enforceable against Operations, this Agreement shall constitute the legal, valid, and binding obligation of Manager, enforceable against Manager in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by application of equitable principles).

17. Assignment: This Agreement may not be assigned or transferred by either of Manager or Operations to any Person without the prior written consent of the other party hereto, except as follows:

(a) Manager may assign or transfer this Agreement and its rights and obligations hereunder to an Affiliate of Manager upon prior written notice to Operations (provided Manager shall remain jointly and severally liable with such assignee or transferee; provided Manager shall not assign or otherwise transfer this Agreement if the assignee would not qualify as an independent contractor or such assignment would violate Section 34); and

(b) subject to the terms of Section 14 hereof, Tenant may, upon notice to but without the need to secure the consent of Manager, assign this Agreement as collateral security for any debt secured by the Facility.

18. Attorney's Fees: In the event either party brings an action to enforce this Agreement, the prevailing party in such action shall be entitled to receive the reasonable out of pocket attorney's fees and costs incurred by it in such amount as a court may deem reasonable, whether at trial or appellate court level. The terms of this Section 18 shall survive the expiration or termination of this Agreement.

19. Confidentiality: All non-public information provided by one party to the other party (or, in the case of information provided to Manager, by Tenant) (the party to whom such information is provided, the "**Receiving Party**") pursuant to or relating to this Agreement shall be kept confidential by the Receiving Party; provided, however, that the Receiving Party shall be permitted to disclose any such information to its Affiliates and its and their respective employees, partners, members, officers, directors, managers, agents and advisors and to current and prospective lenders, purchasers or replacement operators or managers, and shall be permitted to disclose any such information as required to perform its duties and obligations under this Agreement, by Applicable Law or stock exchange rule (applicable to it or any of its Affiliates or any of their respective direct or indirect equityholders), in pleadings or other submissions in any judicial and arbitration proceedings between the parties, or by mutual agreement of the parties hereto; in each instance such persons receiving any confidential information shall be subject to this confidentiality provision and shall be notified accordingly. The covenants contained in this Section 19 shall continue for three (3) years after the termination of or expiration of this Agreement.

20. Notices: All notices, demands and other communications which may be or are required to be given hereunder or with respect hereto shall be in writing and shall be deemed to have been duly given if delivered (a) personally, (b) by overnight courier service, (c) by United States registered mail, postage prepaid, or (d) via electronic mail, in each case directed to the respective parties as follows, or to such other address as either party may, from time to time, designate by notice pursuant to this Section 20. Notices sent by personal delivery, overnight courier and electronic mail shall be deemed given when delivered (if delivered prior to 5:00 p.m. (local time)), and notices sent by United States registered mail shall be deemed given four (4) business days after the date of deposit in the United States mail:

MANAGER

Holiday AL Management Sub LLC
[_____]

OPERATIONS

[_____]
c/o Fortress Investment Group
1345 Avenue of the Americas
New York, NY 10105
Attn: [_____]

21. Entire Agreement; Binding Nature: This Agreement constitutes the entire agreement between the parties and supersedes and cancels any and all other agreements between the parties relating to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assignees as provided in this Agreement.

22. No Waiver: No waiver by either party of any breach of the other party or of any event, circumstance or condition permitting a party to terminate this Agreement or to otherwise exercise remedies shall constitute a waiver of any other default of the other party or of any other event, circumstance or condition permitting such termination or exercise of remedies, whether of the same or of any other nature or type and whether preceding, concurrent or succeeding; and no failure on the part of either party to exercise any right it may have by the terms hereof or by law or in equity upon the default of the other party and no delay in the exercise of such right shall prevent the exercise thereof by the party not in breach at any time when the other party may continue to be so in default, and no such failure or delay and no waiver of default shall operate as a waiver of any other default, or as a modification in any respect of the provisions of this Agreement. The subsequent acceptance of any payment or performance

pursuant to this Agreement shall not constitute a waiver of any preceding default by a party not in breach or of any preceding event, circumstance or condition permitting termination hereunder, other than default in the payment of the particular payment or the performance of the particular matter so accepted, regardless of the knowledge of the party not in breach of the preceding breach or the preceding event, circumstance or condition, at the time of accepting such payment or performance, nor shall the acceptance by the party not in default of such payment or performance after termination constitute a reinstatement, extension or renewal of this Agreement or revocation of any notice or other act by the party not in breach.

23. Severability: If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to the persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby; and, each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

24. Governing Law: This Agreement shall be governed by the laws of the State of New York without regard to its conflict of laws provision or the conflict of laws provisions of any other jurisdiction which would cause the applicable of any other law other than that of the State of New York.

25. Counterparts: This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument, binding on the parties, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart. This Agreement may be delivered by facsimile or email transmission. This Agreement shall be effective if each party hereto has executed and delivered at least one counterpart hereof.

26. Force Majeure: Notwithstanding anything to the contrary contained herein, neither party will be deemed to be in violation of this Agreement to the extent it is prevented from performing any of its obligations hereunder for any reason beyond its control, including strikes, shortages, war, acts of God or any statute, regulation or rule of federal, state or local government or agency (or modification thereof), it being understood that financial inability, general economic conditions or changes in the capital markets or the senior housing industry generally which, in each case (except financial inability), do not disproportionately harm the Facility shall not constitute such a reason.

27. Relationship of the Parties: The relationship of the parties shall be that of a principal and independent contractor and all acts performed by Manager during the Term shall be deemed to be performed in its capacity as an independent contractor. Nothing contained in this Agreement is intended to or shall be construed to give rise to or create a partnership or joint venture or lease between Operations, its successors and assigns on the one hand, and Manager, its successors and assigns, on the other hand.

28. Construction: Each of the parties acknowledges and agrees that it has participated in the drafting and negotiation of this Agreement. Accordingly, in the event of a dispute with respect to the interpretation or enforcement of the terms hereof, no provision shall be construed so as to favor or disfavor either party hereto. Whenever the word “include” or like terms are used in this Agreement, they shall be interpreted in a non-exclusive manner as though the words “without limitation” immediately followed.

29. Consents: Except as otherwise specifically provided herein, in any instance that consent of any party is required hereunder, such consent shall not be unreasonably withheld, conditioned or delayed by the party having such consent right.

30. Withholding Taxes and State Income Tax Returns: Manager confirms that: (a) Operations is not required to withhold taxes from any amounts payable to Manager under this Agreement under the Code; (b) to the extent required by law, to exempt Operations from withholding on payments to Manager, Manager shall promptly deliver a Form W-9 to Operations dated as of the date of this Agreement (and shall update such form as necessary or upon request); and (c) Manager files, or is included in state income tax returns filed by Manager's direct or indirect parent and such entity files, state income tax returns in each state where Manager, directly or indirectly or through its subsidiaries, leases or operates any property owned by Tenant or its Affiliates.

31. Inspection of the Facility. Tenant, Operations and any Facility Lender and their respective employees and agents and consultants may, upon prior written notice and at reasonable times, visit the Facility for the purpose of (i) inspecting the Facility, (ii) inspecting the performance by Manager of its obligations under this Agreement or (iii) showing the Facility to current or prospective purchasers, investors, lessees or lenders. Upon reasonable prior request, Manager shall facilitate access permitted under this Section 31.

32. Amendments: The terms, conditions and provisions of this Agreement may not be modified except in writing executed and delivered by each of the parties hereto.

33. Failure to Perform: If Manager shall at any time fail to perform any obligation on its part to be performed hereunder, then without limiting its other remedies Operations, after ten (10) business days' written notice (or such shorter notice as may be required for Operations or Tenant to take action to prevent a default or an event of default under the Facility Loan Documents) to Manager, may (but shall not be obligated to) perform any obligation on Manager's part to be performed as provided in this Agreement and may enter upon the Facility for said purpose and take all such action thereon as may be necessary or desirable therefor. Any out-of-pocket sums paid or costs or expenses incurred in connection therewith shall be paid by Manager to Operations within five (5) days of written demand of Manager therefor. The rights of Operations and Manager pursuant to this Section 33 shall survive the expiration of the Term and any earlier termination of this Agreement.

34. REIT Status: Manager acknowledges that: (i) Operations (or the direct or indirect owner of Operations) intends to qualify as a "taxable REIT subsidiary" under the Code, (ii) one or more of Tenant's direct or indirect parent entities intend to qualify as REITs and (iii) Operations, Tenant and their direct or indirect owners therefore are subject to operating and other restrictions under the Code. Notwithstanding anything to the contrary in this Agreement:

(a) if Operations determines that this Agreement or Manager's operation of the Facility under this Agreement could jeopardize Operations's (or Operations's owner's) qualification as a taxable REIT subsidiary or the qualification of Tenant's direct or indirect parent as a REIT, Manager shall reasonably cooperate with Operations to revise this Agreement or restructure this arrangement so that

Operations is satisfied with such qualification; provided, that (a) any such actions shall be completed at no additional unreimbursed cost to Manager, (b) the economic terms of this Agreement shall not be materially modified or changed and (c) to the extent that such revision or restructuring results in Manager being required to perform additional services, Manager shall be paid an additional fee for such additional services as reasonably agreed upon by Manager and Operations.

(b) If Operations and Manager cannot take actions to the satisfaction of Operations to protect such tax status, Operations shall have the right to terminate this Agreement upon 5 days' notice to Manager without payment of the Termination Fee;

(c) Manager shall not enter into any Occupancy Agreement for the Facility (or any part of it), except Resident Agreements of a form approved by Tenant, without first giving Tenant a copy of such document for Tenant's approval, and Tenant may withhold such approval if: (a) such lease, sublease, or occupancy agreement violates this Agreement; or (b) such lease, sublease or occupancy agreement (1) could provide for a rental to be paid by the occupant thereunder based (or considered to be based), in whole or in part, on the net income or profits of any person, or any other formula such that any portion of the rent payable under the Occupancy Agreement could fail to qualify as "rents from real property" within the meaning of Code Section 856(d) or (2) otherwise could jeopardize such REIT's qualification as such for federal income tax purposes.

35. Independent Contractor. Manager represents and warrants (i) that the management fee payable under this Agreement is an arm's length management fee that provides adequate compensation for Manager's services hereunder and (ii) that, as of the Effective Date, Manager is an Independent Contractor. Throughout the Term, (i) Manager shall ensure that it qualifies as an Independent Contractor, and (ii) Manager shall not cause the Facility to be treated as a "qualified health care property" as defined in Section 856(e)(6)(D)(i) for purposes of Section 856(d)(8)(B) and Section 856(d)(9) of the Code. Manager shall, from time to time, provide to Operations information requested by Operations to allow Operations to confirm Manager's status as an Independent Contractor and the Facility's status as other than a qualified health care property. If Manager or any Affiliate of Manager becomes aware that Manager may no longer constitute an Independent Contractor or the Facility may be treated as a qualified health care property, then Manager shall promptly (but in any event within five (5) days) so notify Operations. This Section 31 shall apply for so long as the Facility is owned by an entity, or through an ownership structure, that is subject to REIT tax requirements.

36. Certain Definitions:

(a) "**Affiliate**" means, with respect to any Person, any other Person that, directly or indirectly, controls or is controlled by, or is under common control with, such Person.

(b) "**Applicable Facility Loan Documents, Superior Leases and Title Documents**" means all (A) Facility Loan Documents, Superior Leases and Title Documents in effect as of the Effective Date and (B) all Facility Loan Documents, Superior Leases and Title Documents entered into after the date hereof, but (with respect to this clause (B)) only to the extent (i) Manager has received written notice of, and an opportunity to consult and comment on, the obligations imposed by such instrument on Manager or the Facility prior to the imposition of such obligations and (ii) such obligations are reasonable and customary for facilities similar to the Facility and may be performed by Manager using

commercially reasonable efforts without additional cost to Manager (unless such cost is *de minimis* or reimbursed by Tenant).

(c) "**Applicable Law(s)**" means all statutes, laws, ordinances, rules, regulations, requirements, judgments, orders and decrees of any Governmental Authority, including any requirement(s) or standard of any agency or other Governmental Authority required for any party to maintain licensure or certifications.

(d) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. References to Code Sections include any similar or successor provisions thereto.

(e) "**Facility Lender**" means any lender under any Facility Loan.

(f) "**Facility Loan**" means any loan made to Tenant or any of its Affiliates on or after the Effective Date and secured by the Facility or equity interests in direct or indirect owners thereof.

(g) "**Facility Loan Documents**" means any agreement, document or other instrument evidencing or securing any Facility Loan so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(h) "**FCA**" means the False Claims Act, 31 U.S.C. §§ 3729-3733, any successor or similar federal or state statutes or laws, and any regulations promulgated under any of the foregoing, in each case as amended from time to time.

(i) "**Governmental Authority**" means (i) any government or political subdivision thereof, whether foreign or domestic, national, state, county, municipal or regional; (ii) any agency or instrumentality of any such government, political subdivision or other government entity (including any central bank or comparable agency); and (iii) any court, in each case, to the extent having jurisdiction over the Facility, the Tenant or the Manager, as applicable.

(j) "**GAAP**" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the U.S. accounting profession), which are applicable to the circumstances as of the date of determination.

(k) "**Independent Contractor**" means a person that satisfies the following requirements, at all times while they are a party to this Agreement or while their status as an Independent Contractor is relevant under this Agreement:

(i) Such person does not own, directly or indirectly (for purposes of Code Section 856(d)), more than 35% of the shares of Manager, Tenant or any Affiliate of Manager or Tenant;

(ii) Not more than 35% of the total combined voting power (or value) or the total shares of such person's stock is owned, directly or indirectly, by one or more persons that own 35% or more of the shares of Manager, Tenant or any Affiliate of Manager or Tenant, provided, that, for any class of stock of Manager, Tenant or any Affiliate of Manager or Tenant that is regularly traded on an established securities market, only persons owning, directly or indirectly, more than 5% of such class of stock (for purposes of Code Section 856(d)) shall be taken into account as owning any stock of such class

(but all of the outstanding stock of such class shall be considered outstanding in order to compute the denominator for purposes of determining the applicable percentage of ownership);

(iii) None of Manager, Tenant or any related person (for purposes of Code Section 856) thereto derives any income from such person, any Affiliate of such person or any entity in which such person owns a direct or indirect interest without the prior written consent of Tenant, which Tenant may grant or withhold in its sole and absolute discretion;

(iv) To the extent that any of Manager, Tenant or any related person (for purposes of Code Section 856) derives income from any direct or indirect owner of such person that intends to qualify as an Independent Contractor or any entity that has a common parent with such person, such owner or entity shall keep its own books and records, operate as a separate entity from its Affiliates and have, or its direct or indirect parent shall have, its own officers and employees; and

(v) Such person otherwise qualifies as an "independent contractor" for purposes of Code Section 856.

(l) "**Manager's Standards**" means, at any time and from time to time, operational and physical standards that are materially consistent with the practices and standards then implemented at senior housing communities managed or operated by Manager or any of its Affiliates.

(m) "**New Senior**" means New Senior Investment Group, Inc.

(n) "**Other Management Agreements**" means the management agreements entered into by Tenant or its Affiliate, on the one hand, and Manager or its Affiliate, on the other hand, as of the Effective Date, with respect to the senior living facilities identified on Schedule 11 (a) (other than the Facility).

(o) "**Person**" means any individual, sole proprietorship, joint venture, corporation, partnership, limited liability company, governmental body, regulatory agency or other entity of any nature.

(p) "**REIT**" means a "real estate investment trust" within the meaning of Code Section 856 through 860.

(q) "**Resident**" means any individual residing at the Facility.

(r) "**Sub-Management Fee**" means the "Fee" as defined in this Sub-Management Agreement.

(s) "**Superior Lease**" means any lease pursuant to which Tenant leases all or any portion of the Facility so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(t) "**Title Document**" means any easement, covenant, condition, restriction or similar document or instrument affecting title to the Facility (whether fee or leasehold or otherwise) and recorded in the land records of the jurisdiction in which the Facility is located so long as a true, correct and complete copy of such agreement, document or other instrument has been provided to Manager.

(u) "**Travel Program**" means the program administered by Manager whereby residents of a Manager-managed facility are permitted to stay, subject to the availability of a guest room at the subject location, at another Manager-managed facility up to seven nights free of charge.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the dates set forth below.

MANAGER

HOLIDAY AL MANAGEMENT SUB LLC

By: _____
Name:
Title:

OPERATIONS

[_____]

By: _____
Name:
Title:

Schedule 11(a)

Base Fee Amount

Comm #	Community	Base Fee Amount
C5499	ARLINGTON PLAZA	$966,244.94
C5500	BLAIR HOUSE	$1,582,881.16
C5501	BRIARCREST ESTATES	$1,030,152.63
C5502	BENTLEY, THE	$1,513,339.31
C5503	COUNTRY SQUIRE	$1,548,419.76
C5504	COURTYARD AT LAKEWOOD, THE	$1,741,784.85
C5505	DURHAM REGENT	$1,701,325.34
C5506	CHATEAU RIDGELAND	$962,761.72
C5507	EL DORADO, THE	$1,032,140.38
C5508	FOUNTAINS AT HIDDEN LAKES, THE	$999,826.87
C5509	BLUE WATER LODGE	$1,859,564.17
C5510	PIONEER VALLEY LODGE	$858,328.24
C5511	SKY PEAKS	$2,278,216.81
C5512	GRIZZLY PEAK	$2,102,283.12
C5513	ESSEX HOUSE	$1,731,416.78
C5514	GREELEY PLACE	$956,787.82
C5515	HIDDEN LAKES	$1,451,412.98
C5516	MAPLE DOWNS	$2,025,735.14
C5517	ILLAHEE HILLS	$1,255,290.32
C5518	MADISON ESTATES	$892,437.98
C5519	PARKWOOD ESTATES	$1,516,384.02
C5520	PALMER HILLS	$1,237,847.47
C5521	PUEBLO REGENT	$1,221,143.69
C5522	OAKWOOD HILLS	$1,705,021.91
C5523	REGENCY RESIDENCE	$1,620,468.88
C5524	ROCK CREEK	$1,742,379.62
C5526	JORDAN OAKS	$2,298,137.30
C5527	JACKSON OAKS	$1,026,263.13
C5528	FLEMING POINT	$2,077,752.19
C5529	COLONIAL HARBOR	$1,525,070.74
C5530	DESOTO BEACH CLUB	$1,805,436.01
C5531	SIMI HILLS	$2,668,853.92
C5532	ORCHID TERRACE	$2,545,405.61
C5533	DOGWOOD ESTATES	$1,823,458.20
C5534	PINEWOOD HILLS	$1,519,759.43
C5535	SUMMERFIELD ESTATES	$173,728.99
C5536	STONEYBROOK LODGE	$2,564,231.06
C5537	THORNTON PLACE	$1,275,020.29

C5538	UFFELMAN ESTATES	$1,352,700.11
C5539	LODGE AT COLD SPRINGS	$1,217,717.47
C5540	VENTURA PLACE	$1,767,315.56
C5541	WHITEROCK COURT	$1,542,508.97
C5542	VISTA DE LA MONTANA	$1,119,388.71
C5543	VILLAGE GATE	$2,114,935.92
C5544	WESTMONT, THE	$2,653,346.26
C5545	WALNUT WOODS	$1,561,886.38
C5546	MANOR AT OAKRIDGE	$1,654,370.65
C5547	CHERRY LAUREL	$1,971,400.91
C5548	GRASSLANDS ESTATES	$1,453,630.04
C5549	SHELDON OAKS	$1,495,704.50
C5550	REGENT, THE	$1,116,850.10
	TOTALS	$79,858,468.39

EXHIBIT A

Master Management Agreement - Schedule 6

Insurance

(a) *Required Insurance Coverage.*

(1) Property damage to be covered by an "All Risk" Property Insurance Policy for the Facility which must not include a coinsurance provision. The policy amount must cover one hundred percent (100%) full replacement cost of the improvements of the Facility and terrorism coverage must be included or procured as a separate policy covering the Facility. The deductible may not exceed $250,000.00 per occurrence. Such policy must provide business interruption coverage on actual loss sustained or minimum twelve (12) months' gross income/rents/actual loss sustained with a maximum deductible of seventy-two (72) hours per occurrence. An extended period of indemnity for three hundred and sixty five (365) days is required.

(2) Windstorm and Flood coverage, and exclusions are acceptable, provided a separate policy or coverage is obtained for these exclusions as applicable. Such coverage shall be required for the Facility when the property damage insurance excludes any type of wind or flood related event. State insurance plans are acceptable if that is the only coverage available in that insurance market. Business income/rent loss coverage is in the manner set forth in clause (1) above. One hundred percent (100%) replacement cost is required or an amount agreed to by Tenant. Maximum deductible is five percent (5%) of the total insured value. If the Facility lies within Special Flood Hazard Area (SFHA) A or V, flood coverage is required at one hundred percent (100%) full replacement cost of the improvements of the Facility. If one hundred percent (100%) replacement cost is not available, then the maximum amount of insurance available under the National Flood Insurance Program (NFIP) must be obtained and amount agreed to by Tenant. The maximum deductible is five percent (5%) of the Total Insured Value as listed on the policy. The NFIP policy declaration page is acceptable evidence of coverage. An excess flood or Difference in Conditions (DIC) policy must provide for the difference, if any, between the maximum limit provided by NFIP policies and the full replacement cost. Business income/rent loss is required in the manner set forth in clause (1) above.

(3) Ordinance and Law coverage, and if the Facility is a legal non-conforming use project, the policy must include coverage for Loss to Undamaged Portion of the Building (Coverage A) which must equal one hundred percent (100%) replacement costs of the structure(s), Demolition Cost (Coverage B) and Increased Cost of Construction (Coverage C), each at a minimum of twenty percent (20%) of full replacement cost of the Facility.

(4) Boiler and Machinery coverage shall be required where any centralized HVAC, boiler, water heater or other type of pressure-fired vessel is in operation at the Facility. Such coverage must be equal to one hundred percent (100%) full replacement cost of the Facility. The deductible may not exceed property insurance policy deductible.

(5) Earthquake coverage, and the seismic risk will be determined for properties in Seismic Zones 3 or 4. Such coverage is required if the Probable Maximum Loss (PML / SUL) is twenty percent (20%) or greater. If earthquake insurance is required, the amount of coverage

required will be determined based on Facility Loan requirements or earthquake simulation modeling for the Facility. The maximum deductible is five percent (5%) of the total insured value.

(6) Business Income/Rent Loss coverage for Actual loss sustained or minimum of twelve (12) months' of gross income/rents. Extended period of indemnity – three hundred and sixty five (365) days' loss of income/rents. Such coverage is required for all property insurance coverage including windstorm, flood, earthquake and terrorism even if written on a stand-alone basis. The maximum deductible is seventy-two (72) hours per occurrence.

(7) Builder's Risk coverage is required during construction after an insured loss or general construction. Must be written for one hundred percent (100%) of the completed value on a non-reporting basis. The maximum deductibles are $50,000.00 per occurrence.

(8) Sinkhole/Mine Subsidence coverage is required if the Facility is in an area prone to these geological phenomena. One hundred percent (100%) replacement cost is required. The maximum deductibles are $100,000.00 per occurrence or the applicable earthquake deductible if earth movement coverage applies.

(9) General Liability coverage for the minimum limit of general liability coverage for bodily injury, death and property damage must be $1,000,000.00 per occurrence/claim, with a $2,000,000.00 general aggregate limit. Terrorism coverage must be provided.

(10) Excess/Umbrella Liability coverage with limits of not less than $39,000,000.00 per occurrence/claim and aggregate limits for bodily injury, death and property damage.

(11) Commercial Auto Liability coverage for $1,000,000.00 per occurrence is required where the Facility uses cars, vans or trucks for business purposes.

(12) Healthcare Professional and Excess Liability covering bodily injury and property damage. Minimum Professional Liability and Excess Liability Insurance is $39,000,000.00.

(13) Crime / Fidelity coverage at a minimum of $1,000,000.00 per occurrence is required and the maximum deductible or self-insured retention is $75,000.00, covering the Facility Employees in job classifications normally bonded in the seniors housing industry or as otherwise required by Applicable Law, and comprehensive crime insurance to the extent Manager determines it is necessary for the Facility.

(14) Workers Compensation and Employers Liability Coverage with Coverage A with statutory limits and Coverage B with limit of $500,000 per occurrence for bodily injury and by disease and policy limit. In states where insured are legally able to non-subscribe, Manager may elect to do so, as long as Manager has an approved non-subscriber plan in such state. Insurance under this clause may include a deductible or self-insured retention of no more than $1,000,000 per occurrence.

(b) ***Additional Tenant Requirements*****.** Notwithstanding anything in Section 6 of the Agreement or this Schedule 6 to the contrary, Tenant may, from time to time, and upon 30 days' prior notice to Manager, require Manager to obtain and maintain higher liability limits, lower deductibles or additional insurance coverages or to obtain any coverages from and maintain them with insurers that (in each case) are (i) required under the Facility Loan Documents or (ii) deemed advisable by Tenant in its reasonable judgment for its protection against claims, liabilities and

losses arising out of or connected with Manager's performance under this Agreement, in each case to the extent that such requirements are generally available using commercially reasonable efforts to operators of senior living facilities of a similar type and (in the case of clause (ii)) customary.

(c) ***Additional Requirements.***

(1) Manager shall provide Tenant and the Facility Lender a satisfactory ACORD 25 Liability and ACORD 28 Property certificate evidencing the existence of the insurance required by this Agreement and showing the interests of Tenant and Facility Lender prior to the commencement of the Term or, for a renewal policy, not less than five (5) days following the expiration date of the policy being renewed. Manager shall provide a complete copy of the related policy within ten (10) days after a request therefor by Tenant or the Facility Lender or within ten (10) days after Manager has received such policy from the insurer following the request.

(2) Manager may satisfy the requirements for insurance coverage under this Agreement through coverage under a so-called blanket policy or policies of insurance carried and maintained by Manager; provided, however, that the coverage afforded Tenant will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements of this Agreement by reason of the use of such blanket policy of insurance.

(3) Manager shall provide immediate written notice (A) to the insurer, the Facility Lender and Tenant of any material claim, or event of loss payable, under the policy for the insurance coverage specified in clauses (a)(1) – (a)(8) of Schedule 6, and (B) to the Facility Lender and Tenant of Manager's receipt of any proceeds relating to any event of loss described in clause (A) above. Tenant may require Manager to deliver to the Facility Lender in accordance with the Facility Loan Documents any proceeds received by Manager.

(d) ***Insurance Coverage by Contractors and Other Vendors.***

(1) Manager shall make commercially reasonable efforts to secure certificates of insurance from any contractors, service providers, and vendors that provide maintenance or repairs on or in the premises, or that provide supplies and inventory to the Facility, in either case in an amount exceeding $100,000.00 per year (collectively, "**Service Providers**"), which certificates (A) evidence valid and enforceable policies issued by insurers licensed and approved to do business in the state in which the Facility is located and having general policyholders and financial ratings of not less than "A-" and "VII", respectively, in the then current A.M. Best's Insurance Report; (B) name Tenant, Manager and the Facility Lender as additional insureds by endorsement on Service Provider's commercial general liability insurance policy; (C) are written on an occurrence policy form; (D) are primary and non-contributory and provide that any insurance maintained by Manager or Tenant for the Facility is excess of Service Provider's insurance; and (E) provide a waiver of subrogation and all rights of recovery by the insurer against and in favor of Manager and Tenant.

(2) Service Providers shall have and maintain insurance coverage with limits of not less than (A) $1,000,000.00 for each occurrence, (B) $1,000,000.00 for personal/advertising injury, (C) $2,000,000.00 general aggregate, and (D) $2,000,000.00 aggregate for products and

completed operations. In addition, Service Providers shall have and maintain (I) workers' compensation coverage for injuries sustained by Service Provider's employees in the course of their employment and otherwise consistent with all Applicable Laws and employer's liability coverage with limits not less than $1,000,000.00 each accident, $1,000,000.00 bodily injury due to disease each employee and $1,000,000.00 bodily injury due to disease policy limit, and (II) automobile liability coverage for all owned and non-owned vehicles, including rented and leased vehicles, covering bodily injury, including death, and property damage with a limit of $1,000,000.00 each accident.

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Section 3: EX-10.5 (EXHIBIT 10.5)

EXECUTION COPY

New Senior Investment Group Inc.

November 16, 2018

VIA EMAIL

Dear Susan:

It is with great pleasure that we extend to you an offer to join New Senior Investment Group Inc. (collectively with its subsidiaries and affiliates, the "Company"), as set forth below. This letter, together with Exhibit A hereto, is referred to herein as the "Letter Agreement."

Title:	You will serve as the Chief Executive Officer of the Company. You will devote your full working time to the Company.
Start Date:	On January 1, 2019 (or such earlier or later date as the Company and you shall mutually agree) (the "Start Date"). The Company acknowledges that you have served as the Chief Executive Officer of the Company prior to the Start Date, but that you were not a direct employee of the Company prior to the Start Date.
Location of Employment:	You will be an employee of the Company at its office in New York, New York, although you acknowledge that you may be required to travel from time to time for business reasons, as reasonably requested by the Company.
Term:	This Letter Agreement shall govern the initial three years of your employment commencing on the Start Date (the "Initial Term"). In the event this Letter Agreement is not terminated, amended or superseded by a subsequent agreement between the parties prior to the expiration of the Initial Term or any Renewal Term, the terms of this Letter Agreement shall continue to govern the terms and conditions of your employment for successive one-year periods (each, a "Renewal Term" and the period of your employment under this Letter Agreement shall be referred to as the "Term"). Notwithstanding anything to the contrary, nothing in this Letter Agreement shall be construed as giving you the right to continued employment or the right to be employed in any position or capacity by the Company and your employment may be terminated by either party, for any reason whatsoever, in accordance with the terms hereof and the "Employment Relationship" and "Severance Benefits" sections below.
Base Salary:	Your base salary will be paid at the rate of $750,000 per annum (the "Base Salary"), payable in accordance with the regular payroll practices of the Company. This means that you will be paid your Base Salary on a semi-monthly basis on the 15th (the "First Payday") and the last day of each month (the "Second Payday"). If the First Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the business day immediately prior to the First Payday, and if the Second Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the business day immediately prior to the Second

Payday. The Company reserves the right to modify its payroll practices and payroll schedule at its sole discretion.

Transition Award:

Within 30 days of the Start Date, you will receive an equity award (the "Transition Award") pursuant to the New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan adopted as of October 16, 2014, as it may be amended or restated on or before the Start Date (and any successor plan thereto) (the "Plan"), approximately 33.33% of which will be in the form of stock options (such options, the "Options") and approximately 66.66% of which will be in the form of restricted stock. The Transition Award will have a grant date fair market value of $3,000,000 (with the number of Options to be determined based on Black Scholes methodology used in the ordinary course by the Company's option valuation firm). The Options will have a per share exercise price equal to the fair market value of a share of common stock of the Company on the date of grant and an outside term of ten years. In the event of a termination without Cause by the Company, a resignation for Good Reason by you, or your death or permanent disability, any then vested Options (including, for the avoidance of doubt, any Options which vest upon such termination) will remain outstanding and exercisable for a one year period; in the event you resign without Good Reason, any then vested Options will remain outstanding and exercisable for 90 days; and in the event you are terminated for Cause, vested Options will immediately terminate without payment. Unless provided in this Letter Agreement, any unvested Options outstanding as of any separation from service with the Company will immediately terminate without payment.

The Transition Award is subject to your execution of the applicable award agreements governing such equity grants, which shall not contain terms inconsistent with those set forth in this Letter Agreement. The Transition Award will vest ratably over the three year period commencing with the date of grant, subject to your continued employment on the applicable vesting dates associated with such Transition Award, except as otherwise provided in this Letter Agreement. All dividends declared on unvested restricted stock granted pursuant to the Transition Award shall accrue and become vested to the same extent that the underlying shares become vested and shall be paid within 60 days following the vesting date. In order to be eligible to receive the Transition Award, you must commence employment with the Company on the Start Date and be an active employee at, and not have given or received notice of termination prior to, the date of grant.

For the avoidance of doubt, you acknowledge and agree that you are not eligible to receive a cash bonus from the Company in respect of calendar year 2018.

2019 Minimum Bonus:

For calendar year 2019 and provided you begin employment at the Company on the Start Date, you will receive a minimum cash bonus of $1,125,000, payable at such time as similarly situated Company employees receive discretionary bonuses in respect of calendar year 2019, which time will be no later than March 15, 2020 (the "2019 Minimum Bonus"). In order to be eligible for the 2019 Minimum Bonus, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Annual Discretionary Bonus (after January 1, 2020):

For calendar years after 2019 and during the Term, you will be eligible to receive an annual discretionary cash bonus, subject to the terms and conditions in this section. The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its discretion, will determine whether any such bonus will be paid and the amount of any such bonus. The amount of your annual discretionary bonus, if any, shall be based on the Company's and your performance against performance criteria established by the Compensation Committee, after consultation with you. Such performance criteria shall include minimum performance criteria (the "Bonus Threshold Criteria"), which must be met, as determined by the Compensation Committee in its discretion, in order for you to be eligible to receive any annual discretionary bonus. Your target annual bonus amount is 150% of your Base Salary (the "Target Bonus"). If the Compensation Committee determines, in its discretion, that the performance criteria for the payment of a Target Bonus in any applicable calendar year has been met or exceeded, you will be eligible to receive the Target Bonus or a higher amount, but not more than 250% of your Base Salary (the "Maximum Target Bonus"). Likewise, if the performance criteria for the payment of a Target Bonus has not been met for any applicable calendar year, but the Bonus Threshold Criteria has otherwise been met or exceeded, you will be eligible to receive an amount lesser than the Target Bonus, but not less than 75% of your Base Salary (the "Minimum Target Bonus"). For the avoidance of doubt, if the Bonus Threshold Criteria has not been met for any applicable calendar year, then you will not be eligible to receive any annual discretionary bonus for such calendar year. The annual discretionary bonus (if any) will be paid to you, in cash, no later than March 15 of the immediately subsequent calendar year.

Payment of an annual discretionary bonus or any bonus in any given fiscal or calendar year does not entitle you to additional compensation or any such bonus in any subsequent year. In order to be eligible for any bonus while employed at the Company, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Equity-Based Compensation: During the Term, in addition to the Transition Award, you will be eligible to receive annual equity-based awards pursuant to the Plan, which shall be subject to the terms and conditions generally applicable to other senior executives of the Company and in this section of the Letter Agreement. The Compensation Committee, in its discretion, will determine whether any such awards will be made to you and the amount of any such awards in accordance with this section of the Letter Agreement, with the target value for such annual awards equal to $2,000,000 (based on the grant date fair market value of the Company's publicly traded common stock as determined under the Plan); provided that, the Compensation Committee may, in its discretion grant annual awards with a target vale in excess of $2,000,000. Any such annual equity awards shall be granted within 90 days following the commencement of each calendar year during the Term (except, in the event that the Compensation Committee determines that the Company has an insufficient number of shares remaining under the Plan to make such grants, such grants will not be made unless and until the Company's shareholders approve for issuance at least the number of shares necessary to make such awards under the Plan). With respect to any annual equity awards granted in a given year, (a) 75% will be in the form of a performance-based restricted stock or restricted stock units, pursuant to which 0% to 200% of the target number of shares subject to the award may be earned (with a threshold opportunity equal to 50% of such target number of shares, a target opportunity equal to 100% of such target number of shares, and a maximum opportunity equal to 200% of such target number of shares), with the performance goals for such award to be based on Company performance over a three-year performance period compared against performance criteria established by the Compensation Committee after consultation with you and based on industry-standard metrics and (b) 25% will be in the form of time-based vesting restricted stock that will vest ratably over a three year period, in each case subject to your continued employment through each such vesting date (except as otherwise provided in this Agreement) and unless otherwise determined by the Compensation Committee. However, in no event shall the annual awards to be granted in calendar year 2019 be comprised of less than, on a grant date target value basis, (x) 25% time-based vesting restricted stock that will vest ratably over the three-year period beginning on the Start Date, and (y) 75% performance-based restricted stock, which will become vested based on Company achievement of certain absolute and relative return targets over a three-year performance period beginning on the Start Date in accordance with clause (a) above. With respect to annual awards granted in the form of restricted stock or restricted stock units (regardless of whether such awards vest based on time or performance goals), when dividends are declared on the unvested underlying shares, such dividends shall accrue and become vested and paid to the same extent that the underlying shares become vested (but in no event later than 2.5 months following the year in which such award becomes vested).

Your entitlement to any equity awards remains subject to your execution of the applicable award agreements governing such awards. In order to be eligible to receive any equity awards, you must be an active employee at, and not have given or received notice of termination prior to, the date of grant.

You acknowledge and agree that your historical equity awards in the Company (including, without limitation, any Tandem Awards, pursuant to any agreement between you and your prior employer, FIG LLC ("FIG LLC" together with its affiliates, including Fortress Investment Group, "Fortress")) remain subject to the terms and conditions of the documentation governing such awards, and that the Company assumes no liability with respect to any such awards.

Benefits:	Effective on the Start Date, you (and your spouse, registered domestic partner and/or eligible dependents, if any) shall be entitled to participate in the same manner as other similarly situated employees of the Company in the employee benefit plans that are generally made available to the Company's employees, subject to satisfying the applicable eligibility requirements. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time, at the Company's sole discretion.
Indemnification and Director and Officer Liability Insurance:	The Company shall indemnify you and hold you harmless from any and all claims arising from your employment with the Company to the extent set forth in that certain Indemnification Agreement between the Company and you dated October 16, 2014, and otherwise to the fullest extent provided under the Company's charter, by-laws and applicable law. During the course of your employment, the Company shall maintain director and officer liability insurance ("D&O Insurance") under which you shall be covered to the fullest extent permissible under the Company's D&O-Insurance policy or policies.
Paid Time Off:	During your employment, you will be entitled to paid time off ("Paid Time Off") in accordance with the Company's policies then in effect.

Representation: You represent that on the Start Date, you will be free to accept employment hereunder without any contractual restrictions, express or implied, with respect to any of your prior employers, except for those restrictions with your prior employer, FIG LLC. You represent that you have not taken or otherwise misappropriated and you do not have in your possession or control any confidential and proprietary information belonging to any of your prior employers or connected with or derived from your services to prior employers. You represent that you have returned to all prior employers any and all such confidential and proprietary information. You further acknowledge that the Company has informed you that you are not to use or cause the use of such confidential or proprietary information in any manner whatsoever in connection with your employment by the Company. You agree that you will not use such information. Except for the matter of *Cumming* v. *Edens*, C.A. No. 13007-VCS, presently pending in the Court of Chancery for the State of Delaware, of which the Company is aware, you represent that you are not currently a party to any pending or threatened litigation or arbitration, including with any current or former employer or business associate. In the event that you become a party to any pending or threatened litigation or arbitration after the date on which you sign this Letter Agreement but prior to your Start Date and at all times thereafter while you are employed by the Company, you shall promptly provide the Company with notice of such, in writing. You shall indemnify and hold harmless the Company from any and all claims arising from any breach of the representations and warranties in this paragraph.

The above representations and acknowledgment do not apply to any confidential or proprietary information belonging to Fortress that you have had or continue to have access to as a result of your employment with FIG LLC, solely to the extent: (i) such information has been transferred by Fortress to the Company pursuant to the terms and conditions of a written agreement between Fortress and the Company; or (ii) Fortress has agreed, in writing, to provide you with such confidential or proprietary information.

You represent that you understand that this Letter Agreement sets forth the terms and conditions of your employment relationship with the Company and as such, you have no express or implied right to be treated the same as or more favorably than any other employee of the Company or any of its affiliates with respect to any matter set forth herein based on the terms or conditions of such person's employment relationship with the Company or any of its affiliates. You further agree to keep the terms of this Letter Agreement confidential and not to disclose any of the terms or conditions hereof to any other person, including any employee of the Company, other than to your attorney or accountant or, upon the advice of counsel after notice to the Company, as may be required by law, except to the extent such disclosure is protected by applicable law.

Work Authorization: Employment with the Company is contingent upon your unrestricted authorization to work in the United States and providing documentation establishing your identity and authority to work within the time period specified by law.

Policies and Procedures: You agree to comply fully with all Company policies and procedures applicable to employees, as amended and implemented from time to time, including, without limitation, tax, regulatory and compliance procedures.

Employment Relationship: This Letter Agreement is not a contract of employment for any specific period of time, and subject to the notice provisions herein, your employment is "at will" and may be terminated by you or by the Company at any time for any reason or no reason whatsoever. In each case where the term the "Company" is used in this Letter Agreement it shall mean, in addition to the Company, any Company affiliate by whom you may be employed on a full-time basis at the applicable time. You agree that effective as of any separation from service with the Company, you will have been deemed to resign from all positions you may hold with the Company and its affiliates (including any board memberships), and will take any actions that may be reasonably required to effectuate such resignation, without prejudice against any rights you may otherwise have under this Agreement.

You agree to provide the Company with at least thirty (30) days' advance written notice of your resignation of employment (the "Notice Period," which Notice Period shall be considered a "Protective Covenant" (as hereinafter defined) for purposes of this Letter Agreement). The Company may, in its sole discretion, direct you to cease performing your duties, refrain from entering the Company's offices and/or restrict your access to the Company systems, trade secrets and confidential information, in each case during all or part of the Notice Period. During the Notice Period, you shall continue to be an employee of the Company, the Company shall continue to pay you your Base Salary and benefits, and you shall be entitled to all other benefits and entitlements as an employee until the end of the Notice Period (although you acknowledge that (i) you shall not be entitled to receive any bonus not already paid prior to the commencement of the Notice Period; (ii) your Base Salary, benefits, and entitlements shall cease if you breach any of your agreements with or obligations to the Company or any of its affiliates, including, without limitation, those "Protective Covenants" set forth below and incorporated herein; (iii) your Paid Time Off (as defined below) will be treated in accordance with the Company's policies then in effect; and (iv) such Notice Period shall be disregarded for purposes of the vesting of equity, if any).

Severance Benefits: The following constitutes "Severance Benefits":

If your employment with the Company is terminated without Cause (as hereinafter defined) by the Company (which shall include a non-renewal of the Term by the Company) or for Good Reason (as defined below) by you (any such event, a "Qualifying Termination"), in either case at any time other than during a Change in Control Protected Period (defined below), and subject to your compliance with the Protective Covenants (below) and your execution without revocation of a release of claims against the Company (a "Release") within sixty (60) days following the date of such termination, you will be entitled to: (i) a lump sum payment equal to the product of (x) two (2) and (y) the sum of your then current Base Salary and Target Bonus; (ii) a prorated portion of your Target Bonus for the year in which your employment is terminated (the "Prorated Bonus"); and (iii) a lump sum payment equal to the product of (x) eighteen (18) and (y) the amount equal to the monthly premium for health, prescription drug, dental and vision coverage as in effect on the date of termination under the Company's plans pursuant to the Consolidated Budget Reconciliation Act of 1985, as amended, less the portion of the monthly premium cost of such coverage payable by an active employee as of the date of termination (the "Monthly COBRA Premium"); and (iv) to the extent not otherwise provided for under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, (x) immediate vesting in any then outstanding Transition Awards and (y) for any then outstanding annual equity awards granted under the Plan or any successor thereto, (I) with respect to any then outstanding time-vesting award, (A) if such award vests in annual (or shorter) installments, immediate vesting in that portion of the award that would have otherwise vested within 365 days following the date of any such separation from service and (B) if such award provides for vesting not described in clause (A), immediate vesting in a pro-rated portion of the award, based on the period of time that has elapsed during the vesting period, and (II) with respect to any then outstanding performance based award, vesting shall be based on achievement of actual performance as of the date of such separation from service compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period. The amounts set forth in the preceding clauses (i), (ii), and (iii) shall be paid to you within sixty (60) days following your Qualifying Termination.

Change in Control Benefits: The following constitutes "Change in Control Benefits":

Upon a Change in Control (as such term is defined in the Plan), to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding performance-based equity awards granted under the Plan or any successor thereto shall become immediately vested, based on achievement of actual performance as of the date of the Change in Control compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period.

If a Qualifying Termination occurs on or within one year after a Change in Control (as such term is defined in the Plan) (the "Change in Control Protected Period"), you shall receive: (i) a lump sum payment equal to the product of (x) three (3) and (y) the sum of your then current Base Salary and Target Bonus; (ii) your Prorated Bonus; (iii) a lump sum payment equal to the product of (x) eighteen (18) and (y) your Monthly COBRA Premium; and (iv) to the extent not otherwise provided above or under the Plan or any successor thereto or any award agreement granted thereunder, immediate vesting in any then outstanding equity awards (to the extent not otherwise vested), including for the avoidance of doubt, the Transition Award, granted under the Plan or any successor thereto; provided that, any performance-based awards granted on or after the Change in Control shall vest at the greater of target value or actual performance as of the date of termination. The amounts set forth in the preceding clauses (i), (ii), and (iii) shall be paid to you within a reasonable time following your termination of employment, not to exceed sixty (60) days.

Death and Disability Benefits: In the event that your employment terminates on account of your death or Disability (as defined below), then to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding equity awards granted under the Plan or any successor thereto shall become immediately vested upon such termination; provided, that with respect to any performance-based awards, vesting shall be determined as though target performance has been achieved.

Protective Covenants: As a Company employee, at all times you owe the Company your undivided loyalty. You shall not, directly or indirectly, without prior written consent of the Company, at any time during your employment hereunder (including any Notice Period), provide consultative services to, own, manage, operate, join, control, participate in, be engaged in, employed by or be connected with, any business, individual, partner, firm, corporation, or other entity that directly or indirectly competes with (any such action, individually, and in the aggregate, to "compete with"), the Company (including, for these purposes, any of its affiliates). Notwithstanding anything else herein, the mere "beneficial ownership" by you, either individually or as a member of a "group" (as such terms are used in Rule 13(d) issued under the United States Securities Exchange Act of 1934, as amended from time to time) of not more than one percent (1%) of the voting stock of any public company shall not be deemed a violation of this Letter Agreement.

You hereby agree that during your employment with the Company and for the Restricted Period (defined below), you shall not directly or indirectly, without prior written consent of the Company, provide services to, own, manage, operate, join, control, be employed by, participate in, be connected with or associated with any business, individual, partner, firm, corporation, or other any entity (including any subsidiary, division or unit of a multi-strategy firm) (any such entity or subsidiary, division or unit thereof, a "Firm") that, directly or indirectly, competes with the Company or is principally engaged in the business of investing (including, without limitation, the sourcing and/or management and/or acquisition or disposition of any investments) in the senior housing sector (including without limitation independent living, assisted living and/or memory care properties) in the United States (the "Business"). For the avoidance of doubt, (a) a Firm (whether such term is used to refer to only a subsidiary, division or unit of a larger entity or the entire entity) will be considered to be competing with the Company or principally engaged in the Business if any such Firm derives more than 20% of its consolidated gross revenues from the Business or is a newly established entity or a subsidiary, division or unit of an entity that is intended to be principally engaged in from the Business and (b) the foregoing covenant shall not prevent you from being employed by, participate in or be connected with any Firm that is a multi-strategy Firm, so long as you do not provide services or advice, with or without specific compensation, to any Business of such Firm. For purposes of this Letter Agreement, the term "Restricted Period" means (x) the twelve (12) month period following the termination of your employment by the Company for Cause or by you without Good Reason and (y) the eighteen (18) month period following any Qualifying Termination.

You further agree that you shall not, directly or indirectly, for your benefit or for the benefit of any other person (including, without limitation, an individual or entity), or knowingly assist any other person to during your employment with the Company and during the Restricted Period, in any manner, directly or indirectly:

(a) hire or Solicit (as hereinafter defined) the employment or services of any person who provided services to the Company or any of its affiliates, as an employee, independent contractor or consultant at the time of the termination of your employment with the Company or within six (6) months prior thereto;

(b) Solicit any person who is an employee of the Company or any of its affiliates to resign from the Company or such affiliate or to apply for or accept employment with any enterprise;

(c) accept employment or work, in any capacity (including as an employee, consultant or independent contractor), with any firm, corporation, partnership or other entity that is, directly or indirectly, owned or controlled by any Former Employee (as hereinafter defined) of the Company or any of its affiliates and that engages in the Business;

(d) Solicit or otherwise attempt to establish any business relationship (in connection with any business in competition with the Company or any of its affiliates) with any limited partner, investor, person, firm, corporation or other entity that is, at the time of your termination of employment, or was, during the twelve (12) months prior to your termination of employment, a Client, Investor, or Business Partner (as hereinafter defined) of the Company or any of its affiliates; or

(e) interfere with or damage (or attempt to interfere with or damage) any relationship between the Company and any of its affiliates and their respective Clients, Investors, Business Partners, or employees.

For purposes of this Letter Agreement, the term "Solicit" means, as applicable: (a) active solicitation of any Client, Investor, or Business Partner or Company employee; (b) the provision of non-public information regarding any Client, Investor, or Business Partner or Company employee to any third party where such information could be useful to such third party in attempting to obtain business from such Client, Investor, or Business Partner or attempting to hire any such Company employee; (c) participation in any meetings, discussions, or other communications with any third party regarding any Client, Investor, or Business Partner or Company employee where the purpose or effect of such meeting, discussion or communication is to obtain business from such Client, Investor, or Business Partner or employ such Company employee; and (d) any other intentional use of non-public information about any Client, Investor, or Business Partner, or Company employee for the purpose of assisting a third party to obtain business from Clients, Investors, or Business Partners, assisting a third party to hire any Company employee or causing harm to the business of the Company.

For purposes of this Letter Agreement, the term "Client," "Investor," or "Business Partner" shall mean (A) anyone who is or has been a client, investor, or business partner of the Company during your employment, but only if you had a direct relationship with, direct supervisory responsibility for or otherwise were directly involved with such Client, Investor, or Business Partner during your employment with the Company; and (B) any prospective client, investor, or business partner to whom the Company made a new business presentation (or similar offering of services) at any time during the one-year period immediately preceding, or six-month period immediately following, your employment termination (but only if initial discussions between the Company and such prospective Client, Investor, or Business Partner relating to the rendering of services occurred prior to the termination date, and only if you participated in or directly supervised such presentation and/or its preparation or the discussions leading up to it).

For purposes of this Letter Agreement, the term "Former Employee" shall mean anyone who was an employee of or exclusive consultant to the Company as of, or at any time during the one-year period immediately preceding, the termination of your employment.

Any works of authorship, databases, discoveries, developments, improvements, computer programs, or other intellectual property, etc. ("Works") that you make or conceive, or have made or conceived, solely or jointly, during the period of your employment with the Company, whether or not patentable or registerable under copyright, trademark or similar statutes, which either (i) are related to or useful in the current or anticipated business or activities of the Company; (ii) fall within your responsibilities as employed by the Company; or (iii) are otherwise developed by you through the use of the Company's confidential information, equipment, software, or other facilities or resources or at times during which you are or have been an employee constitute "work for hire" under the United States Copyright Act, as amended. If for any reason any portion of the Works shall be deemed not to be a "work for hire," then you hereby assign to the Company all rights, title and interest therein and shall cooperate to establish the Company's ownership rights, including the execution of all documents necessary to establish the Company's exclusive ownership rights.

As a condition of employment, you may be required to sign a confidentiality and proprietary rights agreement, in a form acceptable to you and the Company, and that agreement shall remain in full force and effect after it is executed and following termination of your employment for any reason with the Company or any of its affiliates. The obligations set forth in such agreement shall be considered "Protective Covenants" for purposes of this Letter Agreement and are incorporated herein by reference.

The provisions set forth above in (or incorporated into) this "Protective Covenants" section, together with the Notice Period above, are collectively referred to in this Letter Agreement as the "Protective Covenants" (and each is a "Protective Covenant").

Definitions:

"Cause" means (i) your commission of an act of fraud or dishonesty in the course of your service to the Company; (ii) your indictment, conviction or entering of a plea of nolo contendere for a crime constituting a felony or in respect of any act of fraud or dishonesty; (iii) your commission of an act which would make you subject to being enjoined, suspended, barred or otherwise disciplined for violation of federal or state securities laws, rules or regulations, including a statutory disqualification; (iv) your gross negligence or willful misconduct in connection with your employment by the Company, including through the violation of any written Company code of conduct or other similar policy; (v) your willful breach of any restriction set forth in (or otherwise herein incorporated by reference into) the section above entitled "Protective Covenants;" or (vi) your commission of any material breach of any of the provisions or covenants (excluding the covenants set forth in or incorporated into the "Protective Covenant" section above) set forth herein; provided, however, that discharge pursuant to this clause (vi) shall not constitute discharge for "Cause" unless you have received written notice from the Company stating the nature of such breach and affording you an opportunity to correct fully the act(s) or omission(s), if such a breach is capable of correction, described in such notice within ten (10) days following your receipt of such notice.

"Disability" shall mean that the Executive is eligible to receive income replacement benefits under a long term disability plan provided by the Company or its affiliates.

"Good Reason" shall mean (1) a material reduction in your Base Salary or Target Bonus opportunity or Target Award Value, (2) a material reduction of your duties, authority, responsibilities or reporting relationship, relative to your duties, authority, responsibilities or reporting relationship as in effect immediately prior to such reduction. (3) a relocation of your work location by more than 35 miles or (4) the Company's material breach of this Letter Agreement (which shall include, for the avoidance of doubt, the Company's failure to timely grant the Transition Award); provided that in order to resign for Good Reason, you must provide written notice to the Company of the Good Reason condition within 30 days of its initial existence, and the Company will have 30 days during which it may cure such condition, and if such condition is not cured during such 30 day period, you must resign no later than 60 days following the expiration of the Company's 30 day cure period.

Arbitration:

You agree to submit any claims arising out of this Letter Agreement or your employment and termination thereof to binding arbitration in accordance with the terms of Exhibit A, which are hereby incorporated herein by reference.

Governing Law:

This Letter Agreement will be covered by and construed in accordance with the laws of New York, without regard to the conflicts of laws provisions thereof. EXCEPT AS OTHERWISE PROVIDED IN EXHIBIT A, YOU HEREBY AGREE THAT EXCLUSIVE JURISDICTION WILL BE IN A COURT OF COMPETENT JURISDICTION IN THE CITY OF NEW YORK AND WAIVE OBJECTION TO THE JURISDICTION OR TO THE LAYING OF VENUE IN ANY SUCH COURT.

Section 409A: The intent of the parties to this Letter Agreement is that payments and benefits hereunder comply with Section 409A, to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, you shall not be considered to have terminated employment with the Company for purposes of this Letter Agreement, and no payment shall be due to you under this Letter Agreement, until you would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Any payments described in this Letter Agreement that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Each amount to be paid or benefit to be provided to you pursuant to this Letter Agreement that constitutes deferred compensation subject to Section 409A shall be construed as a separate identified payment for purposes of Section 409A. Notwithstanding anything to the contrary in this Letter Agreement, to the extent that any payments to be made upon your separation from service would result in the imposition of any individual penalty tax imposed under Section 409A, the payment shall instead be made on the first business day after the earlier of (i) the date that is six (6) months following such separation from service and (ii) your death. In the event that any amount payable to you under this Letter Agreement may be paid in two taxable years, depending on the date of execution of a Release, then to the extent required by Section 409A, payment will be made in the later taxable year.

Section 280G: To the extent that any of the payments and benefits provided for under this Letter Agreement together with any payments or benefits under any other agreement or arrangement between the Company and you (collectively, the "Payments") would constitute a "parachute payment" within the meaning of Section 280G of the Code, the amount of such Payments shall be reduced to the amount that would result in no portion of the Payments being subject to the excise tax imposed pursuant to Section 4999 of the Code if and only if such reduction would provide you with an after-tax amount greater than if there was no reduction. Any reduction shall be done in a manner that maximizes the amount to be retained by you, provided that to the extent any order is required to be set forth herein, then such reduction shall be applied in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced next (if necessary, to zero), with amounts that are payable or deliverable last reduced first; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G- 1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); (iv) payments due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) of this Section will be next reduced prorata.

Miscellaneous; Acknowledgements; Protective Covenants Severable; Remedies Cumulative; Subsequent Employment Notice; Obligations; No Waiver; Cooperation; Withholding:

Notwithstanding the provisions of Exhibit A, if you commit a breach of any of the Protective Covenants provisions hereof, the Company shall have the right to have the provisions of this Letter Agreement specifically enforced by any court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may (a) in the event you breach, in any material respect, any Protective Covenant during the Restricted Period following a Qualifying Termination, claw back the Severance Benefits, in whole or in part, prorated based on the period of time during the Restricted Period that such breach occurred or is occurring and (b) take all such other actions and remedies available to it under law or in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

The parties acknowledge that (i) the type and periods of restriction imposed in the Protective Covenants are fair and reasonable and are reasonably required in order to protect and maintain the proprietary interests of the Company or other legitimate business interests and the goodwill associated with the business of the Company; (ii) the time, scope, geographic area and other provisions of the Protective Covenants have been specifically negotiated by sophisticated commercial parties, represented by legal counsel; and (iii) because of the nature of the business engaged in by the Company and the fact that investors can be and are serviced and investments can be and are made by the Company wherever they are located, it is impractical and unreasonable to place a geographic limitation on the agreements made by you.

If any of the covenants contained in the Protective Covenants, or any part thereof, is held to be unenforceable by reason of it extending for too great a period of time or over too great a geographic area or by reason of it being too extensive in any other respect, the parties agree (x) such covenant shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographic areas as to which it may be enforceable and/or over the maximum extent in all other respects as to which it may be enforceable, all as determined by the court making such determination and (y) in its reduced form, such covenant shall then be enforceable, but such reduced form of covenant shall only apply with respect to the operation of such covenant in the particular jurisdiction in or for which such adjudication is made. Each of the covenants and agreements contained in the Protective Covenants is separate, distinct and severable.

All rights, remedies and benefits expressly provided for in this Letter Agreement are cumulative and are not exclusive of any rights, remedies or benefits provided for by law or in this Letter Agreement, and the exercise of any remedy by a party hereto shall not be deemed an election to the exclusion of any other remedy (any such claim by the other party being hereby waived).

The existence of any claim, demand, action or cause of action of you against the Company or any of its affiliates, whether predicated on this Letter Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of each Protective Covenant. The unenforceability of any Protective Covenant shall not affect the validity or enforceability of any other Protective Covenant or any other provision or provisions of this Letter Agreement. The temporal duration of the Protective Covenants shall not expire, and shall be tolled, during any period in which you are in violation of any of such Protective Covenants, and all such restrictions shall automatically be extended by the period of your violation of any such restrictions.

Prior to accepting employment with any person, firm, corporation or other entity during your employment by the Company or any of its affiliates or any period thereafter that you are subject to any of the Protective Covenants, you shall notify the prospective employer in writing of your obligations under such provisions and shall simultaneously provide a copy of such written notice to the General Counsel at the Company.

The failure of a party to this Letter Agreement to insist upon strict adherence to any term hereof on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Letter Agreement.

This Letter Agreement, and all of your rights and duties hereunder, shall not be assignable or delegable by you. Any purported assignment or delegation by you in violation of the foregoing shall be null and void *ab initio* and of no further force and effect. This Letter Agreement may be assigned by New Senior Investment Group Inc. to any affiliate thereof or to a person or entity which is an affiliate or successor in interest to all or substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate person or entity.

You shall provide reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during your employment. This provision shall survive any termination of this Letter Agreement.

The Company may withhold from any amounts and benefits due to you under this Letter Agreement such

Federal, state and local taxes as may be required or permitted to be withheld pursuant to any applicable law or regulation.

This Letter Agreement and Exhibit A contain the entire understanding of the parties and may be modified only in a document signed by the parties and referring explicitly to this Letter Agreement. If any provision of this Letter Agreement or Exhibit A is determined to be unenforceable, the remainder of this Letter Agreement or Exhibit A shall not be adversely affected thereby. Moreover, if any one or more of the provisions contained in this Letter Agreement or Exhibit A is held to be unenforceable, any such provision will be construed by limiting and reducing it so as to be enforceable to the maximum extent compatible with applicable law. In executing this Letter Agreement, you represent that you have not relied on any representation or statement not set forth herein, and you expressly disavow any reliance upon any such representations or statements. Without limitation to the foregoing, you represent that you understand that you shall not be entitled to any equity interest, profits interest or other interest in the Company or any of its affiliates, except as expressly set forth in this Letter Agreement or in another writing signed by the Company. The Company's affiliates are intended beneficiaries under this Letter Agreement.

[signatures on the following page.]

If you agree with the terms of this Letter Agreement and accept this offer of employment, please sign and date this Letter Agreement in the space provided below and return a copy to the Company to indicate your acceptance.

This Letter Agreement may be signed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Sincerely,

NEW SENIOR INVESTMENT GROUP INC.

By: _____
Name: Robert Savage
Title: Chairman of the Special Committee
of the Board of Directors

AGREED AND ACCEPTED AS OF NOVEMBER _____, 2018

_____
Susan Givens

[*Signature Page to Employment Letter Agreement*]

Exhibit A

Arbitration

a. You and the Company agree that we shall first attempt to settle any controversy, dispute or claim arising out of or relating to your compensation, your employment or the termination thereof or the Letter Agreement or breach thereof (including, without limitation, any claim regarding or related to the interpretation, scope, effect, enforcement, termination, extension, breach, legality, remedies and other aspects of the Letter Agreement or the conduct and communications of us regarding the Letter Agreement and the subject matter of the Letter Agreement) through good faith negotiation. Any such controversy, dispute or claim, as described in the preceding sentence, will be referred to herein as a "Dispute". If such negotiations fail to reach a resolution of the Dispute within forty-five (45) days after a party initially provides written notice (either by letter or electronically) of any such Dispute either party may initiate arbitration proceedings in accordance with this Exhibit A. The parties agree to resolve any Dispute by binding arbitration administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or a successor organization, for binding arbitration located in New York City, New York by a single arbitrator pursuant to its Employment Arbitration Rules & Procedures. The JAMS Employment Arbitration Rules & Procedures are available online at https://www.jamsadr.com/rules-employment-arbitration/. Except as otherwise authorized by applicable law, all awards of the arbitrator shall be binding and non-appealable. The arbitrator's final award shall be in writing made and delivered to the parties within thirty (30) calendar days following the close of the hearing and shall provide a reasoned basis for the resolution of any Dispute and any relief provided. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction. The arbitrator shall apply New York law to the merits of any Dispute, without reference to the rules of conflicts of law applicable therein. The arbitrator shall be bound by and strictly enforce the terms of the Letter Agreement and this Exhibit and may not limit, expand or otherwise modify their terms. The arbitrator may grant injunctions or other relief. Notwithstanding anything else set forth herein, the Company shall not be precluded from applying to a proper court for injunctive relief by reason of the prior or subsequent commencement of an arbitration proceeding as herein provided, including without limitation, with respect to any Dispute relating to the Protective Covenants under the Letter Agreement or any confidentiality obligations under your Confidentiality and Proprietary Rights Agreement.

b. You acknowledge that you have read and understand this Exhibit A to the Letter Agreement. You understand that by signing the Letter Agreement, you agree to submit any Dispute to binding arbitration, and that this arbitration provision constitutes a waiver of your rights to a jury trial and relates to the resolution of all Disputes relating to all aspects of the employer/employee relationship to the greatest extent permitted by law, including but not limited to the following:

i. Any and all claims for wrongful discharge of employment, breach of contract, both express and implied; breach of the covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; and defamation;

ii. Any and all claims for violation of any federal, state or municipal statute, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Equal Pay Act, the Employee Retirement Income Security Act, as amended, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the New York City Administrative Code, the New York Labor Law, the New York Human Rights Law, and the New York City Human Rights Law;

iii. Any and all claims arising out of or relating to your compensation, including without limitation, any carried interest, points interest, or any equity based incentive plan or award agreement, all such claims to be governed by the terms and conditions of any such plan or award agreement; and

iv. Any and all claims arising out of any other federal, state or local laws or regulations relating to employment, harassment or employment discrimination.

c. The following Disputes are excluded from mandatory arbitration under this Letter Agreement:

i. claims for workers' compensation benefits, unemployment insurance, or state or federal disability insurance; and

ii. any other dispute or claim that has been expressly excluded from arbitration by statute or other applicable law.

Nothing in this Letter Agreement should be interpreted as restricting or prohibiting you from filing a charge or complaint with the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the Department of Labor, the Occupational Safety and Health Commission, any other federal, state, or local administrative agency charged with investigating and/or prosecuting complaints under any applicable, federal, state, or municipal law or regulation. A federal, state, or local agency would also be entitled to investigate the charge in accordance with applicable law. However, any Dispute that is covered by this Letter Agreement but not resolved through the federal, state, or local agency proceedings must be submitted to arbitration in accordance with this Letter Agreement.

d. You further understand that other options such as federal and state administrative remedies and judicial remedies exist and acknowledge and agree that by signing the Letter Agreement and agreeing to the terms of this Exhibit A these remedies are forever precluded and that regardless of the nature of your complaints, you acknowledge and agree that it can only be resolved by arbitration.

e. It is understood and agreed that, unless expressly authorized by statutory law, the arbitrator shall not have the right or authority to enter any award of punitive damages.

f. The fees and expenses of the arbitrator and all other expenses of the arbitration shall be borne by the parties equally. Each party shall bear the expenses of its own counsel, experts, and presentation of proof.

g. The substance and result of any arbitration under this Exhibit A to the Letter Agreement and all information and documents disclosed in any such arbitration by any person shall be treated as confidential (and as Proprietary Information under the Confidentiality and Proprietary Rights Agreement subject to the terms thereof), except that disclosures may be made to the extent necessary (i) to enforce a final settlement agreement between the parties or (ii) to obtain and secure enforcement, or a judgment on, an award issued pursuant to this Exhibit A to the Letter Agreement.

h. **Class, Collective, and Representative Action Waiver** - You agree that, with respect to any claims that are subject to arbitration under Section (b) of this Exhibit A to the Letter Agreement, in any forum whether arbitration or otherwise, you shall not be entitled to (i) join or consolidate claims by other individuals or entities against the Company, including but not limited to by becoming a member of a class in a class action; (ii) arbitrate any claim as a representative or participate in a class, representative, multi-plaintiff, or collective action or (iii) bring any such claim in a private attorney general capacity. Any attempt to proceed in arbitration, court or any other forum on anything other than an individual basis shall be void ab initio and be precluded by every tribunal in which any such action is brought. If, despite the parties' express intent to proceed only in individual arbitration, a court nonetheless orders that a class, collective, mass or other representative or joint action should proceed, in no event will such action proceed in an arbitration forum and may proceed only in court. Any issue concerning the validity or enforceability of this class, collective and representative action waiver must be decided only by a court and an arbitrator shall not have authority to consider the issue of the validity or enforceability of this Section (h).

i. **Time Limitation on Filing Claims** - The parties hereby acknowledge and agree that, unless prohibited by law, any arbitration, suit, action or other proceeding relating to this Exhibit A must be brought within the shorter of: (i) the statute of limitations that is applicable to the claim(s) upon which the arbitration, suit, action or other legal proceeding is sought or required; or (ii) two (2) years after the occurrence of the act or omission that is the subject of the arbitration, suit, action or other legal proceeding. Any failure to file a demand for arbitration within this time frame and according to these rules shall constitute a waiver of all rights to raise any claim in any forum arising out of any dispute that was subject to arbitration. All such untimely claims shall be deemed barred by the applicable statute of limitations. The date of the filing is the date on which written notice by the party seeking arbitration stating that party's intention to arbitrate is received by JAMS.

j. In the event any notice is required to be given under the terms of this Exhibit A, it shall be delivered in writing, if to you, to your last known address, and if to the Company, to the attention of the General Counsel of the Company.

k. If any provision of this Exhibit A is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or will be deleted from this Exhibit A, as the situation may require, and this Exhibit A shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Exhibit A, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or including such provisions, only to the maximum scope and application permitted by law, as the case may be. The parties expressly acknowledge and agree that it is their intent that the inclusion or exclusion of no provision or provisions is to interfere with or negate the arbitration and class/collective waiver provision of this Exhibit A and this Exhibit A is to be modified in scope and application in every instance needed to permit the enforceability of those provisions. In the event such total or partial invalidity or unenforceability of any provision of this Exhibit A exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision.

l. Except as otherwise expressly set forth herein, all capitalized defined terms shall have the same meaning as set forth in the Letter Agreement.

AGREED TO AND ACCEPTED:

_____
Susan Givens

_____
Date

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Section 4: EX-10.6 (EXHIBIT 10.6)

New Senior Investment Group Inc.

December 18, 2018

VIA EMAIL

Dear David:

It is with great pleasure that we extend to you an offer to join New Senior Investment Group Inc. (collectively with its subsidiaries and affiliates, the "Company"), as set forth below. This letter, together with Exhibit A hereto, is referred to herein as the "Letter Agreement."

Title:	You will serve as Executive Vice President, Chief Financial Officer, reporting to the Chief Executive Officer of the Company (the "CEO"). You will devote your full working time to the Company.
Start Date:	On January 1, 2019 (or such earlier or later date as the Company and you shall mutually agree) (the "Start Date").
Location of Employment:	You will be an employee of the Company at its office in New York, New York, although you acknowledge that you may be required to travel from time to time for business reasons, as reasonably requested by the Company.
Term:	This Letter Agreement shall govern the initial three years of your employment commencing on the Start Date (the "Initial Term"). In the event this Letter Agreement is not terminated, amended or superseded by a subsequent agreement between the parties prior to the expiration of the Initial Term or any Renewal Term, the terms of this Letter Agreement shall continue to govern the terms and conditions of your employment for successive one-year periods (each, a "Renewal Term" and the period of your employment under this Letter Agreement shall be referred to as the "Term"). Notwithstanding anything to the contrary, nothing in this Letter Agreement shall be construed as giving you the right to continued employment or the right to be employed in any position or capacity by the Company and your employment may be terminated by either party, for any reason whatsoever, in accordance with the terms hereof and the "Employment Relationship" and "Severance Benefits" sections below.
Base Salary:	Your base salary will be paid at the rate of $350,000 per annum (the "Base Salary"), payable in accordance with the regular payroll practices of the Company. This means that you will be paid your Base Salary on a semi-monthly basis on the 15th (the "First Payday") and the last day of each month (the "Second Payday"). If the First Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the

business day immediately prior to the First Payday, and if the Second Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the business day immediately prior to the Second Payday. The Company reserves the right to modify its payroll practices and payroll schedule at its sole discretion.

Transition Award:

Within 30 days of the Start Date, you will receive an equity award (the "Transition Award") pursuant to the New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan adopted as of October 16, 2014, as it may be amended or restated on or before the Start Date (and any successor plan thereto) (the "Plan"), approximately 33.33% of which will be in the form of stock options or warrants (such options, the "Options") and approximately 66.67% of which will be in the form of restricted stock or restricted stock units. The Transition Award will have a grant date fair market value of $1,000,000 (with the number of Options to be determined based on Black Scholes methodology used in the ordinary course by the Company's option valuation firm). The Options will have a per share exercise price equal to the fair market value of a share of common stock of the Company on the date of grant and an outside term of ten years. In the event of a termination without Cause by the Company, a resignation for Good Reason by you, or your death or permanent disability, any then vested Options (including, for the avoidance of doubt, any Options which vest upon such termination) will remain outstanding and exercisable for a one year period; in the event you resign without Good Reason, any then vested Options will remain outstanding and exercisable for 90 days; and in the event you are terminated for Cause, vested Options will immediately terminate without payment. Unless provided in this Letter Agreement, any unvested Options outstanding as of any separation from service with the Company will immediately terminate without payment.

The Transition Award is subject to your execution of the applicable award agreements governing such equity grants, which shall not contain terms inconsistent with those set forth in this Letter Agreement. The Transition Award will vest ratably over the three year period commencing with the date of grant, subject to your continued employment on the applicable vesting dates associated with such Transition Award, except as otherwise provided in this Letter Agreement. All dividends declared on unvested restricted stock or restricted stock units granted pursuant to the Transition Award shall accrue and become vested to the same extent that the underlying shares become vested and shall be paid within 60 days following the vesting date. In order to be eligible to receive the Transition Award, you must commence employment with the Company on the Start Date and be an active employee at, and not have given or received notice of termination prior to, the date of grant.

For the avoidance of doubt, you acknowledge and agree that you are not eligible to receive a cash bonus from the Company in respect of calendar year 2018.

2019 Minimum Bonus:

For calendar year 2019 and provided you begin employment at the Company on the Start Date, you will receive a minimum cash bonus of $350,000, payable at such time as similarly situated Company employees receive discretionary bonuses in respect of calendar year 2019, which time will be no later than March 15, 2020 (the "2019 Minimum Bonus"). Except as otherwise provided in this Letter Agreement, in order to be eligible for the 2019 Minimum Bonus, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Annual Discretionary Bonus (after January 1, 2020):

For calendar years after 2019 and during the Term, you will be eligible to receive an annual discretionary cash bonus, subject to the terms and conditions in this section. The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its discretion, will determine whether any such bonus will be paid and the amount of any such bonus. The amount of your annual discretionary bonus, if any, shall be based on the Company's and your performance against performance criteria established by the Compensation Committee, after consultation with the CEO. Such performance criteria shall include minimum performance criteria (the "Bonus Threshold Criteria"), which must be met, as determined by the Compensation Committee in its discretion, in order for you to be eligible to receive any annual discretionary bonus. Your target annual bonus amount is 100% of your Base Salary (the "Target Bonus"). If the Compensation Committee determines, in its discretion, that the performance criteria for the payment of a Target Bonus in any applicable calendar year has been met or exceeded, you will be eligible to receive the Target Bonus or a higher amount, but not more than 150% of your Base Salary (the "Maximum Target Bonus"). Likewise, if the performance criteria for the payment of a Target Bonus has not been met for any applicable calendar year, but the Bonus Threshold Criteria has otherwise been met or exceeded, you will be eligible to receive an amount lesser than the Target Bonus, but not less than 50% of your Base Salary (the "Minimum Target Bonus"). For the avoidance of doubt, if the Bonus Threshold Criteria has not been met for any applicable calendar year, then you will not be eligible to receive any annual discretionary bonus for such calendar year. The annual discretionary bonus (if any) will be paid to you, in cash, no later than March 15 of the immediately subsequent calendar year.

Payment of an annual discretionary bonus or any bonus in any given fiscal or calendar year does not entitle you to additional compensation or any such bonus in any subsequent year. Except as otherwise provided in this Letter Agreement, in order to be eligible for any bonus while employed at the Company, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Equity-Based Compensation: During the Term, in addition to the Transition Award, you will be eligible to receive annual equity-based awards pursuant to the Plan, which shall be subject to the terms and conditions generally applicable to other senior executives of the Company and in this section of the Letter Agreement. The Compensation Committee, in its discretion, will determine whether any such awards will be made to you and the amount of any such awards in accordance with this section of the Letter Agreement, with the target value for such annual awards equal to 100% of your Base Salary (based on the grant date fair market value of the Company's publicly traded common stock as determined under the Plan) (your "Target Award Value"); provided that, the Compensation Committee may, in its discretion grant annual awards with a target value in excess of your Target Award Value. Any such annual equity awards shall be granted within 90 days following the commencement of each calendar year during the Term (except, in the event that the Compensation Committee determines that the Company has an insufficient number of shares remaining under the Plan to make such grants, such grants will not be made unless and until the Company's shareholders approve for issuance at least the number of shares necessary to make such awards under the Plan). With respect to any annual equity awards granted in a given year, (a) 75% will be in the form of a performance-based restricted stock or restricted stock units, pursuant to which 0% to 150% of the target number of shares subject to the award may be earned (with a threshold opportunity equal to 50% of such target number of shares, a target opportunity equal to 100% of such target number of shares, and a maximum opportunity equal to 150% of such target number of shares), with the performance goals for such award to be based on Company performance over a three-year performance period compared against performance criteria established by the Compensation Committee after consultation with the CEO and based on industry-standard metrics and (b) 25% will be in the form of time-based vesting restricted stock that will vest ratably over a three year period, in each case subject to your continued employment through each such vesting date (except as otherwise provided in this Agreement) and unless otherwise determined by the Compensation Committee. With respect to annual awards granted in the form of restricted stock or restricted stock units (regardless of whether such awards vest based on time or performance goals), when dividends are declared on the unvested underlying shares, such dividends shall accrue and become vested and paid to the same extent that the underlying shares become vested (but in no event later than 2.5 months following the year in which such award becomes vested).

Your entitlement to any equity awards remains subject to your execution of the applicable award agreements governing such awards. In order to be eligible to receive any equity awards, you must be an active employee at, and not have given or received notice of termination prior to, the date of grant.

You acknowledge and agree that any historical equity awards in the Company (including, without limitation, any Tandem Awards, pursuant to any agreement between you and your prior employer, FIG LLC ("FIG LLC" together with its affiliates, including Fortress Investment Group, "Fortress")) remain subject to the terms and conditions of the documentation governing such awards, and that the Company assumes no liability with respect to any such awards.

Benefits:	Effective on the Start Date, you (and your spouse, registered domestic partner and/or eligible dependents, if any) shall be entitled to participate in the same manner as other similarly situated employees of the Company in the employee benefit plans that are generally made available to the Company's employees, subject to satisfying the applicable eligibility requirements. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time, at the Company's sole discretion.
Indemnification and Director and Officer Liability Insurance:	During the course of your employment, the Company shall maintain director and officer liability insurance ("D&O Insurance") under which you shall be covered to the fullest extent permissible under the Company's D&O-Insurance policy or policies.
Paid Time Off:	During your employment, you will be entitled to paid time off ("Paid Time Off") in accordance with the Company's policies then in effect.

Representation: You represent that on the Start Date, you will be free to accept employment hereunder without any contractual restrictions, express or implied, with respect to any of your prior employers, except for those restrictions with your prior employer, FIG LLC. You represent that you have not taken or otherwise misappropriated and you do not have in your possession or control any confidential and proprietary information belonging to any of your prior employers or connected with or derived from your services to prior employers. You represent that you have returned to all prior employers any and all such confidential and proprietary information. You further acknowledge that the Company has informed you that you are not to use or cause the use of such confidential or proprietary information in any manner whatsoever in connection with your employment by the Company. You agree that you will not use such information. You represent that you are not currently a party to any pending or threatened litigation or arbitration, including with any current or former employer or business associate. In the event that you become a party to any pending or threatened litigation or arbitration after the date on which you sign this Letter Agreement but prior to your Start Date and at all times thereafter while you are employed by the Company, you shall promptly provide the Company with notice of such, in writing. You shall indemnify and hold harmless the Company from any and all claims arising from any breach of the representations and warranties in this paragraph.

The above representations and acknowledgment do not apply to any confidential or proprietary information belonging to Fortress that you have had or continue to have access to as a result of your employment with FIG LLC, solely to the extent: (i) such information has been transferred by Fortress to the Company pursuant to the terms and conditions of a written agreement between Fortress and the Company; or (ii) Fortress has agreed, in writing, to provide you with such confidential or proprietary information.

You represent that you understand that this Letter Agreement sets forth the terms and conditions of your employment relationship with the Company and as such, you have no express or implied right to be treated the same as or more favorably than any other employee of the Company or any of its affiliates with respect to any matter set forth herein based on the terms or conditions of such person's employment relationship with the Company or any of its affiliates. You further agree to keep the terms of this Letter Agreement confidential and not to disclose any of the terms or conditions hereof to any other person, including any employee of the Company, other than to your attorney or accountant or, upon the advice of counsel after notice to the Company, as may be required by law, except to the extent such disclosure is protected by applicable law.

Work Authorization: Employment with the Company is contingent upon your unrestricted authorization to work in the United States and providing documentation establishing your identity and authority to work within the time period specified by law.

Policies and Procedures: You agree to comply fully with all Company policies and procedures applicable to employees, as amended and implemented from time to time, including, without limitation, tax, regulatory and compliance procedures.

Employment Relationship: This Letter Agreement is not a contract of employment for any specific period of time, and subject to the notice provisions herein, your employment is "at will" and may be terminated by you or by the Company at any time for any reason or no reason whatsoever. In each case where the term the "Company" is used in this Letter Agreement it shall mean, in addition to the Company, any Company affiliate by whom you may be employed on a full-time basis at the applicable time. You agree that effective as of any separation from service with the Company, you will have been deemed to resign from all positions you may hold with the Company and its affiliates (including any board memberships), and will take any actions that may be reasonably required to effectuate such resignation, without prejudice against any rights you may otherwise have under this Agreement.

You agree to provide the Company with at least thirty (30) days' advance written notice of your resignation of employment (the "Notice Period," which Notice Period shall be considered a "Protective Covenant" (as hereinafter defined) for purposes of this Letter Agreement). The Company may, in its sole discretion, direct you to cease performing your duties, refrain from entering the Company's offices and/or restrict your access to the Company systems, trade secrets and confidential information, in each case during all or part of the Notice Period. During the Notice Period, you shall continue to be an employee of the Company, the Company shall continue to pay you your Base Salary and benefits, and you shall be entitled to all other benefits and entitlements as an employee until the end of the Notice Period (although you acknowledge that (i) if your resignation is not for Good Reason (as defined below), you shall not be entitled to receive any bonus not already paid prior to the commencement of the Notice Period (and if your resignation is for Good Reason, you will be entitled only to such bonus amounts as are set forth under "Severance Benefits" below); (ii) your Base Salary, benefits, and entitlements shall cease if you breach any of your agreements with or obligations to the Company or any of its affiliates, including, without limitation, those "Protective Covenants" set forth below and incorporated herein; (iii) your Paid Time Off (as defined below) will be treated in accordance with the Company's policies then in effect; and (iv) such Notice Period shall be disregarded for purposes of the vesting of equity, if any).

Severance Benefits: The following constitutes "Severance Benefits":

If your employment with the Company is terminated without Cause (as hereinafter defined) by the Company (which shall include a non-renewal of the Term by the Company) or for Good Reason (as defined below) by you (any such event, a "Qualifying Termination"), in either case at any time other than during a Change in Control Protected Period (defined below), and subject to your compliance with the Protective Covenants (below) and your execution without revocation of a release of claims against the Company (a "Release") within sixty (60) days following the date of such termination, you will be entitled to: (i) a lump sum payment equal to the product of (x) one (1) and (y) the sum of your then current Base Salary and Target Bonus; (ii) a prorated portion of your Target Bonus for the year in which your employment is terminated (the "Prorated Bonus"); and (iii) a lump sum payment equal to the product of (x) twelve (12) and (y) the amount equal to the monthly premium for health, prescription drug, dental and vision coverage as in effect on the date of termination under the Company's plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, less the portion of the monthly premium cost of such coverage payable by an active employee as of the date of termination (the "Monthly COBRA Premium"); and (iv) to the extent not otherwise provided for under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, (x) immediate vesting in any then outstanding Transition Awards and (y) for any then outstanding annual equity awards granted under the Plan or any successor thereto, (I) with respect to any then outstanding time-vesting award, (A) if such award vests in annual (or shorter) installments, immediate vesting in that portion of the award that would have otherwise vested within 365 days following the date of any such separation from service and (B) if such award provides for vesting not described in clause (A), immediate vesting in a pro-rated portion of the award, based on the period of time that has elapsed during the vesting period, and (II) with respect to any then outstanding performance based award, vesting shall be based on achievement of actual performance as of the date of such separation from service compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period. The amounts set forth in the preceding clauses (i), (ii), and (iii) shall be paid to you within sixty (60) days following your Qualifying Termination. In addition to the foregoing, if the Qualifying Termination occurs on or after the end of a given year but before the date that annual bonuses that may be payable in respect of such year are to be paid, then you will receive, at such time (if any) as such annual bonuses are otherwise paid to remaining senior executives of the Company, the annual bonus you would have received (if any) if you had remained employed through such date (any such bonus, the "Prior Year Bonus").

Change in Control Benefits: The following constitutes "Change in Control Benefits":

Upon a Change in Control (as such term is defined in the Plan), to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding performance-based equity awards granted under the Plan or any successor thereto shall become immediately vested, based on achievement of actual performance as of the date of the Change in Control compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period.

If a Qualifying Termination occurs on or within one year after a Change in Control (as such term is defined in the Plan) (the "Change in Control Protected Period"), you shall receive: (i) a lump sum payment equal to the product of (x) two (2) and (y) the sum of your then current Base Salary and Target Bonus; (ii) your Prorated Bonus; (iii) a lump sum payment equal to the product of (x) eighteen (18) and (y) your Monthly COBRA Premium; and (iv) to the extent not otherwise provided above or under the Plan or any successor thereto or any award agreement granted thereunder, immediate vesting in any then outstanding equity awards (to the extent not otherwise vested), including for the avoidance of doubt, the Transition Award, granted under the Plan or any successor thereto; provided that, any performance-based awards granted on or after the Change in Control shall vest at the greater of target value or actual performance as of the date of termination. The amounts set forth in the preceding clauses (i), (ii), and (iii) shall be paid to you within a reasonable time following your termination of employment, not to exceed sixty (60) days. You shall also be entitled to any Prior Year Bonus.

Death and Disability Benefits: In the event that your employment terminates on account of your death or Disability (as defined below), then to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding equity awards granted under the Plan or any successor thereto shall become immediately vested upon such termination; provided, that with respect to any performance-based awards, vesting shall be determined as though target performance has been achieved. You (or your estate) will also be entitled to your Prior Year Bonus.

Protective Covenants: As a Company employee, at all times you owe the Company your undivided loyalty. You shall not, directly or indirectly, without prior written consent of the Company, at any time during your employment hereunder (including any Notice Period), provide consultative services to, own, manage, operate, join, control, participate in, be engaged in, employed by or be connected with, any business, individual, partner, firm, corporation, or other entity that directly or indirectly competes with (any such action, individually, and in the aggregate, to "compete with"), the Company (including, for these purposes, any of its affiliates). Notwithstanding anything else herein, the mere "beneficial ownership" by you, either individually or as a member of a "group" (as such terms are used in Rule 13(d) issued under the United States Securities Exchange Act of 1934, as amended from time to time) of not more than one percent (1%) of the voting stock of any public company shall not be deemed a violation of this Letter Agreement.

You hereby agree that during your employment with the Company and for the Restricted Period (defined below), you shall not directly or indirectly, without prior written consent of the Company, provide services to, own, manage, operate, join, control, be employed by, participate in, be connected with or associated with any business, individual, partner, firm, corporation, or other any entity (including any subsidiary, division or unit of a multi-strategy firm) (any such entity or subsidiary, division or unit thereof, a "Firm") that, directly or indirectly, competes with the Company or is principally engaged in the business of investing (including, without limitation, the sourcing and/or management and/or acquisition or disposition of any investments) in the senior housing sector (including without limitation independent living, assisted living and/or memory care properties) in the United States (the "Business"). For the avoidance of doubt, (a) a Firm (whether such term is used to refer to only a subsidiary, division or unit of a larger entity or the entire entity) will be considered to be competing with the Company or principally engaged in the Business if any such Firm derives more than 20% of its consolidated gross revenues from the Business or is a newly established entity or a subsidiary, division or unit of an entity that is intended to be principally engaged in from the Business and (b) the foregoing covenant shall not prevent you from being employed by, participate in or be connected with any Firm that is a multi-strategy Firm, so long as you do not provide services or advice, with or without specific compensation, to any Business of such Firm. For purposes of this Letter Agreement, the term "Restricted Period" means the twelve (12) month period following the termination of your employment.

You further agree that you shall not, directly or indirectly, for your benefit or for the benefit of any other person (including, without limitation, an individual or entity), or knowingly assist any other person to during your employment with the Company and during the Restricted Period, in any manner, directly or indirectly:

(a) hire or Solicit (as hereinafter defined) the employment or services of any person who provided services to the Company or any of its affiliates, as an employee, independent contractor or consultant at the time of the termination of your employment with the Company or within six (6) months prior thereto;

(b) Solicit any person who is an employee of the Company or any of its affiliates to resign from the Company or such affiliate or to apply for or accept employment with any enterprise;

(c) accept employment or work, in any capacity (including as an employee, consultant or independent contractor), with any firm, corporation, partnership or other entity that is, directly or indirectly, owned or controlled by any Former Employee (as hereinafter defined) of the Company or any of its affiliates and that engages in the Business;

(d) Solicit or otherwise attempt to establish any business relationship (in connection with any business in competition with the Company or any of its affiliates) with any limited partner, investor, person, firm, corporation or other entity that is, at the time of your termination of employment, or was, during the twelve (12) months prior to your termination of employment, a Client, Investor, or Business Partner (as hereinafter defined) of the Company or any of its affiliates; or

(e) interfere with or damage (or attempt to interfere with or damage) any relationship between the Company and any of its affiliates and their respective Clients, Investors, Business Partners, or employees.

For purposes of this Letter Agreement, the term "Solicit" means, as applicable: (a) active solicitation of any Client, Investor, or Business Partner or Company employee; (b) the provision of non-public information regarding any Client, Investor, or Business Partner or Company employee to any third party where such information could be useful to such third party in attempting to obtain business from such Client, Investor, or Business Partner or attempting to hire any such Company employee; (c) participation in any meetings, discussions, or other communications with any third party regarding any Client, Investor, or Business Partner or Company employee where the purpose or effect of such meeting, discussion or communication is to obtain business from such Client, Investor, or Business Partner or employ such Company employee; and (d) any other intentional use of non-public information about any Client, Investor, or Business Partner, or Company employee for the purpose of assisting a third party to obtain business from Clients, Investors, or Business Partners, assisting a third party to hire any Company employee or causing harm to the business of the Company.

For purposes of this Letter Agreement, the term "Client," "Investor," or "Business Partner" shall mean (A) anyone who is or has been a client, investor, or business partner of the Company during your employment, but only if you had a direct relationship with, direct supervisory responsibility for or otherwise were directly involved with such Client, Investor, or Business Partner during your employment with the Company; and (B) any prospective client, investor, or business partner to whom the Company made a new business presentation (or similar offering of services) at any time during the one-year period immediately preceding, or six-month period immediately following, your employment termination (but only if initial discussions between the Company and such prospective Client, Investor, or Business Partner relating to the rendering of services occurred prior to the termination date, and only if you participated in or directly supervised such presentation and/or its preparation or the discussions leading up to it).

For purposes of this Letter Agreement, the term "Former Employee" shall mean anyone who was an employee of or exclusive consultant to the Company as of, or at any time during the one-year period immediately preceding, the termination of your employment.

Any works of authorship, databases, discoveries, developments, improvements, computer programs, or other intellectual property, etc. ("Works") that you make or conceive, or have made or conceived, solely or jointly, during the period of your employment with the Company, whether or not patentable or registerable under copyright, trademark or similar statutes, which either (i) are related to or useful in the current or anticipated business or activities of the Company; (ii) fall within your responsibilities as employed by the Company; or (iii) are otherwise developed by you through the use of the Company's confidential information, equipment, software, or other facilities or resources or at times during which you are or have been an employee constitute "work for hire" under the United States Copyright Act, as amended. If for any reason any portion of the Works shall be deemed not to be a "work for hire," then you hereby assign to the Company all rights, title and interest therein and shall cooperate to establish the Company's ownership rights, including the execution of all documents necessary to establish the Company's exclusive ownership rights.

As a condition of employment, you may be required to sign a confidentiality and proprietary rights agreement, in a form acceptable to you and the Company, and that agreement shall remain in full force and effect after it is executed and following termination of your employment for any reason with the Company or any of its affiliates. The obligations set forth in such agreement shall be considered "Protective Covenants" for purposes of this Letter Agreement and are incorporated herein by reference.

The provisions set forth above in (or incorporated into) this "Protective Covenants" section, together with the Notice Period above, are collectively referred to in this Letter Agreement as the "Protective Covenants" (and each is a "Protective Covenant").

Definitions:

"Cause" means (i) your commission of an act of fraud against the Company in the course of your service to the Company; (ii) your indictment, conviction or entering of a plea of nolo contendere for a crime constituting a felony or in respect of any act of fraud or dishonesty; (iii) your commission of an act which would make you subject to being enjoined, suspended, barred or otherwise disciplined for violation of federal or state securities laws, rules or regulations, including a statutory disqualification; (iv) your willful misconduct in connection with your employment by the Company, including through the violation of any written Company code of conduct or other similar policy; (v) your willful breach of any restriction set forth in (or otherwise herein incorporated by reference into) the section above entitled "Protective Covenants;" or (vi) your commission of any material breach of any of the provisions or covenants (excluding the covenants set forth in or incorporated into the "Protective Covenant" section above) set forth herein; provided, however, that discharge pursuant to this clause (vi) shall not constitute discharge for "Cause" unless you have received written notice from the Company stating the nature of such breach and affording you an opportunity to correct fully the act(s) or omission(s), if such a breach is capable of correction, described in such notice within ten (10) days following your receipt of such notice.

"Disability" shall mean that the Executive is eligible to receive income replacement benefits under a long term disability plan provided by the Company or its affiliates.

"Good Reason" shall mean (1) a material reduction in your Base Salary or Target Bonus opportunity or Target Award Value, (2) a material reduction of your duties, authority, responsibilities or reporting relationship, relative to your duties, authority, responsibilities or reporting relationship as in effect immediately prior to such reduction. (3) a relocation of your work location by more than 35 miles or (4) the Company's material breach of this Letter Agreement (which shall include, for the avoidance of doubt, the Company's failure to timely grant the Transition Award); provided that in order to resign for Good Reason, you must provide written notice to the Company of the Good Reason condition within 30 days of its initial existence, and the Company will have 30 days during which it may cure such condition, and if such condition is not cured during such 30 day period, you must resign no later than 60 days following the expiration of the Company's 30 day cure period.

Arbitration:

You agree to submit any claims arising out of this Letter Agreement or your employment and termination thereof to binding arbitration in accordance with the terms of Exhibit A, which are hereby incorporated herein by reference.

Governing Law:

This Letter Agreement will be covered by and construed in accordance with the laws of New York, without regard to the conflicts of laws provisions thereof. EXCEPT AS OTHERWISE PROVIDED IN EXHIBIT A, YOU HEREBY AGREE THAT EXCLUSIVE JURISDICTION WILL BE IN A COURT OF COMPETENT JURISDICTION IN THE CITY OF NEW YORK AND WAIVE OBJECTION TO THE JURISDICTION OR TO THE LAYING OF VENUE IN ANY SUCH COURT.

Section 409A: The intent of the parties to this Letter Agreement is that payments and benefits hereunder comply with Section 409A, to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, you shall not be considered to have terminated employment with the Company for purposes of this Letter Agreement, and no payment shall be due to you under this Letter Agreement, until you would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Any payments described in this Letter Agreement that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Each amount to be paid or benefit to be provided to you pursuant to this Letter Agreement that constitutes deferred compensation subject to Section 409A shall be construed as a separate identified payment for purposes of Section 409A. Notwithstanding anything to the contrary in this Letter Agreement, to the extent that any payments to be made upon your separation from service would result in the imposition of any individual penalty tax imposed under Section 409A, the payment shall instead be made on the first business day after the earlier of (i) the date that is six (6) months following such separation from service and (ii) your death. In the event that any amount payable to you under this Letter Agreement may be paid in two taxable years, depending on the date of execution of a Release, then to the extent required by Section 409A, payment will be made in the later taxable year.

Section 280G: To the extent that any of the payments and benefits provided for under this Letter Agreement together with any payments or benefits under any other agreement or arrangement between the Company and you (collectively, the "Payments") would constitute a "parachute payment" within the meaning of Section 280G of the Code, the amount of such Payments shall be reduced to the amount that would result in no portion of the Payments being subject to the excise tax imposed pursuant to Section 4999 of the Code if and only if such reduction would provide you with an after-tax amount greater than if there was no reduction. Any reduction shall be done in a manner that maximizes the amount to be retained by you, provided that to the extent any order is required to be set forth herein, then such reduction shall be applied in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced next (if necessary, to zero), with amounts that are payable or deliverable last reduced first; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G- 1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); (iv) payments due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) of this Section will be next reduced prorata.

Miscellaneous; Acknowledgements; Protective Covenants Severable; Remedies Cumulative; Subsequent Employment Notice; Obligations; No Waiver; Cooperation; Withholding:

Notwithstanding the provisions of Exhibit A, if you commit a breach of any of the Protective Covenants provisions hereof, the Company shall have the right to have the provisions of this Letter Agreement specifically enforced by any court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may (a) in the event you breach, in any material respect, any Protective Covenant during the Restricted Period following a Qualifying Termination, claw back the Severance Benefits, in whole or in part, prorated based on the period of time during the Restricted Period that such breach occurred or is occurring and (b) take all such other actions and remedies available to it under law or in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

The parties acknowledge that (i) the type and periods of restriction imposed in the Protective Covenants are fair and reasonable and are reasonably required in order to protect and maintain the proprietary interests of the Company or other legitimate business interests and the goodwill associated with the business of the Company; (ii) the time, scope, geographic area and other provisions of the Protective Covenants have been specifically negotiated by sophisticated commercial parties, represented by legal counsel; and (iii) because of the nature of the business engaged in by the Company and the fact that investors can be and are serviced and investments can be and are made by the Company wherever they are located, it is impractical and unreasonable to place a geographic limitation on the agreements made by you.

If any of the covenants contained in the Protective Covenants, or any part thereof, is held to be unenforceable by reason of it extending for too great a period of time or over too great a geographic area or by reason of it being too extensive in any other respect, the parties agree (x) such covenant shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographic areas as to which it may be enforceable and/or over the maximum extent in all other respects as to which it may be enforceable, all as determined by the court making such determination and (y) in its reduced form, such covenant shall then be enforceable, but such reduced form of covenant shall only apply with respect to the operation of such covenant in the particular jurisdiction in or for which such adjudication is made. Each of the covenants and agreements contained in the Protective Covenants is separate, distinct and severable.

All rights, remedies and benefits expressly provided for in this Letter Agreement are cumulative and are not exclusive of any rights, remedies or benefits provided for by law or in this Letter Agreement, and the exercise of any remedy by a party hereto shall not be deemed an election to the exclusion of any other remedy (any such claim by the other party being hereby waived).

The existence of any claim, demand, action or cause of action of you against the Company or any of its affiliates, whether predicated on this Letter Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of each Protective Covenant. The unenforceability of any Protective Covenant shall not affect the validity or enforceability of any other Protective Covenant or any other provision or provisions of this Letter Agreement. The temporal duration of the Protective Covenants shall not expire, and shall be tolled, during any period in which you are in violation of any of such Protective Covenants, and all such restrictions shall automatically be extended by the period of your violation of any such restrictions.

Prior to accepting employment with any person, firm, corporation or other entity during your employment by the Company or any of its affiliates or any period thereafter that you are subject to any of the Protective Covenants, you shall (1) notify the prospective employer in writing of your obligations under such provisions and (2) within thirty days after your commencement of employment with any new employer, provide written notice to the General Counsel at the Company of such new employment, identifying such new employer.

The failure of a party to this Letter Agreement to insist upon strict adherence to any term hereof on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Letter Agreement.

This Letter Agreement, and all of your rights and duties hereunder, shall not be assignable or delegable by you. Any purported assignment or delegation by you in violation of the foregoing shall be null and void *ab initio* and of no further force and effect. This Letter Agreement may be assigned by New Senior Investment Group Inc. to any affiliate thereof or to a person or entity which is an affiliate or successor in interest to all or substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate person or entity.

You shall provide reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during your employment. This provision shall survive any termination of this Letter Agreement.

The Company may withhold from any amounts and benefits due to you under this Letter Agreement such Federal, state and local taxes as may be required or permitted to be withheld pursuant to any applicable law or regulation.

This Letter Agreement and Exhibit A contain the entire understanding of the parties and may be modified only in a document signed by the parties and referring explicitly to this Letter Agreement. If any provision of this Letter Agreement or Exhibit A is determined to be unenforceable, the remainder of this Letter Agreement or Exhibit A shall not be adversely affected thereby. Moreover, if any one or more of the provisions contained in this Letter Agreement or Exhibit A is held to be unenforceable, any such provision will be construed by limiting and reducing it so as to be enforceable to the maximum extent compatible with applicable law. In executing this Letter Agreement, you represent that you have not relied on any representation or statement not set forth herein, and you expressly disavow any reliance upon any such representations or statements. Without limitation to the foregoing, you represent that you understand that you shall not be entitled to any equity interest, profits interest or other interest in the Company or any of its affiliates, except as expressly set forth in this Letter Agreement or in another writing signed by the Company. The Company's affiliates are intended beneficiaries under this Letter Agreement.

[signatures on the following page.]

If you agree with the terms of this Letter Agreement and accept this offer of employment, please sign and date this Letter Agreement in the space provided below and return a copy to the Company to indicate your acceptance.

This Letter Agreement may be signed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Sincerely,

NEW SENIOR INVESTMENT GROUP INC.

By: _____
Name: Susan Givens
Title: Chief Executive Officer

AGREED AND ACCEPTED AS OF _____, 2018

_____
David Smith

[*Signature Page to Employment Letter Agreement*]

Exhibit A

Arbitration

a. You and the Company agree that we shall first attempt to settle any controversy, dispute or claim arising out of or relating to your compensation, your employment or the termination thereof or the Letter Agreement or breach thereof (including, without limitation, any claim regarding or related to the interpretation, scope, effect, enforcement, termination, extension, breach, legality, remedies and other aspects of the Letter Agreement or the conduct and communications of us regarding the Letter Agreement and the subject matter of the Letter Agreement) through good faith negotiation. Any such controversy, dispute or claim, as described in the preceding sentence, will be referred to herein as a "Dispute". If such negotiations fail to reach a resolution of the Dispute within forty-five (45) days after a party initially provides written notice (either by letter or electronically) of any such Dispute either party may initiate arbitration proceedings in accordance with this Exhibit A. The parties agree to resolve any Dispute by binding arbitration administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or a successor organization, for binding arbitration located in New York City, New York by a single arbitrator pursuant to its Employment Arbitration Rules & Procedures. The JAMS Employment Arbitration Rules & Procedures are available online at https://www.jamsadr.com/rules-employment-arbitration/. Except as otherwise authorized by applicable law, all awards of the arbitrator shall be binding and non-appealable. The arbitrator's final award shall be in writing made and delivered to the parties within thirty (30) calendar days following the close of the hearing and shall provide a reasoned basis for the resolution of any Dispute and any relief provided. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction. The arbitrator shall apply New York law to the merits of any Dispute, without reference to the rules of conflicts of law applicable therein. The arbitrator shall be bound by and strictly enforce the terms of the Letter Agreement and this Exhibit and may not limit, expand or otherwise modify their terms. The arbitrator may grant injunctions or other relief. Notwithstanding anything else set forth herein, the Company shall not be precluded from applying to a proper court for injunctive relief by reason of the prior or subsequent commencement of an arbitration proceeding as herein provided, including without limitation, with respect to any Dispute relating to the Protective Covenants under the Letter Agreement or any confidentiality obligations under your Confidentiality and Proprietary Rights Agreement.

b. You acknowledge that you have read and understand this Exhibit A to the Letter Agreement. You understand that by signing the Letter Agreement, you agree to submit any Dispute to binding arbitration, and that this arbitration provision constitutes a waiver of your rights to a jury trial and relates to the resolution of all Disputes relating to all aspects of the employer/employee relationship to the greatest extent permitted by law, including but not limited to the following:

i. Any and all claims for wrongful discharge of employment, breach of contract, both express and implied; breach of the covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; and defamation;

ii. Any and all claims for violation of any federal, state or municipal statute, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Equal Pay Act, the Employee Retirement Income Security Act, as amended, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the New York City Administrative Code, the New York Labor Law, the New York Human Rights Law, and the New York City Human Rights Law;

iii. Any and all claims arising out of or relating to your compensation, including without limitation, any carried interest, points interest, or any equity based incentive plan or award agreement, all such claims to be governed by the terms and conditions of any such plan or award agreement; and

iv. Any and all claims arising out of any other federal, state or local laws or regulations relating to employment, harassment or employment discrimination.

c. The following Disputes are excluded from mandatory arbitration under this Letter Agreement:

i. claims for workers' compensation benefits, unemployment insurance, or state or federal disability insurance; and

ii. any other dispute or claim that has been expressly excluded from arbitration by statute or other applicable law.

Nothing in this Letter Agreement should be interpreted as restricting or prohibiting you from filing a charge or complaint with the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the Department of Labor, the Occupational Safety and Health Commission, any other federal, state, or local administrative agency charged with investigating and/or prosecuting complaints under any applicable, federal, state, or municipal law or regulation. A federal, state, or local agency would also be entitled to investigate the charge in accordance with applicable law. However, any Dispute that is covered by this Letter Agreement but not resolved through the federal, state, or local agency proceedings must be submitted to arbitration in accordance with this Letter Agreement.

d. You further understand that other options such as federal and state administrative remedies and judicial remedies exist and acknowledge and agree that by signing the Letter Agreement and agreeing to the terms of this Exhibit A these remedies are forever precluded and that regardless of the nature of your complaints, you acknowledge and agree that it can only be resolved by arbitration.

e. It is understood and agreed that, unless expressly authorized by statutory law, the arbitrator shall not have the right or authority to enter any award of punitive damages.

f. The fees and expenses of the arbitrator and all other expenses of the arbitration shall be borne by the parties equally. Each party shall bear the expenses of its own counsel, experts, and presentation of proof.

g. The substance and result of any arbitration under this Exhibit A to the Letter Agreement and all information and documents disclosed in any such arbitration by any person shall be treated as confidential (and as Proprietary Information under the Confidentiality and Proprietary Rights Agreement subject to the terms thereof), except that disclosures may be made to the extent necessary (i) to enforce a final settlement agreement between the parties or (ii) to obtain and secure enforcement, or a judgment on, an award issued pursuant to this Exhibit A to the Letter Agreement.

h. **Class, Collective, and Representative Action Waiver** - You agree that, with respect to any claims that are subject to arbitration under Section (b) of this Exhibit A to the Letter Agreement, in any forum whether arbitration or otherwise, you shall not be entitled to (i) join or consolidate claims by other individuals or entities against the Company, including but not limited to by becoming a member of a class in a class action; (ii) arbitrate any claim as a representative or participate in a class, representative, multi-plaintiff, or collective action or (iii) bring any such claim in a private attorney general capacity. Any attempt to proceed in arbitration, court or any other forum on anything other than an individual basis shall be void ab initio and be precluded by every tribunal in which any such action is brought. If, despite the parties' express intent to proceed only in individual arbitration, a court nonetheless orders that a class, collective, mass or other representative or joint action should proceed, in no event will such action proceed in an arbitration forum and may proceed only in court. Any issue concerning the validity or enforceability of this class, collective and representative action waiver must be decided only by a court and an arbitrator shall not have authority to consider the issue of the validity or enforceability of this Section (h).

i. **Time Limitation on Filing Claims** - The parties hereby acknowledge and agree that, unless prohibited by law, any arbitration, suit, action or other proceeding relating to this Exhibit A must be brought within the shorter of: (i) the statute of limitations that is applicable to the claim(s) upon which the arbitration, suit, action or other legal proceeding is sought or required; or (ii) two (2) years after the occurrence of the act or omission that is the subject of the arbitration, suit, action or other legal proceeding. Any failure to file a demand for arbitration within this time frame and according to these rules shall constitute a waiver of all rights to raise any claim in any forum arising out of any dispute that was subject to arbitration. All such untimely claims shall be deemed barred by the applicable statute of limitations. The date of the filing is the date on which written notice by the party seeking arbitration stating that party's intention to arbitrate is received by JAMS.

j. In the event any notice is required to be given under the terms of this Exhibit A, it shall be delivered in writing, if to you, to your last known address, and if to the Company, to the attention of the General Counsel of the Company.

k. If any provision of this Exhibit A is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or will be deleted from this Exhibit A, as the situation may require, and this Exhibit A shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Exhibit A, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or including such provisions, only to the maximum scope and application permitted by law, as the case may be. The parties expressly acknowledge and agree that it is their intent that the inclusion or exclusion of no provision or provisions is to interfere with or negate the arbitration and class/collective waiver provision of this Exhibit A and this Exhibit A is to be modified in scope and application in every instance needed to permit the enforceability of those provisions. In the event such total or partial invalidity or unenforceability of any provision of this Exhibit A exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision.

l. Except as otherwise expressly set forth herein, all capitalized defined terms shall have the same meaning as set forth in the Letter Agreement.

AGREED TO AND ACCEPTED:

_____
David Smith

_____
Date

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Section 5: EX-10.7 (EXHIBIT 10.7)

New Senior Investment Group Inc.

December 18, 2018

VIA EMAIL

Dear Bhairav:

It is with great pleasure that we extend to you an offer to join New Senior Investment Group Inc. (collectively with its subsidiaries and affiliates, the "Company"), as set forth below. This letter, together with Exhibit A hereto, is referred to herein as the "Letter Agreement."

Title:	You will serve as the Executive Vice President of Finance and Accounting, reporting to the Chief Executive Officer of the Company (the "CEO"). You will devote your full working time to the Company.
Start Date:	On January 1, 2019 (or such earlier or later date as the Company and you shall mutually agree) (the "Start Date"). The Company acknowledges that you have served as (among other positions) the Chief Accounting Officer of the Company prior to the Start Date, but that you were not a direct employee of the Company prior to the Start Date.
Location of Employment:	You will be an employee of the Company at its office in New York, New York, although you acknowledge that you may be required to travel from time to time for business reasons, as reasonably requested by the Company.
Term:	This Letter Agreement shall govern the initial three years of your employment commencing on the Start Date (the "Initial Term"). In the event this Letter Agreement is not terminated, amended or superseded by a subsequent agreement between the parties prior to the expiration of the Initial Term or any Renewal Term, the terms of this Letter Agreement shall continue to govern the terms and conditions of your employment for successive one-year periods (each, a "Renewal Term" and the period of your employment under this Letter Agreement shall be referred to as the "Term"). Notwithstanding anything to the contrary, nothing in this Letter Agreement shall be construed as giving you the right to continued employment or the right to be employed in any position or capacity by the Company and your employment may be terminated by either party, for any reason whatsoever, in accordance with the terms hereof and the "Employment Relationship" and "Severance Benefits" sections below.
Base Salary:	Your base salary will be paid at the rate of $325,000 per annum (the "Base Salary"), payable in accordance

with the regular payroll practices of the Company. This means that you will be paid your Base Salary on a semi-monthly basis on the 15th (the "First Payday") and the last day of each month (the "Second Payday"). If the First Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the business day immediately prior to the First Payday, and if the Second Payday falls on a holiday or a day outside the regular workweek, then you will be paid on the business day immediately prior to the Second Payday. The Company reserves the right to modify its payroll practices and payroll schedule at its sole discretion.

Transition Award:

Within 30 days of the Start Date, you will receive an equity award (the "Transition Award") pursuant to the New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan adopted as of October 16, 2014, as it may be amended or restated on or before the Start Date (and any successor plan thereto) (the "Plan"), approximately 33.33% of which will be in the form of stock options or warrants (such options, the "Options") and approximately 66.67% of which will be in the form of restricted stock or restricted stock units. The Transition Award will have a grant date fair market value of $500,000 (with the number of Options to be determined based on Black Scholes methodology used in the ordinary course by the Company's option valuation firm). The Options will have a per share exercise price equal to the fair market value of a share of common stock of the Company on the date of grant and an outside term of ten years. In the event of a termination without Cause by the Company, a resignation for Good Reason by you, or your death or permanent disability, any then vested Options (including, for the avoidance of doubt, any Options which vest upon such termination) will remain outstanding and exercisable for a one year period; in the event you resign without Good Reason, any then vested Options will remain outstanding and exercisable for 90 days; and in the event you are terminated for Cause, vested Options will immediately terminate without payment. Unless provided in this Letter Agreement, any unvested Options outstanding as of any separation from service with the Company will immediately terminate without payment.

The Transition Award is subject to your execution of the applicable award agreements governing such equity grants, which shall not contain terms inconsistent with those set forth in this Letter Agreement. The Transition Award will vest ratably over the three year period commencing with the date of grant, subject to your continued employment on the applicable vesting dates associated with such Transition Award, except as otherwise provided in this Letter Agreement. All dividends declared on unvested restricted stock or restricted stock units granted pursuant to the Transition Award shall accrue and become vested to the same extent that the underlying shares become vested and shall be paid within 60 days following the vesting date. In order to be eligible to receive the Transition Award, you must commence employment with the Company on the Start Date and be an active employee at, and not have given or received notice of termination prior to, the date of grant.

For the avoidance of doubt, you acknowledge and agree that you are not eligible to receive a cash bonus from the Company in respect of calendar year 2018.

Transition Bonus:

You will receive a transition bonus in the amount of $50,000 payable on January 1, 2020 (the "Transition Bonus"). Except as otherwise provided in this Letter Agreement, in order to be eligible for the Transition Bonus, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

2019 Minimum Bonus:

For calendar year 2019 and provided you begin employment at the Company on the Start Date, you will receive a minimum cash bonus of $325,000, payable at such time as similarly situated Company employees receive discretionary bonuses in respect of calendar year 2019, which time will be no later than March 15, 2020 (the "2019 Minimum Bonus"). Except as otherwise provided in this Letter Agreement, in order to be eligible for the 2019 Minimum Bonus, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Annual Discretionary Bonus (after January 1, 2020):

For calendar years after 2019 and during the Term, you will be eligible to receive an annual discretionary cash bonus, subject to the terms and conditions in this section. The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its discretion, will determine whether any such bonus will be paid and the amount of any such bonus. The amount of your annual discretionary bonus, if any, shall be based on the Company's and your performance against performance criteria established by the Compensation Committee, after consultation with the CEO. Such performance criteria shall include minimum performance criteria (the "Bonus Threshold Criteria"), which must be met, as determined by the Compensation Committee in its discretion, in order for you to be eligible to receive any annual discretionary bonus. Your target annual bonus amount is 100% of your Base Salary (the "Target Bonus"). If the Compensation Committee determines, in its discretion, that the performance criteria for the payment of a Target Bonus in any applicable calendar year has been met or exceeded, you will be eligible to receive the Target Bonus or a higher amount, but not more than 150% of your Base Salary (the "Maximum Target Bonus"). Likewise, if the performance criteria for the payment of a Target Bonus has not been met for any applicable calendar year, but the Bonus Threshold Criteria has otherwise been met or exceeded, you will be eligible to receive an amount lesser than the Target Bonus, but not less than 50% of your Base Salary (the "Minimum Target Bonus"). For the avoidance of doubt, if the Bonus Threshold Criteria has not been met for any applicable calendar year, then you will not be eligible to receive any annual discretionary bonus for such calendar year. The annual discretionary bonus (if any) will be paid to you, in cash, no later than March 15 of the immediately subsequent calendar year.

Payment of an annual discretionary bonus or any bonus in any given fiscal or calendar year does not entitle you to additional compensation or any such bonus in any subsequent year. In order to be eligible for any bonus while employed at the Company, you must be an active employee at, and not have given or received notice of termination prior to, the time of the bonus payment.

Equity-Based Compensation: During the Term, in addition to the Transition Award, you will be eligible to receive annual equity-based awards pursuant to the Plan, which shall be subject to the terms and conditions generally applicable to other senior executives of the Company and in this section of the Letter Agreement. The Compensation Committee, in its discretion, will determine whether any such awards will be made to you and the amount of any such awards in accordance with this section of the Letter Agreement, with the target value for such annual awards equal to 100% of your Base Salary (based on the grant date fair market value of the Company's publicly traded common stock as determined under the Plan) (your "Target Award Value"); provided that, the Compensation Committee may, in its discretion grant annual awards with a target value in excess of your Target Award Value. Any such annual equity awards shall be granted within 90 days following the commencement of each calendar year during the Term (except, in the event that the Compensation Committee determines that the Company has an insufficient number of shares remaining under the Plan to make such grants, such grants will not be made unless and until the Company's shareholders approve for issuance at least the number of shares necessary to make such awards under the Plan). With respect to any annual equity awards granted in a given year, (a) 75% will be in the form of a performance-based restricted stock or restricted stock units, pursuant to which 0% to 150% of the target number of shares subject to the award may be earned (with a threshold opportunity equal to 50% of such target number of shares, a target opportunity equal to 100% of such target number of shares, and a maximum opportunity equal to 150% of such target number of shares), with the performance goals for such award to be based on Company performance over a three-year performance period compared against performance criteria established by the Compensation Committee after consultation with the CEO and based on industry-standard metrics and (b) 25% will be in the form of time-based vesting restricted stock that will vest ratably over a three year period, in each case subject to your continued employment through each such vesting date (except as otherwise provided in this Agreement) and unless otherwise determined by the Compensation Committee. With respect to annual awards granted in the form of restricted stock or restricted stock units (regardless of whether such awards vest based on time or performance goals), when dividends are declared on the unvested underlying shares, such dividends shall accrue and become vested and paid to the same extent that the underlying shares become vested (but in no event later than 2.5 months following the year in which such award becomes vested).

Your entitlement to any equity awards remains subject to your execution of the applicable award agreements governing such awards. In order to be eligible to receive any equity awards, you must be an active employee at, and not have given or received notice of termination prior to, the date of grant.

You acknowledge and agree that any historical equity awards in the Company (including, without limitation, any Tandem Awards, pursuant to any agreement between you and your prior employer, FIG LLC ("FIG LLC" together with its affiliates, including Fortress Investment Group, "Fortress")) remain subject to the terms and conditions of the documentation governing such awards, and that the Company assumes no liability with respect to any such awards.

Benefits:	Effective on the Start Date, you (and your spouse, registered domestic partner and/or eligible dependents, if any) shall be entitled to participate in the same manner as other similarly situated employees of the Company in the employee benefit plans that are generally made available to the Company's employees, subject to satisfying the applicable eligibility requirements. Your participation will be subject to the terms of the applicable plan documents and generally applicable Company policies. Notwithstanding the foregoing, the Company may modify or terminate any employee benefit plan at any time, at the Company's sole discretion.
Indemnification and Director and Officer Liability Insurance:	During the course of your employment, the Company shall maintain director and officer liability insurance ("D&O Insurance") under which you shall be covered to the fullest extent permissible under the Company's D&O-Insurance policy or policies.
Paid Time Off:	During your employment, you will be entitled to paid time off ("Paid Time Off") in accordance with the Company's policies then in effect.

Representation: You represent that on the Start Date, you will be free to accept employment hereunder without any contractual restrictions, express or implied, with respect to any of your prior employers, except for those restrictions with your prior employer, FIG LLC. You represent that you have not taken or otherwise misappropriated and you do not have in your possession or control any confidential and proprietary information belonging to any of your prior employers or connected with or derived from your services to prior employers. You represent that you have returned to all prior employers any and all such confidential and proprietary information. You further acknowledge that the Company has informed you that you are not to use or cause the use of such confidential or proprietary information in any manner whatsoever in connection with your employment by the Company. You agree that you will not use such information. You represent that you are not currently a party to any pending or threatened litigation or arbitration, including with any current or former employer or business associate. In the event that you become a party to any pending or threatened litigation or arbitration after the date on which you sign this Letter Agreement but prior to your Start Date and at all times thereafter while you are employed by the Company, you shall promptly provide the Company with notice of such, in writing. You shall indemnify and hold harmless the Company from any and all claims arising from any breach of the representations and warranties in this paragraph.

The above representations and acknowledgment do not apply to any confidential or proprietary information belonging to Fortress that you have had or continue to have access to as a result of your employment with FIG LLC, solely to the extent: (i) such information has been transferred by Fortress to the Company pursuant to the terms and conditions of a written agreement between Fortress and the Company; or (ii) Fortress has agreed, in writing, to provide you with such confidential or proprietary information.

You represent that you understand that this Letter Agreement sets forth the terms and conditions of your employment relationship with the Company and as such, you have no express or implied right to be treated the same as or more favorably than any other employee of the Company or any of its affiliates with respect to any matter set forth herein based on the terms or conditions of such person's employment relationship with the Company or any of its affiliates. You further agree to keep the terms of this Letter Agreement confidential and not to disclose any of the terms or conditions hereof to any other person, including any employee of the Company, other than to your attorney or accountant or, upon the advice of counsel after notice to the Company, as may be required by law, except to the extent such disclosure is protected by applicable law.

Work Authorization: Employment with the Company is contingent upon your unrestricted authorization to work in the United States and providing documentation establishing your identity and authority to work within the time period specified by law.

Policies and Procedures: You agree to comply fully with all Company policies and procedures applicable to employees, as amended and implemented from time to time, including, without limitation, tax, regulatory and compliance procedures.

Employment Relationship: This Letter Agreement is not a contract of employment for any specific period of time, and subject to the notice provisions herein, your employment is "at will" and may be terminated by you or by the Company at any time for any reason or no reason whatsoever. In each case where the term the "Company" is used in this Letter Agreement it shall mean, in addition to the Company, any Company affiliate by whom you may be employed on a full-time basis at the applicable time. You agree that effective as of any separation from service with the Company, you will have been deemed to resign from all positions you may hold with the Company and its affiliates (including any board memberships), and will take any actions that may be reasonably required to effectuate such resignation, without prejudice against any rights you may otherwise have under this Agreement.

You agree to provide the Company with at least thirty (30) days' advance written notice of your resignation of employment (the "Notice Period," which Notice Period shall be considered a "Protective Covenant" (as hereinafter defined) for purposes of this Letter Agreement). The Company may, in its sole discretion, direct you to cease performing your duties, refrain from entering the Company's offices and/or restrict your access to the Company systems, trade secrets and confidential information, in each case during all or part of the Notice Period. During the Notice Period, you shall continue to be an employee of the Company, the Company shall continue to pay you your Base Salary and benefits, and you shall be entitled to all other benefits and entitlements as an employee until the end of the Notice Period (although you acknowledge that (i) if your resignation is not for Good Reason (as defined below), you shall not be entitled to receive any bonus, including the Transition Bonus, not already paid prior to the commencement of the Notice Period (and if your resignation is for Good Reason, you will be entitled only to such bonus amounts as are set forth under "Severance Benefits" below); (ii) your Base Salary, benefits, and entitlements shall cease if you breach any of your agreements with or obligations to the Company or any of its affiliates, including, without limitation, those "Protective Covenants" set forth below and incorporated herein; (iii) your Paid Time Off (as defined below) will be treated in accordance with the Company's policies then in effect; and (iv) such Notice Period shall be disregarded for purposes of the vesting of equity, if any).

Severance Benefits: The following constitutes "Severance Benefits":

If your employment with the Company is terminated without Cause (as hereinafter defined) by the Company (which shall include a non-renewal of the Term by the Company) or for Good Reason (as defined below) by you (any such event, a "Qualifying Termination"), in either case at any time other than during a Change in Control Protected Period (defined below), and subject to your compliance with the Protective Covenants (below) and your execution without revocation of a release of claims against the Company (a "Release") within sixty (60) days following the date of such termination, you will be entitled to: (i) a lump sum payment equal to the product of (x) one (1) and (y) the sum of your then current Base Salary, Target Bonus and if your termination occurs prior to January 1, 2020, your Transition Bonus; (ii) a prorated portion of your Target Bonus for the year in which your employment is terminated (the "Prorated Bonus"); and (iii) a lump sum payment equal to the product of (x) twelve (12) and (y) the amount equal to the monthly premium for health, prescription drug, dental and vision coverage as in effect on the date of termination under the Company's plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, less the portion of the monthly premium cost of such coverage payable by an active employee as of the date of termination (the "Monthly COBRA Premium"); (iv) to the extent not yet paid, the Transition Bonus, and (v) to the extent not otherwise provided for under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, (x) immediate vesting in any then outstanding Transition Awards and (y) for any then outstanding annual equity awards granted under the Plan or any successor thereto, (I) with respect to any then outstanding time-vesting award, (A) if such award vests in annual (or shorter) installments, immediate vesting in that portion of the award that would have otherwise vested within 365 days following the date of any such separation from service and (B) if such award provides for vesting not described in clause (A), immediate vesting in a pro-rated portion of the award, based on the period of time that has elapsed during the vesting period, and (II) with respect to any then outstanding performance based award, vesting shall be based on achievement of actual performance as of the date of such separation from service compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period. The amounts set forth in the preceding clauses (i), (ii), (iii) and (iv) shall be paid to you within sixty (60) days following your Qualifying Termination. In addition to the foregoing, if the Qualifying Termination occurs on or after the end of a given year but before the date that annual bonuses that may be payable in respect of such year are to be paid, then you will receive, at such time (if any) as such annual bonuses are otherwise paid to remaining senior executives of the Company, the annual bonus you would have received (if any) if you had remained employed through such date (any such bonus, the "Prior Year Bonus").

Change in Control Benefits: The following constitutes "Change in Control Benefits":

Upon a Change in Control (as such term is defined in the Plan), to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding performance-based equity awards granted under the Plan or any successor thereto shall become immediately vested, based on achievement of actual performance as of the date of the Change in Control compared against the relevant performance metrics (with such performance metrics prorated based on the period of time that has elapsed during the performance period) and prorated based on the period of time that has elapsed during the performance period.

If a Qualifying Termination occurs on or within one year after a Change in Control (as such term is defined in the Plan) (the "Change in Control Protected Period"), you shall receive: (i) a lump sum payment equal to the product of (x) two (2) and (y) the sum of your then current Base Salary, Target Bonus and if your termination occurs prior to January 1, 2020, your Transition Bonus; (ii) your Prorated Bonus; (iii) a lump sum payment equal to the product of (x) eighteen (18) and (y) your Monthly COBRA Premium; (iv) to the extent not yet paid, the Transition Bonus and (v) to the extent not otherwise provided above or under the Plan or any successor thereto or any award agreement granted thereunder, immediate vesting in any then outstanding equity awards (to the extent not otherwise vested), including for the avoidance of doubt, the Transition Award, granted under the Plan or any successor thereto; provided that, any performance-based awards granted on or after the Change in Control shall vest at the greater of target value or actual performance as of the date of termination. The amounts set forth in the preceding clauses (i), (ii), (iii) and (iv) shall be paid to you within a reasonable time following your termination of employment, not to exceed sixty (60) days. You shall also be entitled to any Prior Year Bonus.

Death and Disability Benefits: In the event that your employment terminates on account of your death or Disability (as defined below), then to the extent not otherwise provided under the Plan or any successor thereto, as applicable, or any award agreement granted thereunder, any outstanding equity awards granted under the Plan or any successor thereto shall become immediately vested upon such termination; provided, that with respect to any performance-based awards, vesting shall be determined as though target performance has been achieved. You (or your estate) will also be entitled to your Prior Year Bonus and within 60 days of your death or Disability, to the extent not yet paid, the Transition Bonus.

Protective Covenants:

As a Company employee, at all times you owe the Company your undivided loyalty. You shall not, directly or indirectly, without prior written consent of the Company, at any time during your employment hereunder (including any Notice Period), provide consultative services to, own, manage, operate, join, control, participate in, be engaged in, employed by or be connected with, any business, individual, partner, firm, corporation, or other entity that directly or indirectly competes with (any such action, individually, and in the aggregate, to "compete with"), the Company (including, for these purposes, any of its affiliates). Notwithstanding anything else herein, the mere "beneficial ownership" by you, either individually or as a member of a "group" (as such terms are used in Rule 13(d) issued under the United States Securities Exchange Act of 1934, as amended from time to time) of not more than one percent (1%) of the voting stock of any public company shall not be deemed a violation of this Letter Agreement.

You hereby agree that during your employment with the Company and for the Restricted Period (defined below), you shall not directly or indirectly, without prior written consent of the Company, provide services to, own, manage, operate, join, control, be employed by, participate in, be connected with or associated with any business, individual, partner, firm, corporation, or other any entity (including any subsidiary, division or unit of a multi-strategy firm) (any such entity or subsidiary, division or unit thereof, a "Firm") that, directly or indirectly, competes with the Company or is principally engaged in the business of investing (including, without limitation, the sourcing and/or management and/or acquisition or disposition of any investments) in the senior housing sector (including without limitation independent living, assisted living and/or memory care properties) in the United States (the "Business"). For the avoidance of doubt, (a) a Firm (whether such term is used to refer to only a subsidiary, division or unit of a larger entity or the entire entity) will be considered to be competing with the Company or principally engaged in the Business if any such Firm derives more than 20% of its consolidated gross revenues from the Business or is a newly established entity or a subsidiary, division or unit of an entity that is intended to be principally engaged in from the Business and (b) the foregoing covenant shall not prevent you from being employed by, participate in or be connected with any Firm that is a multi-strategy Firm, so long as you do not provide services or advice, with or without specific compensation, to any Business of such Firm. For purposes of this Letter Agreement, the term "Restricted Period" means the twelve (12) month period following the termination of your employment.

You further agree that you shall not, directly or indirectly, for your benefit or for the benefit of any other person (including, without limitation, an individual or entity), or knowingly assist any other person to during your employment with the Company and during the Restricted Period, in any manner, directly or indirectly:

(a) hire or Solicit (as hereinafter defined) the employment or services of any person who provided services to the Company or any of its affiliates, as an employee, independent contractor or consultant at the time of the termination of your employment with the Company or within six (6) months prior thereto;

(b) Solicit any person who is an employee of the Company or any of its affiliates to resign from the Company or such affiliate or to apply for or accept employment with any enterprise;

(c) accept employment or work, in any capacity (including as an employee, consultant or independent contractor), with any firm, corporation, partnership or other entity that is, directly or indirectly, owned or controlled by any Former Employee (as hereinafter defined) of the Company or any of its affiliates and that engages in the Business;

(d) Solicit or otherwise attempt to establish any business relationship (in connection with any business in competition with the Company or any of its affiliates) with any limited partner, investor, person, firm, corporation or other entity that is, at the time of your termination of employment, or was, during the twelve (12) months prior to your termination of employment, a Client, Investor, or Business Partner (as hereinafter defined) of the Company or any of its affiliates; or

(e) interfere with or damage (or attempt to interfere with or damage) any relationship between the Company and any of its affiliates and their respective Clients, Investors, Business Partners, or employees.

For purposes of this Letter Agreement, the term "Solicit" means, as applicable: (a) active solicitation of any Client, Investor, or Business Partner or Company employee; (b) the provision of non-public information regarding any Client, Investor, or Business Partner or Company employee to any third party where such information could be useful to such third party in attempting to obtain business from such Client, Investor, or Business Partner or attempting to hire any such Company employee; (c) participation in any meetings, discussions, or other communications with any third party regarding any Client, Investor, or Business Partner or Company employee where the purpose or effect of such meeting, discussion or communication is to obtain business from such Client, Investor, or Business Partner or employ such Company employee; and (d) any other intentional use of non-public information about any Client, Investor, or Business Partner, or Company employee for the purpose of assisting a third party to obtain business from Clients, Investors, or Business Partners, assisting a third party to hire any Company employee or causing harm to the business of the Company.

For purposes of this Letter Agreement, the term "Client," "Investor," or "Business Partner" shall mean (A) anyone who is or has been a client, investor, or business partner of the Company during your employment, but only if you had a direct relationship with, direct supervisory responsibility for or otherwise were directly involved with such Client, Investor, or Business Partner during your employment with the Company; and (B) any prospective client, investor, or business partner to whom the Company made a new business presentation (or similar offering of services) at any time during the one-year period immediately preceding, or six-month period immediately following, your employment termination (but only if initial discussions between the Company and such prospective Client, Investor, or Business Partner relating to the rendering of services occurred prior to the termination date, and only if you participated in or directly supervised such presentation and/or its preparation or the discussions leading up to it).

For purposes of this Letter Agreement, the term "Former Employee" shall mean anyone who was an employee of or exclusive consultant to the Company as of, or at any time during the one-year period immediately preceding, the termination of your employment.

Any works of authorship, databases, discoveries, developments, improvements, computer programs, or other intellectual property, etc. ("Works") that you make or conceive, or have made or conceived, solely or jointly, during the period of your employment with the Company, whether or not patentable or registerable under copyright, trademark or similar statutes, which either (i) are related to or useful in the current or anticipated business or activities of the Company; (ii) fall within your responsibilities as employed by the Company; or (iii) are otherwise developed by you through the use of the Company's confidential information, equipment, software, or other facilities or resources or at times during which you are or have been an employee constitute "work for hire" under the United States Copyright Act, as amended. If for any reason any portion of the Works shall be deemed not to be a "work for hire," then you hereby assign to the Company all rights, title and interest therein and shall cooperate to establish the Company's ownership rights, including the execution of all documents necessary to establish the Company's exclusive ownership rights.

As a condition of employment, you may be required to sign a confidentiality and proprietary rights agreement, in a form acceptable to you and the Company, and that agreement shall remain in full force and effect after it is executed and following termination of your employment for any reason with the Company or any of its affiliates. The obligations set forth in such agreement shall be considered "Protective Covenants" for purposes of this Letter Agreement and are incorporated herein by reference.

The provisions set forth above in (or incorporated into) this "Protective Covenants" section, together with the Notice Period above, are collectively referred to in this Letter Agreement as the "Protective Covenants" (and each is a "Protective Covenant").

Definitions:

"Cause" means (i) your commission of an act of fraud against the Company in the course of your service to the Company; (ii) your indictment, conviction or entering of a plea of nolo contendere for a crime constituting a felony or in respect of any act of fraud or dishonesty; (iii) your commission of an act which would make you subject to being enjoined, suspended, barred or otherwise disciplined for violation of federal or state securities laws, rules or regulations, including a statutory disqualification; (iv) your willful misconduct in connection with your employment by the Company, including through the violation of any written Company code of conduct or other similar policy; (v) your willful breach of any restriction set forth in (or otherwise herein incorporated by reference into) the section above entitled "Protective Covenants;" or (vi) your commission of any material breach of any of the provisions or covenants (excluding the covenants set forth in or incorporated into the "Protective Covenant" section above) set forth herein; provided, however, that discharge pursuant to this clause (vi) shall not constitute discharge for "Cause" unless you have received written notice from the Company stating the nature of such breach and affording you an opportunity to correct fully the act(s) or omission(s), if such a breach is capable of correction, described in such notice within ten (10) days following your receipt of such notice.

"Disability" shall mean that the Executive is eligible to receive income replacement benefits under a long term disability plan provided by the Company or its affiliates.

"Good Reason" shall mean (1) a material reduction in your Base Salary or Target Bonus opportunity or Target Award Value, (2) a material reduction of your duties, authority, responsibilities or reporting relationship, relative to your duties, authority, responsibilities or reporting relationship as in effect immediately prior to such reduction. (3) a relocation of your work location by more than 35 miles or (4) the Company's material breach of this Letter Agreement (which shall include, for the avoidance of doubt, the Company's failure to timely grant the Transition Award); provided that in order to resign for Good Reason, you must provide written notice to the Company of the Good Reason condition within 30 days of its initial existence, and the Company will have 30 days during which it may cure such condition, and if such condition is not cured during such 30 day period, you must resign no later than 60 days following the expiration of the Company's 30 day cure period.

Arbitration:

You agree to submit any claims arising out of this Letter Agreement or your employment and termination thereof to binding arbitration in accordance with the terms of Exhibit A, which are hereby incorporated herein by reference.

Governing Law:

This Letter Agreement will be covered by and construed in accordance with the laws of New York, without regard to the conflicts of laws provisions thereof. EXCEPT AS OTHERWISE PROVIDED IN EXHIBIT A, YOU HEREBY AGREE THAT EXCLUSIVE JURISDICTION WILL BE IN A COURT OF COMPETENT JURISDICTION IN THE CITY OF NEW YORK AND WAIVE OBJECTION TO THE JURISDICTION OR TO THE LAYING OF VENUE IN ANY SUCH COURT.

Section 409A: The intent of the parties to this Letter Agreement is that payments and benefits hereunder comply with Section 409A, to the extent subject thereto, and, accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, you shall not be considered to have terminated employment with the Company for purposes of this Letter Agreement, and no payment shall be due to you under this Letter Agreement, until you would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Any payments described in this Letter Agreement that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Each amount to be paid or benefit to be provided to you pursuant to this Letter Agreement that constitutes deferred compensation subject to Section 409A shall be construed as a separate identified payment for purposes of Section 409A. Notwithstanding anything to the contrary in this Letter Agreement, to the extent that any payments to be made upon your separation from service would result in the imposition of any individual penalty tax imposed under Section 409A, the payment shall instead be made on the first business day after the earlier of (i) the date that is six (6) months following such separation from service and (ii) your death. In the event that any amount payable to you under this Letter Agreement may be paid in two taxable years, depending on the date of execution of a Release, then to the extent required by Section 409A, payment will be made in the later taxable year.

Section 280G: To the extent that any of the payments and benefits provided for under this Letter Agreement together with any payments or benefits under any other agreement or arrangement between the Company and you (collectively, the "Payments") would constitute a "parachute payment" within the meaning of Section 280G of the Code, the amount of such Payments shall be reduced to the amount that would result in no portion of the Payments being subject to the excise tax imposed pursuant to Section 4999 of the Code if and only if such reduction would provide you with an after-tax amount greater than if there was no reduction. Any reduction shall be done in a manner that maximizes the amount to be retained by you, provided that to the extent any order is required to be set forth herein, then such reduction shall be applied in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced next (if necessary, to zero), with amounts that are payable or deliverable last reduced first; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G- 1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); (iv) payments due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24 will be reduced next (if necessary, to zero), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24); and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) of this Section will be next reduced prorata.

Miscellaneous; Acknowledgements; Protective Covenants Severable; Remedies Cumulative; Subsequent Employment Notice; Obligations; No Waiver; Cooperation; Withholding:

Notwithstanding the provisions of Exhibit A, if you commit a breach of any of the Protective Covenants provisions hereof, the Company shall have the right to have the provisions of this Letter Agreement specifically enforced by any court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may (a) in the event you breach, in any material respect, any Protective Covenant during the Restricted Period following a Qualifying Termination, claw back the Severance Benefits, in whole or in part, prorated based on the period of time during the Restricted Period that such breach occurred or is occurring and (b) take all such other actions and remedies available to it under law or in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

The parties acknowledge that (i) the type and periods of restriction imposed in the Protective Covenants are fair and reasonable and are reasonably required in order to protect and maintain the proprietary interests of the Company or other legitimate business interests and the goodwill associated with the business of the Company; (ii) the time, scope, geographic area and other provisions of the Protective Covenants have been specifically negotiated by sophisticated commercial parties, represented by legal counsel; and (iii) because of the nature of the business engaged in by the Company and the fact that investors can be and are serviced and investments can be and are made by the Company wherever they are located, it is impractical and unreasonable to place a geographic limitation on the agreements made by you.

If any of the covenants contained in the Protective Covenants, or any part thereof, is held to be unenforceable by reason of it extending for too great a period of time or over too great a geographic area or by reason of it being too extensive in any other respect, the parties agree (x) such covenant shall be interpreted to extend only over the maximum period of time for which it may be enforceable and/or over the maximum geographic areas as to which it may be enforceable and/or over the maximum extent in all other respects as to which it may be enforceable, all as determined by the court making such determination and (y) in its reduced form, such covenant shall then be enforceable, but such reduced form of covenant shall only apply with respect to the operation of such covenant in the particular jurisdiction in or for which such adjudication is made. Each of the covenants and agreements contained in the Protective Covenants is separate, distinct and severable.

All rights, remedies and benefits expressly provided for in this Letter Agreement are cumulative and are not exclusive of any rights, remedies or benefits provided for by law or in this Letter Agreement, and the exercise of any remedy by a party hereto shall not be deemed an election to the exclusion of any other remedy (any such claim by the other party being hereby waived).

The existence of any claim, demand, action or cause of action of you against the Company or any of its affiliates, whether predicated on this Letter Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of each Protective Covenant. The unenforceability of any Protective Covenant shall not affect the validity or enforceability of any other Protective Covenant or any other provision or provisions of this Letter Agreement. The temporal duration of the Protective Covenants shall not expire, and shall be tolled, during any period in which you are in violation of any of such Protective Covenants, and all such restrictions shall automatically be extended by the period of your violation of any such restrictions.

Prior to accepting employment with any person, firm, corporation or other entity during your employment by the Company or any of its affiliates or any period thereafter that you are subject to any of the Protective Covenants, you shall (1) notify the prospective employer in writing of your obligations under such provisions and (2) within thirty days after your commencement of employment with any new employer, provide written notice to the General Counsel at the Company of such new employment identifying such new employer.

The failure of a party to this Letter Agreement to insist upon strict adherence to any term hereof on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Letter Agreement.

This Letter Agreement, and all of your rights and duties hereunder, shall not be assignable or delegable by you. Any purported assignment or delegation by you in violation of the foregoing shall be null and void *ab initio* and of no further force and effect. This Letter Agreement may be assigned by New Senior Investment Group Inc. to any affiliate thereof or to a person or entity which is an affiliate or successor in interest to all or substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate person or entity.

You shall provide reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during your employment. This provision shall survive any termination of this Letter Agreement.

The Company may withhold from any amounts and benefits due to you under this Letter Agreement such Federal, state and local taxes as may be required or permitted to be withheld pursuant to any applicable law or regulation.

This Letter Agreement and Exhibit A contain the entire understanding of the parties and may be modified only in a document signed by the parties and referring explicitly to this Letter Agreement. If any provision of this Letter Agreement or Exhibit A is determined to be unenforceable, the remainder of this Letter Agreement or Exhibit A shall not be adversely affected thereby. Moreover, if any one or more of the provisions contained in this Letter Agreement or Exhibit A is held to be unenforceable, any such provision will be construed by limiting and reducing it so as to be enforceable to the maximum extent compatible with applicable law. In executing this Letter Agreement, you represent that you have not relied on any representation or statement not set forth herein, and you expressly disavow any reliance upon any such representations or statements. Without limitation to the foregoing, you represent that you understand that you shall not be entitled to any equity interest, profits interest or other interest in the Company or any of its affiliates, except as expressly set forth in this Letter Agreement or in another writing signed by the Company. The Company’s affiliates are intended beneficiaries under this Letter Agreement.

[signatures on the following page.]

If you agree with the terms of this Letter Agreement and accept this offer of employment, please sign and date this Letter Agreement in the space provided below and return a copy to the Company to indicate your acceptance.

This Letter Agreement may be signed in counterparts, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Sincerely,

NEW SENIOR INVESTMENT GROUP INC.

By: _____
Name: Susan Givens
Title: Chief Executive Officer

AGREED AND ACCEPTED AS OF _____, 2018

_____
Bhairav Patel

[*Signature Page to Employment Letter Agreement*]

Exhibit A

Arbitration

a. You and the Company agree that we shall first attempt to settle any controversy, dispute or claim arising out of or relating to your compensation, your employment or the termination thereof or the Letter Agreement or breach thereof (including, without limitation, any claim regarding or related to the interpretation, scope, effect, enforcement, termination, extension, breach, legality, remedies and other aspects of the Letter Agreement or the conduct and communications of us regarding the Letter Agreement and the subject matter of the Letter Agreement) through good faith negotiation. Any such controversy, dispute or claim, as described in the preceding sentence, will be referred to herein as a "Dispute". If such negotiations fail to reach a resolution of the Dispute within forty-five (45) days after a party initially provides written notice (either by letter or electronically) of any such Dispute either party may initiate arbitration proceedings in accordance with this Exhibit A. The parties agree to resolve any Dispute by binding arbitration administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS") or a successor organization, for binding arbitration located in New York City, New York by a single arbitrator pursuant to its Employment Arbitration Rules & Procedures. The JAMS Employment Arbitration Rules & Procedures are available online at https://www.jamsadr.com/rules-employment-arbitration/. Except as otherwise authorized by applicable law, all awards of the arbitrator shall be binding and non-appealable. The arbitrator's final award shall be in writing made and delivered to the parties within thirty (30) calendar days following the close of the hearing and shall provide a reasoned basis for the resolution of any Dispute and any relief provided. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction. The arbitrator shall apply New York law to the merits of any Dispute, without reference to the rules of conflicts of law applicable therein. The arbitrator shall be bound by and strictly enforce the terms of the Letter Agreement and this Exhibit and may not limit, expand or otherwise modify their terms. The arbitrator may grant injunctions or other relief. Notwithstanding anything else set forth herein, the Company shall not be precluded from applying to a proper court for injunctive relief by reason of the prior or subsequent commencement of an arbitration proceeding as herein provided, including without limitation, with respect to any Dispute relating to the Protective Covenants under the Letter Agreement or any confidentiality obligations under your Confidentiality and Proprietary Rights Agreement.

b. You acknowledge that you have read and understand this Exhibit A to the Letter Agreement. You understand that by signing the Letter Agreement, you agree to submit any Dispute to binding arbitration, and that this arbitration provision constitutes a waiver of your rights to a jury trial and relates to the resolution of all Disputes relating to all aspects of the employer/employee relationship to the greatest extent permitted by law, including but not limited to the following:

i. Any and all claims for wrongful discharge of employment, breach of contract, both express and implied; breach of the covenant of good faith and fair dealing, both express and implied; negligent or intentional infliction of emotional distress; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; and defamation;

ii. Any and all claims for violation of any federal, state or municipal statute, including, without limitation, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Equal Pay Act, the Employee Retirement Income Security Act, as amended, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act, the New York City Administrative Code, the New York Labor Law, the New York Human Rights Law, and the New York City Human Rights Law;

iii. Any and all claims arising out of or relating to your compensation, including without limitation, any carried interest, points interest, or any equity based incentive plan or award agreement, all such claims to be governed by the terms and conditions of any such plan or award agreement; and

iv. Any and all claims arising out of any other federal, state or local laws or regulations relating to employment, harassment or employment discrimination.

c. The following Disputes are excluded from mandatory arbitration under this Letter Agreement:

i. claims for workers' compensation benefits, unemployment insurance, or state or federal disability insurance; and

ii. any other dispute or claim that has been expressly excluded from arbitration by statute or other applicable law.

Nothing in this Letter Agreement should be interpreted as restricting or prohibiting you from filing a charge or complaint with the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the Department of Labor, the Occupational Safety and Health Commission, any other federal, state, or local administrative agency charged with investigating and/or prosecuting complaints under any applicable, federal, state, or municipal law or regulation. A federal, state, or local agency would also be entitled to investigate the charge in accordance with applicable law. However, any Dispute that is covered by this Letter Agreement but not resolved through the federal, state, or local agency proceedings must be submitted to arbitration in accordance with this Letter Agreement.

d. You further understand that other options such as federal and state administrative remedies and judicial remedies exist and acknowledge and agree that by signing the Letter Agreement and agreeing to the terms of this Exhibit A these remedies are forever precluded and that regardless of the nature of your complaints, you acknowledge and agree that it can only be resolved by arbitration.

e. It is understood and agreed that, unless expressly authorized by statutory law, the arbitrator shall not have the right or authority to enter any award of punitive damages.

f. The fees and expenses of the arbitrator and all other expenses of the arbitration shall be borne by the parties equally. Each party shall bear the expenses of its own counsel, experts, and presentation of proof.

g. The substance and result of any arbitration under this Exhibit A to the Letter Agreement and all information and documents disclosed in any such arbitration by any person shall be treated as confidential (and as Proprietary Information under the Confidentiality and Proprietary Rights Agreement subject to the terms thereof), except that disclosures may be made to the extent necessary (i) to enforce a final settlement agreement between the parties or (ii) to obtain and secure enforcement, or a judgment on, an award issued pursuant to this Exhibit A to the Letter Agreement.

h. **Class, Collective, and Representative Action Waiver** - You agree that, with respect to any claims that are subject to arbitration under Section (b) of this Exhibit A to the Letter Agreement, in any forum whether arbitration or otherwise, you shall not be entitled to (i) join or consolidate claims by other individuals or entities against the Company, including but not limited to by becoming a member of a class in a class action; (ii) arbitrate any claim as a representative or participate in a class, representative, multi-plaintiff, or collective action or (iii) bring any such claim in a private attorney general capacity. Any attempt to proceed in arbitration, court or any other forum on anything other than an individual basis shall be void ab initio and be precluded by every tribunal in which any such action is brought. If, despite the parties' express intent to proceed only in individual arbitration, a court nonetheless orders that a class, collective, mass or other representative or joint action should proceed, in no event will such action proceed in an arbitration forum and may proceed only in court. Any issue concerning the validity or enforceability of this class, collective and representative action waiver must be decided only by a court and an arbitrator shall not have authority to consider the issue of the validity or enforceability of this Section (h).

i. **Time Limitation on Filing Claims** - The parties hereby acknowledge and agree that, unless prohibited by law, any arbitration, suit, action or other proceeding relating to this Exhibit A must be brought within the shorter of: (i) the statute of limitations that is applicable to the claim(s) upon which the arbitration, suit, action or other legal proceeding is sought or required; or (ii) two (2) years after the occurrence of the act or omission that is the subject of the arbitration, suit, action or other legal proceeding. Any failure to file a demand for arbitration within this time frame and according to these rules shall constitute a waiver of all rights to raise any claim in any forum arising out of any dispute that was subject to arbitration. All such untimely claims shall be deemed barred by the applicable statute of limitations. The date of the filing is the date on which written notice by the party seeking arbitration stating that party's intention to arbitrate is received by JAMS.

j. In the event any notice is required to be given under the terms of this Exhibit A, it shall be delivered in writing, if to you, to your last known address, and if to the Company, to the attention of the General Counsel of the Company.

k. If any provision of this Exhibit A is determined to be invalid or unenforceable, either in its entirety or by virtue of its scope or application to given circumstances, such provision shall be deemed modified to the extent necessary to render the same valid, or as not applicable to the given circumstances, or will be deleted from this Exhibit A, as the situation may require, and this Exhibit A shall be construed and enforced as if such provision had been included herein as so modified in scope or application, or had not been included herein, as the case may be, it being the stated intention of the parties that had they known of such invalidity or unenforceability at the time of entering into this Exhibit A, they would have nevertheless contracted upon the terms contained herein, either excluding such provisions, or including such provisions, only to the maximum scope and application permitted by law, as the case may be. The parties expressly acknowledge and agree that it is their intent that the inclusion or exclusion of no provision or provisions is to interfere with or negate the arbitration and class/collective waiver provision of this Exhibit A and this Exhibit A is to be modified in scope and application in every instance needed to permit the enforceability of those provisions. In the event such total or partial invalidity or unenforceability of any provision of this Exhibit A exists only with respect to the laws of a particular jurisdiction, this Section will operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision.

l. Except as otherwise expressly set forth herein, all capitalized defined terms shall have the same meaning as set forth in the Letter Agreement.

AGREED TO AND ACCEPTED:

_____
Bhairav Patel

_____
Date

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Section 6: EX-10.10 (EXHIBIT 10.10)

NEW SENIOR INVESTMENT GROUP INC.
RESTRICTED STOCK AWARD AGREEMENT
(Transition Award)

This Restricted Stock Award Agreement (this "Restricted Stock Award Agreement"), dated as of January 1, 2019 (the "Grant Date"), is made by and between New Senior Investment Group Inc., a Delaware corporation (the "Company"), and [_____] (the "Participant"). Any capitalized term that is used but not defined in this Award Agreement shall have the meaning ascribed to such term in the Amended and Restated New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (as may be amended from time to time, the "Plan") or if indicated, the Letter Agreement between the Participant and the Company dated December __, 2018 (the "Letter Agreement"). This Restricted Stock Award constitutes that certain restricted stock Transition Award referenced in the Letter Agreement.

1. Grant of Restricted Stock. The Company hereby grants to the Participant [**_____**] restricted stock (the "Restricted Stock"), subject to all of the terms and conditions of this Restricted Stock Award Agreement and the Plan. The Participant agrees that within thirty days of the Grant Date, the Participant shall give notice to the Company as to whether the Participant has made an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended.

2. Vesting.

(a) The Restricted Stock shall vest in three equal installments on each of the first through third anniversaries of the Grant Date (the "Vesting Date"), so long as the Participant remains in continuous employment with the Company or an Affiliate through the applicable Vesting Date.

(b) Except as set forth in Section 2(c) below, if the Participant's employment with the Company and its Affiliates terminates for any reason prior to the final Vesting Date, then (i) this Restricted Stock Award Agreement shall terminate and all rights of the Participant with respect to Restricted Stock that have not vested shall immediately terminate, (ii) any such unvested Restricted Stock and all rights therein shall be forfeited without payment of any consideration, and (iii) neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such unvested Restricted Stock.

(c) If the Participant's employment with the Company and its Affiliates is terminated prior to the final Vesting Date by the Company without Cause or by the Participant for Good Reason (each as such terms are defined in the Letter Agreement), then all unvested Restricted Stock shall become vested immediately upon such termination of employment, subject to (i) the Participant's compliance with the Protective Covenants as defined in the Letter Agreement and (ii) if such termination of employment occurs prior to a Change in Control, the execution without revocation of a release of claims to the extent provided in the Letter Agreement.

3. Settlement.

(a) Restricted Stock that has vested in accordance with Section 2 shall be delivered to the Participant as soon as practicable

after vesting occurs. No physical certificates evidencing the Restricted Stock will be issued to the Participant. Instead, the Restricted Shares will be evidenced by certificates held by or on behalf of the Company, in book-entry form, or otherwise, as determined by the Company.

(b) By accepting Restricted Stock, the Participant agrees not to sell Stock at a time when applicable laws or the Company's rules prohibit a sale. This restriction will apply as long as the Participant is an employee, consultant or director of the Company or a Subsidiary.

(c) The Company shall have the right to refuse to issue or transfer any Stock under this Restricted Stock Award Agreement if the Company acting in its absolute discretion determines that the issuance or transfer of such Stock might violate any applicable law or regulation.

4. Participant's Rights During the Vesting Period. Except as otherwise provided in the Plan or this Restricted Stock Award Agreement, during any period when the Restricted Stock are forfeitable, the Participant of the Restricted Stock Award may vote the underlying Restricted Stock and will NOT receive any dividends paid with respect to such shares Restricted Stock until the vesting of Stock, at which time such Participant will receive dividends accruing on the Stock during the period prior to the date on which the Restricted Stock becomes vested in accordance with Section 2, which accrued dividend amounts shall be paid within 60 days following such applicable vesting date.

5. Restricted Stock Award Agreement Subject to Plan. This Restricted Stock Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this Restricted Stock Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

6. No Rights to Continuation of Employment or Future Awards. Nothing in the Plan or this Restricted Stock Award Agreement shall confer upon the Participant any right to any future Award or to continue in the employ of the Company or any Affiliate thereof or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant's employment any time for any reason whatsoever, with or without cause.

7. Tax Withholding. The Company shall be entitled to require a cash payment by or on behalf of the Participant in respect of any sums required or permitted by federal, state or local tax law to be withheld with respect to the settlement of the Restricted Stock; provided, that, notwithstanding the foregoing, the Committee may permit the Participant to satisfy the applicable tax obligations in accordance with the terms of Section 10.5 of the Plan.

8. Section 409A Compliance. The intent of the parties is that payments and benefits under this Restricted Stock Award Agreement, including the accrued dividend amounts provided for in Section 4(a), shall be exempt from or comply with Section 409A of the Code, to the extent subject thereto, and accordingly, to the maximum extent permitted, this Restricted Stock Award Agreement shall be interpreted and administered to be in compliance with such intent. The provisions of Section 10.4 of the Plan shall apply to this Award and are fully incorporated herein.

9. Governing Law. This Restricted Stock Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

10. Restricted Stock Award Agreement Binding on Successors. The terms of this Restricted Stock Award Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

11. No Assignment; Transferability. Notwithstanding anything to the contrary in this Restricted Stock Award Agreement, neither this Restricted Stock Award Agreement nor any rights granted herein shall be transferable or assignable by the Participant. No rights granted under the Plan or this Restricted Stock Award Agreement and no Stock issued pursuant to this Restricted Stock Award Agreement shall be transferable by the Participant other than by will or by the laws of descent and distribution prior to the time the Participant's interest in such Stock has become fully vested.

12. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Restricted Stock Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. Severability. Should any provision of this Restricted Stock Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Restricted Stock Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Restricted Stock Award Agreement. Moreover, if one or more of the provisions contained in this Restricted Stock Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

14. Entire Agreement. This Restricted Stock Award Agreement, the Plan and the Letter Agreement contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersede any other agreements or representations, whether oral or otherwise, express or implied, with respect to the subject matter hereof.

15. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

16. Counterparts; Electronic Signature. This Restricted Stock Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. The Participant's electronic signature of this Restricted Stock Award Agreement shall have the same validity and effect as a signature affixed by the Participant's hand.

17. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

18. Set-Off. The Participant hereby acknowledges and agrees, without limiting the rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, any amount due to the Participant under this Restricted Stock Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

19. Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the Participant's attention at the latest mailing address on file with the Company in the Company personnel records (or to such other address as the Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at New Senior Investment Group Inc., 1345 Avenue of the Americas, 45th Floor, New York, NY 10105, Attention: General Counsel (or to such other address as the Company shall have specified to the Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

20. Representations by the Participant. The Participant hereby represents that the Participant has commenced employment with the Company on the Start Date (as defined in the Letter Agreement) and is an active employee of the Company on the Grant Date and has not given notice of termination prior to the Grant Date.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Award Agreement as of the date set forth above.

NEW SENIOR INVESTMENT GROUP INC.

By _____

Print Name: _____

Title _____

PARTICIPANT

Signature _____

Print Name: _____

[Signature Page to Restricted Stock Award Agreement]

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Section 7: EX-10.11 (EXHIBIT 10.11)

NEW SENIOR INVESTMENT GROUP INC.
STOCK OPTION AWARD AGREEMENT
(Transition Award)

This Stock Option Award Agreement (this "Option Award Agreement"), dated as of January [_], 2019 (the "Grant Date"), is made by and between New Senior Investment Group Inc., a Delaware corporation (the "Company"), and [_____] (the "Participant"). Any capitalized term that is used but not defined in this Option Award Agreement shall have the meaning ascribed to such term in the Amended and Restated New Senior Investment Group Inc. Nonqualified Stock Option and Incentive Award Plan (as may be amended from time to time, the "Plan") or if indicated, the Letter Agreement between the Participant and the Company dated December __, 2018 (the "Letter Agreement"). This Stock Option Award constitutes that certain Option Transition Award referenced in the Letter Agreement.

1. Grant of Stock Option. The Company hereby grants to the Participant an option to purchase [_____] shares of Stock at an Exercise Price of $[_____] per share, subject to all of the terms and conditions of this Option Award Agreement and the Plan.

2. Vesting.

(a) The Option shall become vested as follows: Stock Options subject to the Option Award shall vest in three equal installments on each of the first through third anniversaries of the Grant Date (each a "Vesting Date"), so long as the Participant remains in continuous employment with the Company or an Affiliate through the applicable Vesting Date.

(b) Except as set forth in Section 2(c) and (d) below, if the Participant's employment with the Company and its Affiliates terminates for any reason prior to the final Vesting Date, then (i) this Option Award Agreement shall terminate and all rights of the Participant with respect to Stock Options that have not vested shall immediately terminate, (ii) any such unvested Options shall be forfeited without payment of any consideration, and (iii) neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such unvested Options.

(c) If the Participant's employment with the Company and its Affiliates is terminated prior to the final Vesting Date by the Company without Cause (including by non-renewal of the Term of the Letter Agreement, as defined therein), or by the Participant for Good Reason, then all unvested Options shall become vested immediately upon such termination of employment, subject to (i) the Participant's compliance with the Protective Covenants as defined in the Letter Agreement and (ii) if either such termination of employment occurs prior to a Change in Control, the execution without revocation of a release of claims to the extent provided in the Letter Agreement. The terms Cause and Good Reason shall have the meaning set forth in the Participant's Letter Agreement.

(d) If the Participant's employment with the Company and its Affiliates is terminated with Cause, (i) all vested and unvested Stock Options shall immediately terminated without payment of any consideration and (iii) neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such unvested Options..

3. Timing of Exercise. Except as otherwise provided herein, the term of the Option (the "Option Term") shall commence on the Grant Date and terminate on the date of the first to occur of the following events:

(a) The 10th anniversary of the Grant Date;

(b) One year following the Participant's termination of employment with the Company and its Affiliates as a result of the termination of the Participant's employment by the Company or any of its Affiliates without Cause, by the Participant for Good Reason, death or Disability;

(c) Ninety (90) days following the Participant's termination of employment with the Company and its Affiliates as a result of the termination of the Participant's employment by the Participant other than for Good Reason; and

(d) The close of business on the last business day immediately prior to the date of the Participant's termination of employment by the Company for Cause or for any reason other than those reasons set forth above.

Upon the expiration of the Option Period, this Option, and all unexercised rights granted to Participant hereunder shall terminate, and thereafter be null and void.

4. Method of Exercise; Settlement.

(a) The Participant may exercise all or any portion of the Option, to the extent vested, by giving written notice of exercise to the Company specifying the number of shares of Stock to be purchased, accompanied by payment in full of the aggregate Exercise Price of the shares of Stock so purchased in cash or its equivalent; provided, that, notwithstanding the foregoing, in accordance with Section 5.1(b) of the Plan, the Participant may satisfy the payment of the aggregate Exercise Price of such shares of Stock pursuant to a cashless exercise procedure established by the Company or through electing to have the Company withhold from the number of shares of Stock that would otherwise be issued upon exercise of the Options the largest whole number of shares of Stock with a fair market value equal to the applicable aggregate Exercise Price payable in respect of such exercise.

(b) In accordance with the terms of Section 5.1(b) and 3.3(b) of the Plan, as applicable, the Committee in its discretion may elect to make a monetary payment to the Participant in an amount equal to the fair market value of the shares of Stock, in lieu of issuing shares of Stock upon the Participant's exercise, surrender for cancellation or sale of all or any portion of a vested Option.

5. Rights as Stockholder. The Participant shall have no rights of a stockholder with respect to the shares of Stock subject to the Option (including the right to vote and the right to receive distributions or dividends) unless and until shares of Common Stock are issued to the Participant in respect thereof in accordance with this Agreement.

6. Option Award Agreement Subject to Plan. This Option Award Agreement is made pursuant to all of the provisions of the Plan, which is incorporated herein by this reference, and is

intended, and shall be interpreted in a manner, to comply therewith. In the event of any conflict between the provisions of this Option Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

7. No Rights to Continuation of Employment or Future Awards. Nothing in the Plan or this Option Award Agreement shall confer upon the Participant any right to any future Award or to continue in the employ of the Company or any Affiliate thereof, or shall interfere with or restrict the right of the Company or its Affiliates to terminate the Participant's employment any time for any reason whatsoever, with or without cause.

8. Tax Withholding. The Company shall be entitled to require a cash payment by or on behalf of the Participant in respect of any sums required or permitted by federal, state or local tax law to be withheld with respect to the exercise of any Options; provided, that, notwithstanding the foregoing, the Committee may permit the Participant to satisfy the applicable tax obligations with respect to any Options in accordance with the terms of Section 10.5 of the Plan.

9. Governing Law. This Option Award Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws, and not the laws pertaining to conflicts or choices of laws, of the State of Delaware applicable to agreements made and to be performed wholly within the State of Delaware.

10. Option Award Agreement Binding on Successors. The terms of this Option Award Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.

11. No Assignment. Except as otherwise provided under Section 6.1(g) of the Plan, neither this Option Award Agreement nor any rights granted herein shall be transferable or assignable by the Participant.

12. Necessary Acts. The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Option Award Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. Severability. Should any provision of this Option Award Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Option Award Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Option Award Agreement. Moreover, if one or more of the provisions contained in this Option Award Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the

applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.

14. Entire Agreement. This Option Award Agreement, the Plan and Letter Agreement contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersede any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.

15. Headings. Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.

16. Counterparts; Electronic Signature. This Option Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. The Participant's electronic signature of this Option Award Agreement shall have the same validity and effect as a signature affixed by the Participant's hand.

17. Amendment. No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.

18. Set-Off. The Participant hereby acknowledges and agrees, without limiting the rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, any amount due to the Participant under this Option Award Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.

19 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to the Participant, to the Participant's attention at the latest mailing address on file with the Company in the Company personnel records (or to such other address as the Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at New Senior Investment Group Inc., 1345 Avenue of the Americas, 45th Floor, New York, NY 10105, Attention: General Counsel (or to such other address as the Company shall have specified to the Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

20. Representations by the Participant. The Participant hereby represents that the Participant has commenced employment with the Company on the Start Date (as defined in the Letter Agreement) and is an active employee of the Company on the Grant Date and has not given notice of termination prior to the Grant Date.

(a) [Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Option Award Agreement as of the date set forth above.

NEW SENIOR INVESTMENT GROUP INC.

By _____

Print Name: _____

Title: _____

GRANTEE

Signature _____

Print Name: _____

[Signature Page to Stock Option Award Agreement]

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Section 8: EX-21.1 (EXHIBIT 21.1)

EXHIBIT 21.1

NEW SENIOR INVESTMENT GROUP INC. SUBSIDIARIES

	Subsidiary	Jurisdiction of Incorporation/Organization
1	New Senior Investment Group Inc.	Delaware
2	SNR Operations LLC (f/k/a TRS LLC)	Delaware
3	Propco LLC	Delaware
4	BF Leasing LLC	Delaware

5	BF Owner LLC	Delaware
6	B Leasing LLC	Delaware
7	B Owner LLC	Delaware
8	B California Leasing LLC	Delaware
9	B Oregon Leasing LLC	Delaware
10	B Arizona Leasing LLC	Delaware
11	B Utah Leasing LLC	Delaware
12	B Idaho Leasing LLC	Delaware
13	Orchard Park Leasing LLC	Delaware
14	Sun Oak Leasing LLC	Delaware
15	Sunshine Villa Leasing LLC	Delaware
16	Regent Court Leasing LLC	Delaware
17	Sheldon Park Leasing LLC	Delaware
18	Desert Flower Leasing LLC	Delaware
19	Canyon Creek Leasing LLC	Delaware
20	Willow Park Leasing LLC	Delaware
21	B California Owner LLC	Delaware
22	B Oregon Owner LLC	Delaware
23	B Arizona Owner LLC	Delaware
24	B Utah Owner LLC	Delaware
25	B Idaho Owner LLC	Delaware
26	Orchard Park Owner LLC	Delaware
27	Sun Oak Owner LLC	Delaware
28	Sunshine Villa Owner LLC	Delaware
29	Regent Court Owner LLC	Delaware
30	Sheldon Park Owner LLC	Delaware
31	Desert Flower Owner LLC	Delaware
32	Canyon Creek Owner LLC	Delaware
33	Willow Park Owner LLC	Delaware
34	RLG Leasing LLC	Delaware
35	RLG Owner LLC	Delaware
36	RLG Utah Leasing LLC	Delaware
37	RLG Utah Owner LLC	Delaware
38	Heritage Place Leasing LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
39	Golden Living Taylorsville Leasing LLC	Delaware
40	Chateau Brickyard Operations LLC	Delaware
41	Heritage Place Owner LLC	Delaware
42	Golden Living Taylorsville Owner LLC	Delaware
43	Chateau Brickyard Owner LLC	Delaware
44	Propco 2 LLC	Delaware
45	NIC Courtyards Owner LLC	Delaware
46	Propco 3 LLC	Delaware
47	NIC Courtyards Leasing LLC	Delaware
48	NIC Courtyards LLC	Delaware
49	NIC Acquisitions LLC	Delaware
50	NIC 4/5 Leasing LLC	Delaware
51	NIC 5 Florida Leasing LLC	Delaware
52	NIC 5 Spring Haven Leasing LLC	Delaware
53	NIC 5 Renaissance Retirement Leasing LLC	Delaware
54	NIC 5 Forest Oaks Leasing LLC	Delaware
55	NIC 4 Florida Leasing LLC	Delaware
56	NIC 4 The Grande Leasing LLC	Delaware
57	NIC 4 Village Place Leasing LLC	Delaware
58	NIC 4 Bradenton Oaks Leasing LLC	Delaware
59	NIC 4 Spring Oaks Leasing LLC	Delaware
60	NIC 4 Summerfield Leasing LLC	Delaware
61	NIC 4 Emerald Park Retirement Leasing LLC	Delaware
62	NIC 4 Bayside Terrace Leasing LLC	Delaware
63	NIC 4 Balmoral Leasing LLC	Delaware
64	NIC 4 Sunset Lake Leasing LLC	Delaware
65	NIC 4 North Carolina Leasing LLC	Delaware
66	NIC 4 Courtyards of New Bern Owner LP	Delaware
67	NIC 5 Owner LLC	Delaware
68	NIC 5 Florida Owner LLC	Delaware
69	NIC 5 Spring Haven Owner LLC	Delaware
70	NIC 5 Renaissance Retirement Owner LLC	Delaware
71	NIC 5 Forest Oaks Owner LLC	Delaware
72	NIC 5 Lake Morton Plaza Owner LLC	Delaware
73	NIC 7 Glen Riddle Owner LLC	Delaware
74	NIC 7 Pennsylvania Owner LLC	Delaware
75	NIC 7 Owner LLC	Delaware
76	Propco 7 LLC	Delaware
77	NIC 8 Schenley Gardens Owner LLC	Delaware
78	NIC 8 Pennsylvania Owner LLC	Delaware
79	NIC 8 Owner LLC	Delaware
80	Propco 8 LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
81	NIC 6 Owner LLC	Delaware
82	Propco 6 LLC	Delaware
83	NIC 6 Manor at Woodside Management LLC	Delaware
84	NIC 6 New York Management LLC	Delaware
85	NIC 6 Management LLC	Delaware
86	NIC 6 New York Owner LLC	Delaware
87	NIC 7 Glen Riddle Leasing LLC	Delaware
88	NIC 7 Pennsylvania Leasing LLC	Delaware
89	NIC 7 Leasing LLC	Delaware
90	NIC 5 Lake Morton Plaza Leasing LLC	Delaware
91	NIC 4 Emerald Park Retirement Owner LLC	Delaware
92	Propco 5 LLC	Delaware
93	NIC 8 Leasing LLC	Delaware
94	NIC 8 Pennsylvania Leasing LLC	Delaware
95	NIC 8 Schenley Gardens Leasing LLC	Delaware
96	NIC Texas Courtyards Leasing LLC	Delaware
97	NIC 4 Royal Palm Leasing LLC	Delaware
98	NIC 6 Manor at Woodside Owner LLC	Delaware
99	NIC 4 Royal Palm Owner LLC	Delaware
100	Propco 9 LLC	Delaware
101	NIC 9 Virginia Owner LLC	Delaware
102	NIC 9 Heritage Oaks Owner LLC	Delaware
103	NIC 9 Virginia Management LLC	Delaware
104	NIC 9 Heritage Oaks Management LLC	Delaware
105	Propco 10 LLC	Delaware
106	NIC 10 Florida Leasing LLC	Delaware
107	NIC 10 Florida Owner LLC	Delaware
108	NIC 10 Barkley Place Leasing LLC	Delaware
109	NIC 10 Barkley Place Owner LLC	Delaware
110	Propco 12 LLC	Delaware
111	NIC 12 Owner LLC	Delaware
112	NIC 12 Arlington Plaza Owner LLC	Delaware
113	NIC 12 Blair House Owner LLC	Delaware
114	NIC 12 Blue Water Lodge Owner LLC	Delaware
115	NIC 12 Chateau Ridgeland Owner LLC	Delaware
116	NIC 12 Cherry Laurel Owner LLC	Delaware
117	NIC 12 Colonial Harbor Owner LLC	Delaware
118	NIC 12 Country Squire Owner LLC	Delaware
119	NIC 12 Courtyard At Lakewood Owner LLC	Delaware
120	NIC 12 Desoto Beach Club Owner LLC	Delaware
121	NIC 12 El Dorado Owner LLC	Delaware
122	NIC 12 Essex House Owner LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
123	NIC 12 Fleming Point Owner LLC	Delaware
124	NIC 12 Grasslands Estates Owner LLC	Delaware
125	NIC 12 Grizzly Peak Owner LLC	Delaware
126	NIC 13 Hidden Lakes Owner LLC	Delaware
127	NIC 12 Jackson Oaks Owner LLC	Delaware
128	NIC 12 Maple Downs Owner LLC	Delaware
129	NIC 12 Parkwood Estates Owner LLC	Delaware
130	NIC 12 Pioneer Valley Lodge Owner LLC	Delaware
131	NIC 12 Regency Residence Owner LLC	Delaware
132	NIC 12 Simi Hills Owner LLC	Delaware
133	NIC 12 Stoneybrook Lodge Owner LLC	Delaware
134	NIC 12 Summerfield Estates Owner LLC	Delaware
135	NIC 12 Ventura Place Owner LLC	Delaware
136	Propco 13 LLC	Delaware
137	NIC 13 Owner LLC	Delaware
138	NIC 13 The Bentley Owner LLC	Delaware
139	NIC 12 Briarcrest Estates Owner LLC	Delaware
140	NIC 13 Dogwood Estates Owner LLC	Delaware
141	NIC 13 Durham Regent Owner LP	Delaware
142	NIC 13 Fountains At Hidden Lakes Owner LLC	Delaware
143	NIC 13 Illahee Hills Owner LLC	Delaware
144	NIC 13 Jordan Oaks Owner LP	Delaware
145	NIC 13 Lodge at Cold Spring Owner LLC	Delaware
146	NIC 13 Madison Estates Owner LLC	Delaware
147	NIC 13 Manor at Oakridge Owner LLC	Delaware
148	NIC 13 Oakwood Hills Owner LLC	Delaware
149	NIC 13 Orchid Terrace Owner LLC	Delaware
150	NIC 13 Palmer Hills Owner LLC	Delaware
151	NIC 13 Pinewood Hills Owner LLC	Delaware
152	NIC 13 Pueblo Regent Owner LLC	Delaware
153	NIC 13 The Regent Owner LLC	Delaware
154	NIC 13 Rock Creek Owner LLC	Delaware
155	NIC 13 Sheldon Oaks Owner LLC	Delaware
156	NIC 13 Sky Peaks Owner LLC	Delaware
157	NIC 13 Thornton Place Owner LLC	Delaware
158	NIC 13 Uffelman Estates Owner LLC	Delaware
159	NIC 13 Village Gate Owner LLC	Delaware
160	NIC 13 Vista De La Montana Owner LLC	Delaware
161	NIC 13 Walnut Woods Owner LLC	Delaware
162	NIC 13 The Westmont Owner LLC	Delaware
163	NIC 13 Whiterock Court Owner LLC	Delaware
164	Propco 4 LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
165	NIC 4 Owner LLC	Delaware
166	NIC 4 Florida Owner LLC	Delaware
167	NIC 4 North Carolina Owner LLC	Delaware
168	NIC 4 The Plaza Leasing LLC	Delaware
169	NIC 4 Courtyards of New Bern Leasing LLC	Delaware
170	NIC 4 The Grande Owner LLC	Delaware
171	NIC 4 Village Place Owner LLC	Delaware
172	NIC 4 Bradenton Oaks Owner LLC	Delaware
173	NIC 4 Spring Oaks Owner LLC	Delaware
174	NIC 4 Summerfield Owner LLC	Delaware
175	NIC 4 Bayside Terrace Owner LLC	Delaware
176	NIC 4 Balmoral Owner LLC	Delaware
177	NIC 4 The Plaza Owner LLC	Delaware
178	NIC 4 Sunset Lake Owner LLC	Delaware
179	NIC 12 Greeley Place Owner LLC	Delaware
180	Propco 11 LLC	Delaware
181	NIC 11 Michigan Owner LLC	Delaware
182	NIC 11 Ashford Court Owner LLC	Delaware
183	NIC 11 Michigan Management LLC	Delaware
184	NIC 11 Ashford Court Management LLC	Delaware
185	Propco 14 LLC	Delaware
186	NIC 14 Ohio Owner LLC	Delaware
187	NIC 14 Ohio Leasing LLC	Delaware
188	NIC 14 Dayton Owner LLC	Delaware
189	NIC 14 Dayton Leasing LLC	Delaware
190	NIC 15 New Hampshire Leasing LLC	Delaware
191	NIC 15 Pines of New Market Leasing LLC	Delaware
192	NIC 15 Kirkwood Corners Leasing LLC	Delaware
193	NIC 15 Pine Rock Manor Leasing LLC	Delaware
194	Propco 15 LLC	Delaware
195	NIC 15 New Hampshire Owner LLC	Delaware
196	NIC 15 Pines of New Market Owner LLC	Delaware
197	NIC 15 Pine Rock Manor Owner LLC	Delaware
198	NIC 15 Kirkwood Corners Owner LLC	Delaware
199	Propco 16 LLC	Delaware
200	NIC 16 Owner LLC	Delaware
201	NIC 16 Autumn Leaves Owner LLC	Delaware
202	NIC 16 Monticello West Owner LLC	Delaware
203	NIC 16 Parkwood Healthcare Owner LLC	Delaware
204	NIC 16 Parkwood Retirement Owner LLC	Delaware
205	NIC 16 Signature Pointe Owner LLC	Delaware
206	NIC 16 Walnut Place Owner LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
207	Propco 17 LLC	Delaware
208	NIC 17 Owner LLC	Delaware
209	NIC 17 Windsor Owner LLC	Delaware
(f/k/a NIC 10 Primrose Santa Rosa Owner LLC).	(f/k/a NIC 10 Primrose Santa Rosa Owner LLC)	
210	NIC 17 Leasing LLC	Delaware
211	NIC 17 Windsor Leasing LLC	Delaware
212	Propco 18 LLC	Delaware
213	NIC 18 Owner LLC	Delaware
214	NIC 18 Gardens Owner LLC	Delaware
215	NIC 18 Leasing LLC	Delaware
216	NIC 18 Gardens Leasing LLC	Delaware
217	Propco 19 LLC	Delaware
218	NIC 19 Owner LLC	Delaware
219	NIC 19 Powell Owner LLC	Delaware
220	NIC 19 Raintree Owner LLC	Delaware
221	NIC 19 Leasing LLC	Delaware
222	NIC 19 Powell Leasing LLC	Delaware
223	NIC 19 Raintree Leasing LLC	Delaware
224	Propco 20 LLC	Delaware
225	NIC 20 Owner LLC	Delaware
226	NIC 20 Grand View Owner LLC	Delaware
227	NIC 20 Leasing LLC	Delaware
228	NIC 20 Grand View Leasing LLC	Delaware
229	Propco 21 LLC	Delaware
230	SNR 21 Owner LLC	Delaware
231	SNR 21 Logan Square Owner LLC	Delaware
232	Propco 22 LLC	Delaware
233	SNR 22 Owner LLC	Delaware
234	SNR 22 OKC Owner LLC	Delaware
235	SNR 22 Shreveport Owner LLC	Delaware
236	SNR 22 Southfield Owner LLC	Delaware
237	SNR 22 Winston Salem Owner LP	Delaware
238	SNR 22 Management LLC	Delaware
239	SNR 22 OKC Management LLC	Delaware
240	SNR 22 Shreveport Management LLC	Delaware
241	SNR 22 Southfield Management LLC	Delaware
242	SNR 22 Winston-Salem Management LLC	Delaware
243	Propco 23 LLC	Delaware
244	SNR 23 Owner LLC	Delaware
245	SNR 23 Ivy Springs Owner LLC	Delaware
246	SNR 23 Grace Manor Owner LLC	Delaware
247	SNR 23 SNR Leasing LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
248	SNR 23 Ivy Springs Leasing LLC	Delaware
249	SNR 23 Grace Manor Leasing LLC	Delaware
250	Propco 24 LLC	Delaware
251	SNR 24 Owner LLC	Delaware
252	SNR 24 Bluebird Estates Owner LLC	Delaware
253	SNR 24 Bridge Park Owner LLC	Delaware
254	SNR 24 Chateau at Harveston Owner LLC	Delaware
255	SNR 24 Copley Place Owner LLC	Delaware
256	SNR 24 Crescent Heights Owner LP	Delaware
257	SNR 24 Cypress Woods Owner LLC	Delaware
258	SNR 24 Golden Oaks Owner LLC	Delaware
259	SNR 24 Lodge at Wake Forest Owner LP	Delaware
260	SNR 24 Maple Suites Owner LLC	Delaware
261	SNR 24 Olympus Ranch Owner LLC	Delaware
262	SNR 24 Peninsula Owner LLC	Delaware
263	SNR 24 Rancho Village Owner LLC	Delaware
264	SNR 24 Rolling Hills Ranch Owner LLC	Delaware
265	SNR 24 Shads Landing Owner LP	Delaware
266	SNR 24 Sterling Court Owner LLC	Delaware
267	SNR 24 Venetian Gardens Owner LLC	Delaware
268	SNR 24 Windward Palms Owner LLC	Delaware
269	SNR 24 Management LLC	Delaware
270	SNR 24 Bluebird Estates Management LLC	Delaware
271	SNR 24 Bridge Park Management LLC	Delaware
272	SNR 24 Chateau at Harveston Management LLC	Delaware
273	SNR 24 Copley Place Management LLC	Delaware
274	SNR 24 Crescent Heights Management LLC	Delaware
275	SNR 24 Cypress Woods Management LLC	Delaware
276	SNR 24 Golden Oaks Management LLC	Delaware
277	SNR 24 Lodge at Wake Forest Management LLC	Delaware
278	SNR 24 Maple Suites Management LLC	Delaware
279	SNR 24 Olympus Ranch Management LLC	Delaware
280	SNR 24 Peninsula Management LLC	Delaware
281	SNR 24 Rancho Village Management LLC	Delaware
282	SNR 24 Rolling Hills Ranch Management LLC	Delaware
283	SNR 24 Shads Landing Management LLC	Delaware
284	SNR 24 Sterling Court Management LLC	Delaware
285	SNR 24 Venetian Gardens Management LLC	Delaware
286	SNR 24 Windward Palms Management LLC	Delaware
287	Propco 25 LLC	Delaware
288	SNR 25 Owner LLC	Delaware
289	SNR 25 Legacy at Bear Creek Owner LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
290	SNR 25 Legacy at Georgetown Owner LLC	Delaware
291	SNR 25 Leasing LLC	Delaware
292	SNR 25 Legacy at Bear Creek Leasing LLC	Delaware
293	SNR 25 Legacy at Georgetown Leasing LLC	Delaware
294	Propco 27 LLC	Delaware
295	SNR 27 Owner LLC	Delaware
296	SNR 27 Alexis Gardens Owner LLC	Delaware
297	SNR 27 Andover Place Owner LLC	Delaware
298	SNR 27 Arcadia Place Owner LLC	Delaware
299	SNR 27 Aspen View Owner LLC	Delaware
300	SNR 27 Augustine Landing Owner LLC	Delaware
301	SNR 27 Cedar Ridge Owner LP	Delaware
302	SNR 27 Echo Ridge Owner LLC	Delaware
303	SNR 27 Elm Park Estates Owner LLC	Delaware
304	SNR 27 Genesee Gardens Owner LLC	Delaware
305	SNR 27 Greenwood Terrace Owner LLC	Delaware
306	SNR 27 Holiday Hills Estates Owner LLC	Delaware
307	SNR 27 Indigo Pines Owner LLC	Delaware
308	SNR 27 Kalama Heights Owner LLC	Delaware
309	SNR 27 Marion Woods Owner LLC	Delaware
310	SNR 27 Montara Meadows Owner LLC	Delaware
311	SNR 27 Niagara Village Owner LLC	Delaware
312	SNR 27 Parkrose Chateau Owner LLC	Delaware
313	SNR 27 Pinegate Owner LLC	Delaware
314	SNR 27 Quail Run Estates Owner LLC	Delaware
315	SNR 27 Quincy Place Owner LLC	Delaware
316	SNR 27 Redbud Hills Owner LLC	Delaware
317	SNR 27 Stone Lodge Owner LLC	Delaware
318	SNR 27 The Jefferson Owner LLC	Delaware
319	SNR 27 The Remington Owner LLC	Delaware
320	SNR 27 The Springs of Escondido Owner LLC	Delaware
321	SNR 27 The Springs of Napa Owner LLC	Delaware
322	SNR 27 The Woods at Holly Tree Owner LP	Delaware
323	SNR 27 University Pines Owner LLC	Delaware
324	SNR 27 Management LLC	Delaware
325	SNR 27 Alexis Gardens Management LLC	Delaware
326	SNR 27 Andover Place Management LLC	Delaware
327	SNR 27 Arcadia Place Management LLC	Delaware
328	SNR 27 Aspen View Management LLC	Delaware
329	SNR 27 Augustine Landing Management LLC	Delaware
330	SNR 27 Cedar Ridge Management LLC	Delaware
331	SNR 27 Echo Ridge Management LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
332	SNR 27 Elm Park Estates Management LLC	Delaware
333	SNR 27 Genesee Gardens Management LLC	Delaware
334	SNR 27 Greenwood Terrace Management LLC	Delaware
335	SNR 27 Holiday Hills Estates Management LLC	Delaware
336	SNR 27 Indigo Pines Management LLC	Delaware
337	SNR 27 Kalama Heights Management LLC	Delaware
338	SNR 27 Marion Woods Management LLC	Delaware
339	SNR 27 Montara Meadows Management LLC	Delaware
340	SNR 27 Niagara Village Management LLC	Delaware
341	SNR 27 Parkrose Chateau Management LLC	Delaware
342	SNR 27 Pinegate Management LLC	Delaware
343	SNR 27 Quail Run Estates Management LLC	Delaware
344	SNR 27 Quincy Place Management LLC	Delaware
345	SNR 27 Redbud Hills Management LLC	Delaware
346	SNR 27 Stone Lodge Management LLC	Delaware
347	SNR 27 The Jefferson Management LLC	Delaware
348	SNR 27 The Remington Management LLC	Delaware
349	SNR 27 The Springs of Escondido Management LLC	Delaware
350	SNR 27 The Springs of Napa Management LLC	Delaware
351	SNR 27 The Woods at Holly Tree Management LLC	Delaware
352	SNR 27 University Pines Management LLC	Delaware
353	NIC 4 Courtyards of New Bern Inc.	Delaware
354	NIC 13 Durham Regent Inc.	Delaware
355	NIC 13 Jordan Oaks Inc.	Delaware
356	SNR 22 Winston Salem Inc.	Delaware
357	SNR 24 Crescent Heights Inc.	Delaware
358	SNR 24 Lodge at Wake Forest Inc.	Delaware
359	SNR 24 Shads Landing Inc.	Delaware
360	SNR 27 Cedar Ridge Inc.	Delaware
361	SNR 27 The Woods at Holly Tree Inc.	Delaware
362	NIC 4 Courtyards of New Bern GP LLC	Delaware
363	NIC 13 Durham Regent Owner GP LLC	Delaware
364	NIC 13 Jordan Oaks Owner GP LLC	Delaware
365	SNR 22 Winston Salem Owner GP LLC	Delaware
366	SNR 24 Crescent Heights Owner GP LLC	Delaware
367	SNR 24 Lodge at Wake Forest Owner GP LLC	Delaware
368	SNR 24 Shads Landing Owner GP LLC	Delaware
369	SNR 27 Cedar Ridge Owner GP LLC	Delaware
370	SNR 27 The Woods at Holly Tree GP LLC	Delaware
371	NIC 12/13 Management LLC	Delaware
372	NIC 12 Arlington Plaza Management LLC	Delaware
373	NIC 13 The Bentley Management LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
374	NIC 12 Blair House Management LLC	Delaware
375	NIC 12 Blue Water Lodge Management LLC	Delaware
376	NIC 12 Briarcrest Estates Management LLC	Delaware
377	NIC 12 Chateau Ridgeland Management LLC	Delaware
378	NIC 12 Cherry Laurel Management LLC	Delaware
379	NIC 12 Colonial Harbor Management LLC	Delaware
380	NIC 12 Country Squire Management LLC	Delaware
381	NIC 12 Courtyard at Lakewood Management LLC	Delaware
382	NIC 12 Desoto Beach Club Management LLC	Delaware
383	NIC 13 Dogwood Estates Management LLC	Delaware
384	NIC 13 Durham Regent Management LLC	Delaware
385	NIC 12 El Dorado Management LLC	Delaware
386	NIC 12 Essex House Management LLC	Delaware
387	NIC 12 Fleming Point Management LLC	Delaware
388	NIC 13 Fountains at Hidden Lakes Management LLC	Delaware
389	NIC 12 Grasslands Estates Management LLC	Delaware
390	NIC 12 Greeley Place Management LLC	Delaware
391	NIC 12 Grizzly Peak Management LLC	Delaware
392	NIC 13 Hidden Lakes Management LLC	Delaware
393	NIC 13 Illahee Hills Management LLC	Delaware
394	NIC 12 Jackson Oaks Management LLC	Delaware
395	NIC 13 Jordan Oaks Management LLC	Delaware
396	NIC 13 Lodge at Cold Spring Management LLC	Delaware
397	NIC 13 Madison Estates Management LLC	Delaware
398	NIC 13 Manor at Oakridge Management LLC	Delaware
399	NIC 12 Maple Downs Management LLC	Delaware
400	NIC 13 Oakwood Hills Management LLC	Delaware
401	NIC 13 Orchid Terrace Management LLC	Delaware
402	NIC 13 Palmer Hills Management LLC	Delaware
403	NIC 12 Parkwood Estates Management LLC	Delaware
404	NIC 13 Pinewood Hills Management LLC	Delaware
405	NIC 12 Pioneer Valley Lodge Management LLC	Delaware
406	NIC 13 Pueblo Regent Management LLC	Delaware
407	NIC 12 Regency Residence Management LLC	Delaware
408	NIC 13 The Regent Management LLC	Delaware
409	NIC 13 Rock Creek Management LLC	Delaware
410	NIC 13 Sheldon Oaks Management LLC	Delaware
411	NIC 12 Simi Hills Management LLC	Delaware
412	NIC 13 Sky Peaks Management LLC	Delaware
413	NIC 12 Stoneybrook Lodge Management LLC	Delaware
414	NIC 12 Summerfield Estates Management LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
415	NIC 13 Thornton Place Management LLC	Delaware
416	NIC 13 Uffelman Estates Management LLC	Delaware
417	NIC 12 Ventura Place Management LLC	Delaware
418	NIC 13 Village Gate Management LLC	Delaware
419	NIC 13 Vista De La Montana Management LLC	Delaware
420	NIC 13 Walnut Woods Management LLC	Delaware
421	NIC 13 The Westmont Management LLC	Delaware
422	NIC 13 Whiterock Court Management LLC	Delaware

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Section 9: EX-23.1 (EXHIBIT 23.1)

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:
Registration Statement (Form S-3 No. 333-225762) of New Senior Investment Group Inc. and Subsidiaries, and
Registration Statement (Form S-8 No. 333-229326) pertaining to the Nonqualified Stock Option and Incentive Award Plan of New Senior Investment Group Inc. and Subsidiaries;
of our reports dated February 26, 2019, with respect to the consolidated financial statements and schedule of New Senior Investment Group Inc. and Subsidiaries and the effectiveness of internal control over financial reporting of New Senior Investment Group Inc. and Subsidiaries included in this Annual Report (Form 10-K) of New Senior Investment Group Inc. and Subsidiaries for the year ended December 31, 2018.

/s/ Ernst & Young LLP

New York, New York

February 26, 2019

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Section 10: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Susan Givens, certify that:

1. I have reviewed this annual report on Form 10-K 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.

February 26, 2019
(Date)

/s/ Susan Givens
Susan Givens
Chief Executive Officer

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Section 11: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David Smith, certify that:

1. I have reviewed this annual report on Form 10-K 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.

February 26, 2019
(Date)

/s/ David Smith
David Smith
Executive Vice President, Chief Financial Officer

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Section 12: 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 Annual Report on Form 10-K of New Senior Investment Group Inc. (the "Company") for the annual period ended December 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.

/s/ Susan Givens

Susan Givens
Chief Executive Officer
February 26, 2019

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.

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Section 13: 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 Annual Report on Form 10-K of New Senior Investment Group Inc. (the “Company”) for the annual period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Bhairav Patel, as 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.

/s/ David Smith

David Smith
Executive Vice President, Chief Financial Officer
February 26, 2019

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.

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