Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019
or

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

For the transition period from _______________ to _______________
Commission File Number: 001-36499

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)

N/A
(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:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, $0.01 par value per share	SNR	New York Stock Exchange

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

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

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

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

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

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

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

Common stock, $0.01 par value per share: 83,126,259 shares outstanding as of July 28, 2019.

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 and its impact on our business and operations;
- our ability to comply with the terms of our financings, which depends in part on the performance of our operators;
- any increase in our borrowing costs as a result of rising interest rates or other factors;
- our ability to pay down, refinance, restructure or extend our indebtedness as it becomes due or as needed to comply with the terms of our covenants or to facilitate our ability to sell assets;
- our ability to manage our liquidity and sustain distributions to our stockholders, particularly in light of the cash shortfall described in our risk factors under Item 1A. and under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources";
- our dependence on our property managers and 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 six months ended June 30, 2019, accounted for 84.9% of net operating income ("NOI") from our Managed Properties segments;
- 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, FIG LLC (our "Former Manager") or our operators;
- 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; and
- 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.

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

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

SPECIAL NOTE REGARDING EXHIBITS

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

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

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

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

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

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

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

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2019 (Unaudited)	December 31, 2018
Assets		
Real estate investments:		
Land	$ 177,956	$ 177,956
Buildings, improvements and other	2,352,264	2,335,813
Accumulated depreciation	(399,731)	(358,368)
Net real estate property	2,130,489	2,155,401
Acquired lease and other intangible assets	8,638	8,638
Accumulated amortization	(3,055)	(2,877)
Net real estate intangibles	5,583	5,761
Net real estate investments	2,136,072	2,161,162
Cash and cash equivalents	35,398	72,422
Receivables and other assets, net	43,447	52,674
Total Assets	$ 2,214,917	$ 2,286,258
Liabilities, Redeemable Preferred Stock and Equity		
Liabilities		
Debt, net	$ 1,871,991	$ 1,884,882
Due to affiliates	—	26,245
Accrued expenses and other liabilities	68,551	52,679
Total Liabilities	1,940,542	1,963,806
Commitments and contingencies (Note 15)		
Redeemable preferred stock, $0.01 par value with $100 liquidation preference, 400,000 shares authorized, issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	40,500	40,000
Equity		
Preferred stock, $0.01 par value, 99,600,000 shares (excluding 400,000 shares of redeemable preferred stock) authorized, none issued or outstanding as of June 30, 2019 and December 31, 2018	—	—
Common stock, $0.01 par value, 2,000,000,000 shares authorized, 83,126,259 and 82,148,869 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	831	821
Additional paid-in capital	899,386	898,135
Accumulated deficit	(660,078)	(616,504)
Accumulated other comprehensive loss	(6,264)	—
Total Equity	233,875	282,452
Total Liabilities, Redeemable Preferred Stock and Equity	$ 2,214,917	$ 2,286,258

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues				
Resident fees and services	$ 114,437	$ 96,484	$ 230,474	$ 171,827
Rental revenue	1,583	12,368	3,165	36,243
Total revenues	116,020	108,852	233,639	208,070
Expenses				
Property operating expense	74,957	63,510	152,304	115,609
Depreciation and amortization	20,755	24,521	41,542	51,246
Interest expense	23,483	25,755	47,202	47,678
General and administrative expense	5,372	3,140	10,356	6,892
Acquisition, transaction and integration expense	411	8,683	1,061	11,571
Management fees and incentive compensation to affiliate	—	3,687	—	7,439
Loss on extinguishment of debt	335	58,544	335	58,544
Other expense	107	32	1,352	1,412
Total expenses	125,420	187,872	254,152	300,391
Loss on sale of real estate	(122)	—	(122)	—
Gain on lease termination	—	40,090	—	40,090
Loss before income taxes	(9,522)	(38,930)	(20,635)	(52,231)
Income tax expense	64	151	144	199
Net loss	(9,586)	(39,081)	(20,779)	(52,430)
Deemed dividend on redeemable preferred stock	(599)	—	(1,197)	—
Net loss attributable to common stockholders	$ (10,185)	$ (39,081)	$ (21,976)	$ (52,430)
Net loss per share of common stock				
Basic and diluted [(A)]	$ (0.12)	$ (0.48)	$ (0.27)	$ (0.64)
Weighted average number of shares of common stock outstanding				
Basic and diluted [(B)]	82,209,844	82,148,869	82,206,475	82,148,869
Dividends declared per share of common stock	$ 0.13	$ 0.26	$ 0.26	$ 0.52

(A) Basic earnings per share ("EPS") is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding. The outstanding shares used to calculate the weighted average basic shares excludes 916,415 restricted stock awards as of June 30, 2019, as those shares were issued but were not vested and therefore, not considered outstanding for purposes of computing basic loss per share as of June 30, 2019. Diluted EPS is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period.

(B) Dilutive share equivalents and options were excluded given our loss position, so basic and diluted EPS were the same for each reporting period.

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net loss	$ (9,586)	$ (39,081)	$ (20,779)	$ (52,430)
Other comprehensive loss:				
Unrealized loss on cash flow hedge	(6,264)	—	(6,264)	—
Total other comprehensive loss	(6,264)	—	(6,264)	—
Total comprehensive loss	(15,850)	(39,081)	(27,043)	(52,430)

See notes to consolidated financial statements (unaudited).

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

	Three Months Ended June 30, 2019					
	Common Stock					
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at March 31, 2019	82,209,844	$ 822	$ (639,086)	$ 898,858	$ —	$ 260,594
Restricted stock awards issued	916,415	9	—	(9)	—	—
Amortization of equity-based compensation	—	—	—	537	—	537
Dividends declared - common stock ($0.13 per share)	—	—	(10,688)	—	—	(10,688)
Dividends declared - restricted stock awards ($0.13 per share)	—	—	(119)	—	—	(119)
Deemed/paid dividend on redeemable preferred stock	—	—	(599)	—	—	(599)
Other comprehensive loss	—	—	—	—	(6,264)	(6,264)
Net loss	—	—	(9,586)	—	—	(9,586)
Balance at June 30, 2019	83,126,259	$ 831	$ (660,078)	$ 899,386	$ (6,264)	$ 233,875

	Six Months Ended June 30, 2019					
	Common Stock					
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2018	82,148,869	$ 821	$ (616,504)	$ 898,135	$ —	$ 282,452
Restricted stock awards issued	916,415	9	—	(9)	—	—
Amortization of equity-based compensation	—	—	—	986	—	986
Directors shares issued	60,975	1	—	274	—	275
Dividends declared - common stock ($0.26 per share)	—	—	(21,375)	—	—	(21,375)
Dividends declared - restricted stock awards ($0.26 per share)	—	—	(223)	—	—	(223)
Deemed/paid dividend on redeemable preferred stock	—	—	(1,197)	—	—	(1,197)
Other comprehensive loss	—	—	—	—	(6,264)	(6,264)
Net loss	—	—	(20,779)	—	—	(20,779)
Balance at June 30, 2019	83,126,259	$ 831	$ (660,078)	$ 899,386	$ (6,264)	$ 233,875

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

	Three Months Ended June 30, 2018					
	Common Stock					
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at March 31, 2018	82,148,869	$ 821	$ (427,776)	$ 898,135	$ —	$ 471,180
Dividends declared - common stock ($0.26 per share)	—	—	(21,357)	—	—	(21,357)
Net loss	—	—	(39,081)	—	—	(39,081)
Balance at June 30, 2018	82,148,869	$ 821	$ (488,214)	$ 898,135	$ —	$ 410,742

	Six Months Ended June 30, 2018					
	Common Stock					
	Shares	Amount	Accumulated Deficit	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance at December 31, 2017	82,148,869	$ 821	$ (393,068)	$ 898,132	$ —	$ 505,885
Fair value of stock options issued	—	—	—	3	—	3
Dividends declared - common stock ($0.52 per share)	—	—	(42,716)	—	—	(42,716)
Net loss	—	—	(52,430)	—	—	(52,430)
Balance at June 30, 2018	82,148,869	$ 821	$ (488,214)	$ 898,135	$ —	$ 410,742

See notes to consolidated financial statements (unaudited).

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

	Six Months Ended June 30,	
	2019	**2018**
Cash Flows From Operating Activities		
Net loss	$ (20,779)	$ (52,430)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of tangible assets and amortization of intangible assets	41,542	51,281
Amortization of deferred financing costs	2,305	5,294
Amortization of deferred revenue, net	1,035	1,196
Non-cash straight line rental revenue	(321)	(5,019)
Non-cash adjustment on lease termination (A)	—	29,910
Loss on extinguishment of debt	335	58,544
Provision for bad debt	—	900
Amortization of equity-based compensation	986	—
Loss on sale of real estate	122	—
Other non-cash expense	1,159	1,257
Changes in:		
Receivables and other assets, net	(1,818)	(5,103)
Due to affiliates	(25,995)	3,590
Accrued expenses and other liabilities	6,295	12,464
Net cash provided by operating activities	$ 4,866	$ 101,884
Cash Flows From Investing Activities		
Proceeds from sale of real estate	$ 13,086	$ —
Capital expenditures, net of insurance proceeds	(14,038)	(8,185)
Net cash used in investing activities	$ (952)	$ (8,185)
Cash Flows From Financing Activities		
Principal payments of mortgage notes payable and capital lease obligations	$ (5,187)	$ (12,782)
Proceeds from mortgage notes payable	—	720,000
Proceeds from borrowings on revolving credit facility	4,250	—
Repayments of mortgage notes payable	(13,674)	(663,796)
Payment of exit fee on extinguishment of debt	(206)	(51,886)
Payment of deferred financing costs	(1,055)	(12,320)
Purchase of interest rate caps	(35)	(341)
Payment of common stock dividend	(21,375)	(42,716)
Payment of redeemable preferred stock dividend	(697)	—
Net cash used in financing activities	$ (37,979)	$ (63,841)
Net increase (decrease) in cash, cash equivalents and restricted cash	(34,065)	29,858
Cash, cash equivalents and restricted cash, beginning of period	92,656	157,485
Cash, cash equivalents and restricted cash, end of period	$ 58,591	$ 187,343
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest expense	$ 44,963	$ 42,234
Cash paid during the period for income taxes	344	326
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Issuance of common stock	$ 275	$ —
Capital lease obligations	345	121
Furniture, fixtures, equipment and other improvements (B)	—	9,975

(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.

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

	Six Months Ended June 30,			
	2019		**2018**	
Reconciliation of Cash, Cash Equivalents and Restricted Cash				
Cash and cash equivalents	$	72,422	$	137,327
Restricted cash [(A)]		20,234		20,158
Total, beginning of period	$	92,656	$	157,485
Cash and cash equivalents	$	35,398	$	170,762
Restricted cash [(A)]		23,193		16,581
Total, end of period	$	58,591	$	187,343

(A) Consists of (i) amounts held by lenders 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.

See notes to consolidated financial statements (unaudited).

1. ORGANIZATION

New Senior is a REIT primarily focused on investing in private pay senior housing properties. As of June 30, 2019, we owned a diversified portfolio of 131 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 FIG LLC (the "Former Manager"), an affiliate of Fortress Investment Group LLC ("Fortress"). On November 19, 2018, we entered into definitive agreements with the Former 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 Former Manager to continue to provide certain services for a transition period. In connection with the termination of the Management Agreement (defined in Note 12), we (i) made a one-time cash payment of $10.0 million to the Former Manager in January 2019, and (ii) issued to the Former 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 130 of our properties on a day-to-day basis under the Managed Properties segments. These properties consist of 102 IL facilities and 28 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 our Former Manager (an affiliate of Fortress), FHC Property Management LLC (together with its subsidiaries, "Blue Harbor"), an affiliate of our Former Manager, Jerry Erwin Associates, Inc. ("JEA"), Grace Management, Inc. ("Grace"), Watermark Retirement Communities, Inc. ("Watermark"), Integral Senior Living Management, LLC ("Integral") and Phoenix Senior Living LLC ("Phoenix") (collectively, the "Property Managers"), under Property Management Agreements (collectively, 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 4.5% to 7% of gross revenues and, for certain properties, when eligible, an incentive fee based on operating performance, pursuant to our Property Management Agreements.

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 Properties segment.

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'') for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The consolidated financial statements include the accounts of New Senior and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. We consolidate those entities in which we have control over significant operating, financial and investing decisions of the entity. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included on Form 10-K for the year ended December 31, 2018, as filed with the SEC.

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

Use of Estimates

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

Significant Accounting Policies

Equity-Based Compensation

Compensation expense for equity-based awards with graded vesting schedules granted to employees and non-employees is recognized in "General and administrative expense" in our Consolidated Statements of Operations on a straight-line basis over the vesting period based on the grant date fair value of the award. Forfeitures of equity-based awards are recognized as they occur.

Earnings per Share

Basic earnings per share of common stock is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share of common stock is calculated by including the effect of dilutive securities.

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. To qualify for hedge accounting, derivative instruments used for risk management purposes must effectively reduce the risk exposure that they are designed to hedge. In addition, at inception of a qualifying cash flow hedging relationship, the underlying transaction or transactions, must be, and are expected to remain, probable of occurring in accordance with our related assertions.

We recognize all derivatives as either assets or liabilities in 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 apply hedge accounting on our interest rate swap and therefore, changes in fair value of the instrument are recorded in "Accumulated other comprehensive income (loss)" in our Consolidated Balance Sheets. We do not apply hedge accounting on our interest rate caps and therefore, changes in fair value of these instruments are recorded in "Other expense (income)" in our Consolidated Statements of Operations.

Refer to our significant accounting policies disclosed in our Form 10-K for the year ended December 31, 2018 for other significant accounting policies.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, (codified under Accounting Standards Codification ("ASC") 842, *Leases*). This standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. 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 adopted 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 elected 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. We also elected the short-term lease practical expedient, which permits us to not recognize right-of-use asset or lease liability for operating leases with an initial lease term equal to or less than 12 months. In addition, we made 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.

Lessor Accounting
As a lessor, our recognition of rental revenue remained consistent with prior accounting guidance. 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 determined not probable, any lease income is limited to the lesser of the lease income reflected on a straight-line basis or the cash collected.

Resident leases within our Managed Properties segments contain service components. We elected the practical expedient to account for our resident leases as a single lease component. We elected the practical expedient to account for our resident leases as a single lease component since (1) the timing and pattern or transfer of the lease and non-lease components is the same, (2) the lease component is the predominant component, and (3) the combined single lease component would be classified as an operating lease.

Lessee Accounting
We determine if a contract is or contains a lease at inception. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use asset and lease liability are recognized at the commencement date based on the present value of lease payments over the lease term. We use our incremental borrowing rate to determine the present value of lease payments as the rates implicit in our leases are not readily determinable. Upon adoption on January 1, 2019 and as of June 30, 2019, our operating lease right-of-use assets, which approximates our operating lease liabilities, were $2.6 million and $2.4 million, respectively, for our corporate office, land and equipment leases. Our operating lease right-of-use asset is included in "Buildings, improvements and other" and our operating lease liability is included in "Accrued expenses and other liabilities" in our Consolidated Balance Sheets. The weighted-average remaining lease term for our operating leases was 4.7 years and 5.1 years at June 30, 2019 and December 31, 2018, respectively. The weighted-average discount rate was 6.03% and 6.02% at June 30, 2019 and December 31, 2018, respectively.

Upon the adoption of ASC 842, capital leases under prior accounting guidance were classified as finance leases, which did not have a significant change to our accounting for such leases.

Recently Issued Accounting Pronouncements Not Yet Adopted

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. The adoption of this ASU is not expected to have a significant 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 $10.0 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 for the three and six months ended June 30, 2018.

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 5.0% 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 2.0% 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

In the three months ended June 30, 2019, we sold two AL/MC assets in the Managed AL/MC Properties segment for a combined sale price of $13.8 million, and recognized a loss on sale of $0.1 million, which is included in “Loss on sale of real estate” in our Consolidated Statements of Operations. In connection with these dispositions, we repaid $13.7 million of debt. Prior to the sale, both assets were classified as “Assets held for sale” and included in “Receivables and other assets, net” on the Consolidated Balance Sheets.

We did not have any dispositions during the six months ended June 30, 2018.

5. SEGMENT REPORTING

We operate 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 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 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. 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 three and six months ended June 30, 2019.

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 (loss) 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.

(dollars in tables in thousands, except share data)

	Three Months Ended June 30, 2019				Three Months Ended June 30, 2018			
	Triple Net Lease Properties	Managed Properties			Triple Net Lease Properties	Managed Properties		
		IL	AL/MC	Consolidated		IL	AL/MC	Consolidated
Revenues								
Resident fees and services	$ —	$ 83,516	$ 30,921	$ 114,437	$ —	$ 63,797	$ 32,687	$ 96,484
Rental revenue	1,583	—	—	1,583	12,368	—	—	12,368
Less: Property operating expense	—	49,052	25,905	74,957	—	37,587	25,923	63,510
Segment NOI	$ 1,583	$ 34,464	$ 5,016	$ 41,063	$ 12,368	$ 26,210	$ 6,764	$ 45,342
Depreciation and amortization				20,755				24,521
Interest expense				23,483				25,755
General and administrative expense				5,372				3,140
Acquisition, transaction and integration expense				411				8,683
Management fees and incentive compensation to affiliate				—				3,687
Loss on extinguishment of debt				335				58,544
Other expense				107				32
Total expenses				50,463				124,362
Loss on sale of real estate				(122)				—
Gain on lease termination				—				40,090
Loss before income taxes				(9,522)				(38,930)
Income tax expense				64				151
Net loss				$ (9,586)				$ (39,081)

(dollars in tables in thousands, except share data)

	Six Months Ended June 30, 2019				Six Months Ended June 30, 2018			
	Triple Net Lease Properties	Managed Properties		Consolidated	Triple Net Lease Properties	Managed Properties		Consolidated
		IL	AL/MC			IL	AL/MC	
Revenues								
Resident fees and services	$ —	$ 167,261	$ 63,213	$ 230,474	$ —	$ 106,351	$ 65,476	$ 171,827
Rental revenue	3,165		—	3,165	36,243		—	36,243
Less: Property operating expense	—	99,772	52,532	152,304	—	63,803	51,806	115,609
Segment NOI	$ 3,165	$ 67,489	$ 10,681	$ 81,335	$ 36,243	$ 42,548	$ 13,670	$ 92,461
Depreciation and amortization				41,542				51,246
Interest expense				47,202				47,678
General and administrative expense				10,356				6,892
Acquisition, transaction and integration expense				1,061				11,571
Management fees and incentive compensation to affiliate				—				7,439
Loss on extinguishment of debt				335				58,544
Other expense				1,352				1,412
Total expenses				101,848				184,782
Loss on sale of real estate				(122)				—
Gain on lease termination				—				40,090
Loss before income taxes				(20,635)				(52,231)
Income tax expense				144				199
Net loss				$ (20,779)				$ (52,430)

For the three and six months ended June 30, 2019, no rental revenue was attributable to Holiday due to the Lease Termination in May 2018. For the three and six months ended June 30, 2018, rental revenue attributable to our triple net leases with Holiday accounted for 9.9% and 15.9% of our total revenue, respectively.

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

	June 30, 2019		December 31, 2018	
	Amount	Percentage	Amount	Percentage
Managed IL Properties	$ 1,769,545	79.9%	$ 1,792,746	78.4%
Managed AL/MC Properties	381,865	17.2%	399,393	17.5%
Triple Net Lease Properties	57,215	2.6%	58,270	2.5%
All other assets (A)	6,292	0.3%	35,849	1.6%
Total assets	$ 2,214,917	100.0%	$ 2,286,258	100.0%

(A) Primarily consists of right-of-use asset and corporate cash which is not directly attributable to our reportable business segments.

(dollars in tables in thousands, except share data)

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

	As of and for the six months ended June 30, 2019		As of and for the six months ended June 30, 2018	
	Number of Communities	% of Total Revenue	Number of Communities	% of Total Revenue
Florida	15	11.8%	15	12.6%
California	11	10.9%	11	11.4%
Texas	13	9.8%	13	9.5%
North Carolina	9	7.4%	9	7.3%
Pennsylvania	6	6.3%	7	7.0%
Oregon	9	7.0%	9	6.1%
Other	68	46.8%	69	46.1%
Total	131	100.0%	133	100.0%

6. REAL ESTATE INVESTMENTS

	June 30, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value	Gross Carrying Amount	Accumulated Depreciation	Net Carrying Value
Land	$ 177,956	$ —	$ 177,956	$ 177,956	$ —	$ 177,956
Building and improvements	2,220,675	(301,406)	1,919,269	2,211,318	(269,137)	1,942,181
Furniture, fixtures and equipment	131,589	(98,325)	33,264	124,495	(89,231)	35,264
Total real estate investments	$ 2,530,220	$ (399,731)	$ 2,130,489	$ 2,513,769	$ (358,368)	$ 2,155,401

Depreciation expense was $20.7 million and $21.9 million for the three months ended June 30, 2019 and 2018, respectively, and $41.3 million and $43.2 million for the six months ended June 30, 2019 and 2018, respectively.

The following table summarizes our real estate intangibles:

	June 30, 2019				December 31, 2018			
	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
Intangible lease assets	$ 8,638	$ (3,055)	$ 5,583	42.5 years	$ 8,638	$ (2,877)	$ 5,761	42.1 years
Total intangibles	$ 8,638	$ (3,055)	$ 5,583		$ 8,638	$ (2,877)	$ 5,761	

Amortization expense was $0.1 million and $2.6 million for the three months ended June 30, 2019 and 2018, respectively, and $0.2 million and $8.1 million for the six months ended June 30, 2019 and 2018, respectively.
We evaluated long-lived assets, primarily consisting of our real estate investments, for impairment indicators. In performing this evaluation, market conditions and our current intentions with respect to holding or disposing of the asset are considered. Where indicators of impairment are present, we evaluated whether the sum of the expected future undiscounted cash flows is less than book value. Based on such assessment, the future undiscounted cash flows of the underlying operations exceeds the carrying value of such real estate investments, including definite lived intangible assets. Therefore, we did not recognize any impairment loss during the six months ended June 30, 2019 and 2018.

(dollars in tables in thousands, except share data)

7. RECEIVABLES AND OTHER ASSETS, NET

	June 30, 2019	December 31, 2018
Escrows held by lenders [(A)]	$ 20,323	$ 17,268
Prepaid expenses	5,739	5,451
Resident receivables, net	3,430	3,200
Security deposits	2,870	2,966
Income tax receivable	983	782
Assets held for sale [(B)]	—	13,223
Straight-line rent receivable	3,815	3,494
Other assets and receivables	6,287	6,290
Total receivables and other assets	$ 43,447	$ 52,674

(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) Represents two properties in the Managed AL/MC Properties segment and primarily consists of the carrying value of buildings and land.

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

	Six Months Ended June 30,	
	2019	2018
Balance, beginning of period	$ 1,512	$ 938
Provision for uncollectible receivables [(A)]	—	900
Write-offs, net of recoveries	(1,512)	(798)
Balance, end of period	$ —	$ 1,040

(A) In accordance with ASC 842 effective January 1, 2019, collectability of receivables is assessed and incorporated in lease revenue.

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

Straight-line Rent Receivable

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 of substantially all rents is probable. 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.

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. If our evaluation of these factors indicates it is not probable that we will collect substantially all rents, any lease income is limited to the lesser of the lease income reflected on a straight-line basis or cash collected.

(dollars in tables in thousands, except share data)

The following table sets forth future contracted minimum lease payments from the tenant within the Triple Net Lease Properties segment, excluding contingent payment escalations, as of June 30, 2019:

2019 (six months)	$	2,899
2020		5,904
2021		6,066
2022		6,233
2023		6,405
Thereafter		45,469
Total future minimum lease payments	$	72,976

8. DEBT, NET

	June 30, 2019					December 31, 2018	
	Outstanding Face Amount	Carrying Value (A)	Maturity Date	Stated Interest Rate	Weighted Average Maturity (Years)	Outstanding Face Amount	Carrying Value (A)
Floating Rate (B)(C)(D)	$ 1,426,370	$ 1,409,657	Dec 2021 - Nov 2025	1M LIBOR +2.29% to 1M LIBOR +2.75%	4.5	$ 1,440,842	$ 1,422,743
Fixed Rate	464,680	462,334	Sep 2025	4.25%	6.1	464,680	462,139
Total	$ 1,891,050	$ 1,871,991			4.9	$ 1,905,522	$ 1,884,882

(A) The totals are reported net of deferred financing costs of $19.1 million and $20.6 million as of June 30, 2019 and December 31, 2018, respectively.
(B) Substantially all of these loans have LIBOR caps that range between 3.66% and 3.75% as of June 30, 2019.
(C) Includes $73.3 million and $69.0 million of borrowings outstanding under our revolving credit facility secured by certain properties as of June 30, 2019 and December 31, 2018, respectively.
(D) As of June 30, 2019, includes $350.0 million of floating rate debt that has been converted to fixed rate through a derivative financial instrument, which is carried at fair value. See Note 9 for more information.

The carrying value of the collateral relating to the floating rate and fixed rate debt was $1.6 billion and $0.5 billion as of June 30, 2019, respectively, $1.6 billion and $0.5 billion as of December 31, 2018, respectively.

Our debt contains various customary financial and other covenants, in some cases including Debt Service Coverage Ratio and Project Yield, as defined in the agreements. We are in compliance with the covenants in our debt agreements as of June 30, 2019.

9. DERIVATIVE INSTRUMENTS

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage our exposure to interest rate movements.

Derivatives Designated as Hedging Instruments

Interest rate swap

In May 2019, we entered into a $350.0 million notional interest rate swap with a maturity of May 2022 that effectively converts LIBOR-based floating rate debt to fixed rate debt, thus reducing the impact of interest-rate changes on future interest expense. The interest rate swap was designated and qualified as a cash flow hedge with the change in fair value included in the assessment of hedge effectiveness deferred as a component of other comprehensive income (“OCI”), and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

(dollars in tables in thousands, except share data)

As of June 30, 2019, our interest rate swap liability was recorded in “Accrued expenses and other liabilities” in our Consolidated Balance Sheets. For the three and six months ended June 30, 2019, $0.1 million of gain was reclassified from accumulated other comprehensive income (loss) into earnings and was recorded in “Interest expense” in our Consolidated Statements of Operations. As of June 30, 2019, approximately $1.2 million of our swap liability, which is included in accumulated other comprehensive income (loss), is expected to be reclassified into earnings in the next 12 months.

Derivatives Not Designated as Hedging Instruments

Interest rate caps

As of June 30, 2019, our interest rate cap assets were recorded in “Receivables and other assets, net” in our Consolidated Balance Sheets. Fair value losses were not material for the three months ended June 30, 2019 and $0.6 million for the six months ended June 30, 2019. Fair value losses recognized for the three and six months ended June 30, 2018 were $0.1 million and $0.2 million, respectively. These amounts are included in “Other expense” in our Consolidated Statements of Operations and “Other non-cash expense” in our Consolidated Statements of Cash Flows.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2019	December 31, 2018
Security deposits payable	$ 2,630	$ 2,766
Accounts payable	14,897	13,232
Due to property managers[(A)]	9,098	—
Mortgage interest payable	7,365	7,441
Deferred community fees, net	7,049	6,454
Rent collected in advance	2,602	3,843
Property tax payable	6,850	4,880
Operating lease liability	2,388	—
Derivative liability	6,206	—
Other liabilities	9,466	14,063
Total accrued expenses and other liabilities	$ 68,551	$ 52,679

(A) Prior to the Internalization, the due to property managers balances were primarily recorded in Due to Affiliates on the Consolidated Balance Sheets.

11. FAIR VALUE MEASUREMENTS

The carrying amounts and fair values of our financial instruments were as follows:

	Fair Value Hierarchy	June 30, 2019		December 31, 2018	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:					
Cash and cash equivalents [(A)]	1	$ 35,398	$ 35,398	$ 72,422	$ 72,422
Restricted cash [(A)]	1	23,193	23,193	20,234	20,234
Interest rate caps [(B)]	2	36	36	618	618
Financial Liabilities:					
Mortgage debt [(C)]	3	$ 1,801,495	$ 1,747,716	$ 1,818,917	$ 1,820,772
Revolving credit facility [(C)]	3	70,496	71,561	65,965	68,470
Interest rate swap [(B)]	2	6,206	6,206	—	—

(A) The carrying amount approximates fair value.
(B) Fair value based on pricing models that consider inputs including forward yield curves, cap strike rates, cap volatility and discount rates.
(C) Fair value 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. Our mortgage debt and revolving credit facility are not measured at fair value in our Consolidated Balance Sheets.

12. TRANSACTIONS WITH AFFILIATES

The following disclosures describe transactions with Fortress, Holiday and Blue Harbor prior to the Internalization. For additional information regarding the Internalization, the termination of the Management Agreement with our Former Manager and the transition arrangements between the parties, please refer to Note 1.

Management Agreements

Prior to January 1, 2019, we were party to a management agreement (the "Management Agreement") with the Former Manager, under which the Former 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 Former Manager was entitled to a base management fee of 1.5% per annum of our gross equity. Gross equity was generally defined as the equity invested by Drive Shack Inc. ("Drive Shack") (including cash contributed to us) as of the completion of the spin-off from Drive Shack, plus the aggregate offering price from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions (calculated without regard to depreciation and amortization) and repurchases of common stock, calculated and payable monthly in arrears in cash. We incurred $3.7 million and $7.4 million of management fees during the three and six months ended June 30, 2018 respectively, under the Management Agreement, which are included in "Management fees and incentive compensation to affiliate" in our Consolidated Statements of Operations. As of December 31, 2018, we had management fee payable of $3.7 million, which is included in "Due to affiliates" in our Consolidated Balance Sheets.

The Former 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 Former Manager did not earn incentive compensation during the three and six months ended June 30, 2018. The Former 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 Former Manager's employees performed certain legal, accounting, due diligence, asset management and other services that outside professionals or outside consultants otherwise would perform, the Former Manager was paid or reimbursed, pursuant to the Management Agreement, for the cost of performing such tasks, provided that such costs and reimbursements are no greater than those which would be paid to outside professionals or consultants on an arm's-length basis. We were also required to pay all operating expenses, except those specifically required to be borne by the Former 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 Former Manager for travel on our behalf, costs associated with any computer software or hardware that was used by us, costs to obtain liability insurance to indemnify directors and officers and the compensation and expenses of our transfer agent.

For the three months ended June 30, 2018, our reimbursement to the Former Manager for costs incurred for tasks and other services performed under the Management Agreement was $1.9 million, of which $1.5 million was included in "General and administrative expense" and $0.4 million was included in "Acquisition, transaction and integration expense" in our Consolidated Statements of Operations.

(dollars in tables in thousands, except share data)

For the six months ended June 30, 2018, our reimbursement to the Former Manager for costs incurred for tasks and other services performed under the Management Agreement was $4.1 million, of which $3.3 million was included in “General and administrative expense” and $0.8 million was included in “Acquisition, transaction and integration expense” in our Consolidated Statements of Operations.

As of December 31, 2018, we had reimbursements payable to the Former Manager of $2.2 million, which is included in “Due to affiliates” in our Consolidated Balance Sheets.

Property Management Agreements

Within our Managed Properties segment, we are party to property management agreements with Blue Harbor, an affiliate of Fortress, and Holiday, a portfolio company that is majority owned by a private equity fund managed by an affiliate of Fortress, to manage most of 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 4.5% to 5% of effective gross income. For certain property management agreements, we may also pay an incentive fee based on operating performance of the properties. No incentive fees were incurred during the three and six months ended June 30, 2019 and 2018. Property management fees are included in “Property operating expense” in our Consolidated Statements of Operations. Other amounts paid to managers affiliated with the Former Manager 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.

For the three months ended June 30, 2018, we incurred property management fees, travel reimbursement costs and property-level payroll expenses of $5.0 million, $0.1 million and $23.9 million, respectively, with respect to property managers affiliated with the Former Manager, which are included in “Property operating expense” in our Consolidated Statements of Operations.

For the six months ended June 30, 2018, we incurred property management fees, travel reimbursement costs and property-level payroll expenses of $8.8 million, $0.1 million and $43.2 million, respectively, with respect to property managers affiliated with the Former Manager, which are included in “Property operating expense” in our Consolidated Statements of Operations.

As of December 31, 2018, we had payables for property management fees of $2.1 million, and property-level payroll expenses of $8.2 million, with respect to property managers affiliated with the Former Manager, which are included in “Due to affiliates” in our Consolidated Balance Sheets. The property management agreements with managers affiliated with the Former Manager have initial terms of 5 or 10 years and provide for automatic one-year extensions after the initial term, subject to termination rights.

13. INCOME TAXES

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

The following table presents the provision for income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Current				
Federal	$ —	$ —	$ —	$ (42)
State and local	64	126	144	153
Total current provision	64	126	144	111
Deferred				
Federal	—	20	—	79
State and local	—	5	—	9
Total deferred provision	—	25	—	88
Total provision for income taxes	$ 64	$ 151	$ 144	$ 199

(dollars in tables in thousands, except share data)

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 before the net operating loss carryforward expires. We recorded a valuation allowance of $6.2 million against our deferred tax assets as of June 30, 2019 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.

As of June 30, 2019, our TRS had a loss carryforward of approximately $19.8 million for federal income tax purposes and $21.3 million for state income tax purposes. The federal net operating losses will begin to 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.

14. 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 Former 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. The carrying value of the Redeemable Preferred Stock is increased by the accumulated and unpaid dividends in the period with a corresponding increase in accumulated deficit. Accrued dividends are treated as deductions in the calculation of net income (loss) applicable to common stockholders.

The following table is a rollforward of our Redeemable Preferred Stock for the six months ended June 30, 2019:

Balance as of December 31, 2018	$	40,000
Dividend payable on Redeemable Preferred Stock		500
Balance as of June 30, 2019	$	40,500

Amended and Restated Stock Option and Incentive Award Plan

Our board of directors 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 awards (RSAs), restricted stock units (RSUs), 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.

(dollars in tables in thousands, except share data)

Restricted Stock Awards

During the six months ended June 30, 2019, the Company granted 916,415 RSAs to certain officers and employees, including 800,381 RSAs issued in connection with the Internalization, with a weighted average grant date fair value of $4.40 per share and a vesting period of 1 year to 3 years . None of the RSAs have vested and the total unrecognized compensation expense of $3.3 million as of June 30, 2019 is expected to be amortized on a straight-line basis over a weighted average term of 2.5 years.

Restricted Stock Units

During the six months ended June 30, 2019, the Company granted 107,125 RSUs to non-employee directors with a weighted average grant date fair value of $6.53 per share and vesting period of 1 year. None of the RSUs have vested and the total unrecognized compensation expense of $0.7 million as of June 30, 2019 is expected to be amortized on a straight-line basis over a weighted average term of 1.0 year.

Stock Options

During the six months ended June 30, 2019, the Company granted options to purchase 3,572,817 shares to certain officers and employees, including options to purchase 2,999,900 shares in connection with the Internalization, with a weighted average strike price of $4.47 per share. The fair value of the options granted was determined using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	Range	Weighted Average
Expected volatility (mix of historical and implied)	32.0% - 34.0%	33.7%
Expected dividend yield	9.3%-9.6%	9.3%
Expected remaining term	6.0 years	6.0 years
Risk free rate	2.4%-2.7%	2.7%
Fair value per option at valuation date	$0.50 - $0.64	$ 0.52

None of the options have vested and the total unrecognized compensation expense of $1.6 million as of June 30, 2019 is expected to be amortized over a weighted average term of 2.6 years.

For the three and six months ended June 30, 2019, we recognized $0.5 million and $1.0 million of compensation expense, respectively, relating to these awards, which is included in “General and administrative expense” in our Consolidated Statements of Operations.

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 Former Manager in connection with capital raising activities. In connection with the spin-off, 5.5 million options that were held by the Former Manager, or by the directors, officers or employees of the Former 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. In January 2019, strike prices for outstanding options as of December 31, 2018 were reduced by $0.78, reflecting the portion of our 2018 dividends which were deemed return of capital pursuant to the terms of the Plan.

Earnings per Share

For the three and six months ended June 30, 2019 and 2018, basic and diluted net loss per share was computed by dividing net loss applicable to common stockholders by the weighted average number of common shares outstanding during the period. The following table sets forth the computation of basic and diluted loss per share of common stock for the three and six months ended June 30, 2019 and 2018:

(dollars in tables in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Numerator				
Net loss	$ (9,586)	$ (39,081)	$ (20,779)	$ (52,430)
Deemed dividend on redeemable preferred stock	(599)	—	(1,197)	—
Net loss attributable to common stockholders	$ (10,185)	$ (39,081)	$ (21,976)	$ (52,430)
Denominator				
Basic weighted average common shares outstanding (A)	82,209,844	82,148,869	82,206,475	82,148,869
Dilutive common shares - restricted stock awards and option (B)	—	—	—	—
Diluted weighted average common shares outstanding	82,209,844	82,148,869	82,206,475	82,148,869
Net loss per share of common stock				
Basic	$ (0.12)	$ (0.48)	$ (0.27)	$ (0.64)
Diluted	$ (0.12)	$ (0.48)	$ (0.27)	$ (0.64)

(A) The outstanding shares used to calculate the weighted average basic shares excludes 916,415 restricted stock awards as of June 30, 2019, as those shares were issued but were not vested and therefore, not considered outstanding for purposes of computing basic loss per share for the three and six months ended June 30, 2019.

(B) During the three and six months ended June 30, 2019 and 2018, 1,694,244 and 620,079, and 1,335,826 and 605,259 dilutive share equivalents and options, respectively, were excluded given our loss position, so basic and diluted EPS were the same for each reporting period.

15. COMMITMENTS AND CONTINGENCIES

As of June 30, 2019, 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 June 30, 2019, management is not aware of any environmental concerns that would have a material adverse effect on our financial position or results of operations.

Capital Improvement and Repair Commitments

We have agreed to make $1.0 million available for capital improvements during the 15 year lease period to the triple net lease property under Watermark, none of which has been funded as of June 30, 2019. Upon funding these capital improvements, we will be entitled to a rent increase.

Leases

As the lessee, we currently lease our corporate office space located in New York, New York under an operating lease agreement. The lease requires fixed monthly rent payments, expires on June 30, 2024 and does not have any renewal option. We also currently lease equipment (dishwashers, copy machines and buses) used at certain of our Managed Properties under operating lease agreements. Our leases have remaining lease terms ranging from one month to 5.0 years. We do not include any renewal options in our lease terms for calculating our lease liability as we are not reasonably certain if we will exercise these renewal options at this time.

As of June 30, 2019, our future minimum lease payments under our operating leases are as follows:

Year	**Operating Leases**
2019 (six months)	$ 248
2020	599
2021	552
2022	489
2023	466
Thereafter	545
Total future minimum lease payments	$ 2,899
Less imputed interest	(511)
Total operating lease liability	$ 2,388

16. SUBSEQUENT EVENTS

These consolidated financial statements include a discussion of material events, if any, which have occurred subsequent to June 30, 2019 (referred to as subsequent events) through the issuance of the consolidated financial statements.

On July 31, 2019, our board of directors declared a cash dividend on our common stock of $0.13 per share for the quarter ended June 30, 2019. The dividend is payable on September 20, 2019 to stockholders of record on September 6, 2019.

As previously described in Item 3 of our Form 10-K for the year ended December 31, 2018 and in our Form 10-Q for the quarter ended March 31, 2019, a derivative lawsuit, captioned Cumming v. Edens, et al., C.A. No. 13007-VCS, was brought on behalf of the Company against certain current and former members of the Company's Board of Directors, Fortress Investment Group LLC and certain affiliates and Holiday Acquisition Holdings LLC. On April 23, 2019, the parties reached an agreement to settle the derivative lawsuit. The settlement provides for the payment of $53.0 million to the Company and the recommendation of certain corporate governance changes in exchange for customary releases. The settlement was approved by the Delaware Court of Chancery on July 31, 2019 and a judgment issued the same day. Settlement funds must be deposited by each of the defendants within 10 business days of the approved settlement. Once the funds are deposited, and upon the later of the (i) the expiration of the time for filing or noticing of an appeal or a motion for reargument of the court's judgment, (ii) the date of final affirmance on appeal or reargument of the Court's judgment, or (iii) the final dismissal of any appeal, plaintiff’s counsel is required to pay the settlement funds to the Company within 10 business days. Cash proceeds to the Company will be reduced by a Court-approved fee and expense award to plaintiff’s counsel of $14.5 million, which is inclusive of attorneys’ fees and out of pocket expenses, any taxes on any earned income on the settlement amount or tax expenses and costs incurred in determining and paying such taxes. The Company will also pay certain other unreimbursed legal fees of the Company. The Company previously submitted and recommended the agreed-upon governance changes to its stockholders at the Company’s annual meeting of shareholders which was held in June 2019.

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

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

OVERVIEW

Our Business

We are a REIT with a portfolio of 131 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 I, Item 1.

Recent Developments

Through December 31, 2018, we were externally managed and advised by an affiliate of Fortress Investment Group LLC (the "Former Manager"). On November 19, 2018, we entered into definitive agreements with the Former 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 Former Manager to continue to provide certain services for a transition period.

During the first quarter of 2019, we transitioned nine managed properties to new operators. Four properties were transitioned to Integral, three properties were transitioned to Grace, and two properties were transitioned to Phoenix.

During the second quarter of 2019, we sold two managed AL/MC properties. See Note 4 for additional information. We also entered into a $350.0 million notional interest rate swap with a maturity of May 2022 that effectively converts LIBOR-based floating-rate debt to fixed-rate debt, thus reducing the impact of interest-rate changes on future interest expense.

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 second quarter decreased 10 basis points year over year. New Senior's occupancy results underperformed the industry in the second quarter of 2019, with same store managed occupancy down 30 basis points year over year.

Industry occupancy for independent living ("IL") facilities was down 10 basis points year over year, while industry occupancy for assisted living ("AL") facilities was down 20 basis points year over year. Industry occupancy is expected to decline 10 basis points over the next four quarters for IL, and to increase 30 basis points for AL.

Industry-wide, new supply remains elevated but continues to decrease. Units under construction represent 6.4% of inventory, but the ratio has decreased 90 basis points from a peak in the third quarter of 2016. The ratio of AL construction to inventory (7.2%) remains higher than that for IL (5.8%).

Pressures from new competition remain significant for AL facilities in particular, including for some of those in our managed portfolio. Industry-wide for AL facilities, occupancy is at its lowest level since 2006 and labor cost growth is near its highest level since 2007. However, industry rate growth has held steady into 2019, increasing 3.0% year over year, with IL (up 3.3%) outperforming AL (up 2.6%).

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 130 properties comprising of 102 IL properties and 28 AL/MC properties, which are managed by Property Managers under property management agreements. Under our Triple Net Lease Properties segment, we own and lease one property under a triple net master lease agreement.

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 affiliates, general and administrative expense, loss on extinguishment of debt, impairment of real estate, other expense, gain (loss) on sale of real estate, gain on lease termination and income tax expense 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.

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 six months ended June 30, 2019.

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.

Three months ended June 30, 2019 compared to three months ended June 30, 2018

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

	Three Months Ended June 30,		Increase (Decrease)	
(dollars in thousands)	2019	2018	Amount	Percentage
Segment NOI for Managed Properties				
IL Properties	$ 34,464	$ 26,210	$ 8,254	31.5 %
AL/MC Properties	5,016	6,764	(1,748)	(25.8)%
Segment NOI for Triple Net Lease Properties	1,583	12,368	(10,785)	(87.2)%
Total segment NOI	41,063	45,342	(4,279)	(9.4)%
Expenses				
Depreciation and amortization	20,755	24,521	(3,766)	(15.4)%
Interest expense	23,483	25,755	(2,272)	(8.8)%
General and administrative expense	5,372	3,140	2,232	71.1 %
Acquisition, transaction and integration expense	411	8,683	(8,272)	(95.3)%
Management fees and incentive compensation to affiliate	—	3,687	(3,687)	NM
Loss on extinguishment of debt	335	58,544	(58,209)	(99.4)%
Other expense	107	32	75	NM
Total expenses	50,463	124,362	(73,899)	(59.4)%
Loss on sale of real estate	(122)	—	(122)	NM
Gain on lease termination	—	40,090	(40,090)	NM
Loss before income taxes	(9,522)	(38,930)	29,408	(75.5)%
Income tax expense	64	151	(87)	(57.6)%
Net loss	$ (9,586)	$ (39,081)	$ 29,495	(75.5)%

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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 three months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2019	2018	Change	%	2019	2018	Change	%
Resident fees and services	$ 42,996	$ 42,859	$ 137	0.3%	$ 83,516	$ 63,797	$ 19,719	30.9%
Less: Property operating expense	25,171	25,140	31	0.1%	49,052	37,587	11,465	30.5%
NOI	$ 17,825	$ 17,719	$ 106	0.6%	$ 34,464	$ 26,210	$ 8,254	31.5%
Total properties	51	51			102	102		
Average available beds	6,127	6,127			11,974	8,076		
Average occupancy (%)	86.3	87.5			87.1	87.5		
Average monthly revenue per occupied bed (A)	$ 2,730	$ 2,652			$ 2,686	$ 2,994		

(A) In accordance with ASC 842 effective January 1, 2019, collectability of receivables is assessed and incorporated in lease revenue. In order to facilitate a comparison between periods, the average monthly revenue per occupied bed for the period ended June 30, 2018 incorporates a similar adjustment.

Resident fees and services

Total resident fees and services increased $19.7 million. This increase is primarily attributable to the fees from the Holiday Portfolio, which are included in the Managed IL Properties segment following the Lease Termination in May 2018.

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

Property operating expense

Property operating expense increased $11.5 million. This increase is primarily attributable to the property operating expense related to the Holiday Portfolio, which is included in the Managed IL Properties segment following the Lease Termination in May 2018.

Same store property operating expense was relatively flat for the comparative periods.

Segment NOI

Total segment NOI and same store segment NOI increased $8.3 million and $0.1 million, respectively, primarily due to additional NOI from the Holiday Portfolio. 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 three months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	2019	2018	Change	%	2019	2018	Change	%
Resident fees and services	$ 23,048	$ 23,163	$ (115)	(0.5)%	$ 30,921	$ 32,687	$ (1,766)	(5.4)%
Less: Property operating expense	18,023	17,473	550	3.1 %	25,905	25,923	(18)	(0.1)%
NOI	$ 5,025	$ 5,690	$ (665)	(11.7)%	$ 5,016	$ 6,764	$ (1,748)	(25.8)%
Total properties	19	19			28	30		
Average available beds	2,295	2,297			3,285	3,418		
Average occupancy (%)	81.4	81.6			77.5	79.3		
Average monthly revenue per occupied bed [(A)]	$ 4,130	$ 4,093			$ 4,074	$ 3,994		

(A) In accordance with ASC 842 effective January 1, 2019, collectability of receivables is assessed and incorporated in lease revenue. In order to facilitate a comparison between periods, the average monthly revenue per occupied bed for the period ended June 30, 2018 incorporates a similar adjustment.

Resident fees and services

Total resident fees and services decreased $1.8 million. This decrease is primarily attributable to a decrease in average occupancy rates, which was partially offset by an increase in average rental rates.

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

Property operating expense

Property operating expense was relatively flat for the comparative periods.

Same store property operating expense increased $0.6 million, primarily due to higher labor costs.

Segment NOI

Total segment NOI and same store segment NOI decreased $1.7 million and $0.7 million, respectively. See above for the variance explanations.

Triple Net Lease Properties

The following table presents same store and total portfolio results as of and for the three months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	2019	2018	Change	%	2019	2018	Change	%
Rental revenue	$ 1,583	$ 1,582	$ 1	0.1%	$ 1,583	$ 12,368	$ (10,785)	(87.2)%
NOI	$ 1,583	$ 1,582	$ 1	0.1%	$ 1,583	$ 12,368	$ (10,785)	(87.2)%
Total properties	1	1			1	1		
Average available beds	463	463			463	2,412		
Average occupancy (%)	86.7	87.1			86.7	85.5		

Total segment NOI decreased $10.8 million, primarily due to the Lease Termination in May 2018. 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 decreased $3.8 million, primarily due to certain intangibles becoming fully amortized.

Interest expense

Interest expense decreased $2.3 million, primarily due to lower interest rates. The weighted average effective interest rates for the three months ended June 30, 2019 and 2018 were 4.90% and 5.27%, respectively.

General and administrative expense

General and administrative expense increased $2.2 million, primarily due to additional compensation expense, including the amortization of equity-based compensation as a result of the Internalization effective December 31, 2018.

Acquisition, transaction and integration expense

Acquisition, transaction and integration expense decreased $8.3 million, primarily due to costs associated with the strategic review during the three months ended June 30, 2018.

Management fees and incentive compensation to affiliate

Management fees and incentive compensation to affiliate decreased $3.7 million due to the termination of the Management Agreement with the Former Manager as a result of the Internalization effective December 31, 2018.

Loss on extinguishment of debt

During the three months ended June 30, 2019, we repaid $13.7 million of debt in conjunction with our sale of two AL/MC properties and recognized a loss on extinguishment of debt of $0.3 million. In May 2018, we repaid $663.8 million of debt in conjunction with the Lease Termination and recognized a loss on extinguishment of debt of $58.5 million.

Other expense

Other expense was relatively flat for the comparative periods.

Other

Loss on sale of real estate

During the three months ended June 30, 2019, we sold two properties and recognized a loss on sale of $0.1 million.

Gain on lease termination

During the three months ended June 30, 2018, we recognized a gain of $40.1 million as a result of the Lease Termination.

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 was relatively flat during the comparative periods.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

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

	Six Months Ended June 30,		Increase (Decrease)	
(dollars in thousands)	2019	2018	Amount	Percentage
Segment NOI for Managed Properties				
IL Properties	$ 67,489	$ 42,548	$ 24,941	58.6 %
AL/MC Properties	10,681	13,670	(2,989)	(21.9)%
Segment NOI for Triple Net Lease Properties	3,165	36,243	(33,078)	(91.3)%
Total segment NOI	81,335	92,461	(11,126)	(12.0)%
Expenses				
Depreciation and amortization	41,542	51,246	(9,704)	(18.9)%
Interest expense	47,202	47,678	(476)	(1.0)%
General and administrative expense	10,356	6,892	3,464	50.3 %
Acquisition, transaction and integration expense	1,061	11,571	(10,510)	(90.8)%
Management fees and incentive compensation to affiliate	—	7,439	(7,439)	NM
Loss on extinguishment of debt	335	58,544	(58,209)	(99.4)%
Other expense	1,352	1,412	(60)	(4.2)%
Total expenses	101,848	184,782	(82,934)	(44.9)%
Loss on sale of real estate	(122)	—	(122)	NM
Gain on lease termination	—	40,090	(40,090)	NM
Loss before income taxes	(20,635)	(52,231)	31,596	(60.5)%
Income tax expense	144	199	(55)	(27.6)%
Net loss	$ (20,779)	$ (52,430)	$ 31,651	(60.4)%

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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 six months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	**2019**	**2018**	**Change**	**%**	**2019**	**2018**	**Change**	**%**
Resident fees and services	$ 86,422	$ 85,414	$ 1,008	1.2 %	$ 167,261	$ 106,351	$ 60,910	57.3%
Less: Property operating expense	51,076	51,360	(284)	(0.6)%	99,772	63,803	35,969	56.4%
NOI	$ 35,346	$ 34,054	$ 1,292	3.8 %	$ 67,489	$ 42,548	$ 24,941	58.6%
Total properties	51	51			102	102		
Average available beds	6,127	6,127			11,974	7,101		
Average occupancy (%)	86.5	87.4			87.1	87.4		
Average monthly revenue per occupied bed [(A)]	$ 2,719	$ 2,643			$ 2,674	$ 2,839		

(A) In accordance with ASC 842 effective January 1, 2019, collectability of receivables is assessed and incorporated in lease revenue. In order to facilitate a comparison between periods, the average monthly revenue per occupied bed for the period ended June 30, 2018 incorporates a similar adjustment.

Resident fees and services

Total resident fees and services increased $60.9 million. This increase is primarily attributable to the fees from the Holiday Portfolio, which are included in the Managed IL Properties segment following the Lease Termination in May 2018.

Same store resident fees and services increased $1.0 million, primarily due to an increase in average rental rates, which were slightly offset by a decrease in average occupancy rates.

Property operating expense

Property operating expense increased $36.0 million. This increase is primarily attributable to the property operating expense related to the Holiday Portfolio, which is included in the Managed IL Properties segment following the Lease Termination in May 2018.

Same store property operating expense decreased $0.3 million, primarily due to lower supply costs.

Segment NOI

Total segment NOI and same store segment NOI increased $24.9 million and $1.3 million, respectively, primarily due to additional NOI from the Holiday Portfolio. 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 six months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands, except per bed data)	**2019**	**2018**	**Change**	**%**	**2019**	**2018**	**Change**	**%**
Resident fees and services	$ 46,392	$ 46,392	$ —	— %	$ 63,213	$ 65,476	$ (2,263)	(3.5)%
Less: Property operating expense	36,281	34,969	1,312	3.8 %	52,532	51,806	726	1.4 %
NOI	$ 10,111	$ 11,423	$ (1,312)	(11.5)%	$ 10,681	$ 13,670	$ (2,989)	(21.9)%
Total properties	19	19			28	30		
Average available beds	2,296	2,296			3,352	3,417		
Average occupancy (%)	81.5	81.9			77.8	79.6		
Average monthly revenue per occupied bed [(A)]	$ 4,132	$ 4,095			$ 4,043	3,994		

(A) In accordance with ASC 842 effective January 1, 2019, collectability of receivables is assessed and incorporated in lease revenue. In order to facilitate a comparison between periods, the average monthly revenue per occupied bed for the period ended June 30, 2018 incorporates a similar adjustment.

Resident fees and services

Total resident fees and services decreased $2.3 million. This decrease is primarily attributable to a decrease in average occupancy rates, which was partially offset by an increase in average rental rates.

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

Property operating expense

Property operating expense increased $0.7 million, primarily due to higher labor costs.

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

Segment NOI

Total segment NOI and same store segment NOI decreased $3.0 million and $1.3 million, respectively. See above for the variance explanations.

Triple Net Lease Properties

The following table presents same store and total portfolio results as of and for the six months ended June 30, 2019 and 2018:

	Same Store Portfolio				Total Portfolio			
(dollars in thousands)	**2019**	**2018**	**Change**	**%**	**2019**	**2018**	**Change**	**%**
Rental revenue	$ 3,165	$ 3,163	$ 2	0.1%	$ 3,165	$ 36,243	$ (33,078)	(91.3)%
NOI	$ 3,165	$ 3,163	$ 2	0.1%	$ 3,165	$ 36,243	$ (33,078)	(91.3)%
Total properties	1	1			1	1		
Average available beds	463	4,360			463	4,360		
Average occupancy (%)	86.7	87.1			86.7	85.5		

Total segment NOI decreased $33.1 million, primarily due to the Lease Termination effective on May 14, 2018. 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 decreased $9.7 million, primarily due to certain intangibles becoming fully amortized.

Interest expense

Interest expense decreased $0.5 million, primarily due to lower effective interest rates and outstanding principal balance as a result debt refinancing and entering into the revolving credit facility in the fourth quarter of 2018, offset by an increase in LIBOR for the comparative periods.

General and administrative expense

General and administrative expense increased $3.5 million, primarily due to additional compensation expense including the amortization of equity-based compensation as a result of the Internalization effective December 31, 2018.

Acquisition, transaction and integration expense

Acquisition, transaction and integration expense decreased $10.5 million, primarily due to costs associated with the strategic review during the six months ended June 30, 2018.

Management fees and incentive compensation to affiliate

Management fees and incentive compensation to affiliate decreased $7.4 million due to the termination of the Management Agreement with the Former Manager as a result of the Internalization effective December 31, 2018.

Loss on extinguishment of debt

During the three months ended June 30, 2019, we repaid $13.7 million of debt in conjunction with our sale of two AL/MC properties and recognized a loss on extinguishment of debt of $0.3 million. In May 2018, we repaid $663.8 million of debt in conjunction with the Lease Termination and recognized a loss on extinguishment of debt of $58.5 million.

Other expense

Other expense was relatively flat for the comparative periods.

Other

Loss on sale of real estate

During the six months ended June 30, 2019, we sold two properties and recognized a loss on sale of $0.1 million.

Gain on lease termination

During the six months ended June 30, 2018, we recognized a gain of $40.1 million as a result of the Lease Termination in May 2018.

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 was relatively flat during the comparative periods.

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 June 30, 2019, we had approximately $35.4 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.

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 II, 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.

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

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

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

- *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 mortgage notes payable contain various customary financial and other covenants, and in certain cases include a Debt Service Coverage Ratio, Project Yield or Minimum Net Worth and Liquid Assets provision, as defined in the agreements. As of June 30, 2019, 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 $9.7 million and $3.8 million, respectively, for the six months ended June 30, 2019.

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. We do not expect these expenditures to be material. For further information regarding capital expenditures related to our triple net lease property, see "Contractual Obligations" below and Note 15 to the consolidated financial statements.

Cash Flows

The following table provides a summary of our cash flows:

	Six Months Ended June 30,		Increase (Decrease)
(dollars in thousands)	**2019**	**2018**	**Amount**
Net cash provided by (used in)			
Operating activities	$ 4,866	$ 101,884	$ (97,018)
Investing activities	(952)	(8,185)	7,233
Financing activities	(37,979)	(63,841)	25,862
Net decrease in cash, cash equivalents and restricted cash	(34,065)	29,858	(63,923)
Cash, cash equivalents and restricted cash, beginning of period	92,656	157,485	(64,829)
Cash, cash equivalents and restricted cash, end of period	$ 58,591	$ 187,343	$ (128,752)

Operating activities

Net cash provided by operating activities was $4.9 million and $101.9 million for the six months ended June 30, 2019 and 2018, respectively. The period-over-period decrease of $97.0 million was primarily due to the receipt of $70.0 million from Holiday due to the Lease Termination in May 2018 and a one-time Termination Fee of $10.0 million paid to the Former Manager as a result of the Internalization in January 2019.

Investing activities

Net cash used in investing activities was $1.0 million and $8.2 million for the six months ended June 30, 2019 and 2018, respectively. The period-over-period decrease in net cash used of $7.2 million was due to $13.1 million in proceeds from the sale of two AL/MC assets in 2019 which was offset by $5.8 million of higher capital expenditures in 2019, primarily on the Holiday Portfolio due to the Lease Termination in May 2018.

Financing activities

Net cash used in financing activities was $38.0 million and $63.8 million for the six months ended June 30, 2019 and 2018, respectively. The period-over-period decrease in net cash used of $25.9 million was primarily due to a decrease of $21.3 million in dividends paid due to dividends declared per share of common stock of $0.26 and $0.52 for the six months ended June 30, 2019 and 2018, respectively.

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 2019, 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 June 30, 2019, 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 June 30, 2019, we had the following material contractual obligations, including estimates of interest payments on our floating rate debt (dollars in thousands):

	Period from July 1, 2019 to December 31, 2019	2020	2021	2022	2023	Thereafter	Total
Principal payments	$ 4,851	$ 12,390	$ 19,930	$ 21,978	$ 19,817	$ 37,179	$ 116,145
Balloon payments	—	—	73,250	603,302	—	1,098,353	1,774,905
Subtotal	4,851	12,390	93,180	625,280	19,817	1,135,532	1,891,050
Interest [(A)]	44,674	88,937	88,055	63,297	52,961	96,029	433,953
Leases	248	599	552	489	466	545	2,899
Total obligations [(B)]	$ 49,773	$ 101,926	$ 181,787	$ 689,066	$ 73,244	$ 1,232,106	$ 2,327,902

(A) Estimated interest payments on floating rate debt are calculated using LIBOR rates in effect at June 30, 2019 and may not be indicative of actual payments. Actual payments may vary significantly due to LIBOR fluctuations. See Note 9 to the consolidated financial statements for further information about interest rates.

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

In addition to our contractual obligations, we are a party to property management agreements with property managers. See Note 15 to the consolidated financial statements for information related to our capital improvement and repair commitments.

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 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 to the Former Manager 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 the Former Manager; (g) gain on lease termination; (h) compensation expense related to transition awards; and (i) 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:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2019	2018	2019	2018
Net loss attributable to common stockholders	$ (10,185)	$ (39,081)	$ (21,976)	$ (52,430)
Loss on sale of assets	122	—	122	—
Depreciation and amortization	20,755	24,521	41,542	51,246
FFO	10,692	(14,560)	19,688	(1,184)
Acquisition, transaction and integration expense	411	8,683	1,061	11,571
Loss on extinguishment of debt	335	58,544	335	58,544
Compensation expense related to transition awards	541	—	1,142	—
Gain on lease termination	—	(40,090)	—	(40,090)
Other expense	139	32	1,445	1,412
Normalized FFO	12,118	12,609	23,671	30,253
Straight line rental revenue	(147)	(1,693)	(321)	(5,019)
Amortization of equity-based compensation expense	88	—	88	—
Amortization of deferred financing costs	1,097	3,162	2,305	5,294
Amortization of deferred community fees and other	397	911	966	1,264
Adjusted FFO	$ 13,553	$ 14,989	$ 26,709	$ 31,792

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 expense and income tax expense.

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

(dollars in thousands)	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net loss attributable to common stockholders	$ (10,185)	$ (39,081)	$ (21,976)	$ (52,430)
Loss on sale of assets	122	—	122	—
Depreciation and amortization	20,755	24,521	41,542	51,246
FFO	10,692	(14,560)	19,688	(1,184)
Acquisition, transaction and integration expense	411	8,683	1,061	11,571
Loss on extinguishment of debt	335	58,544	335	58,544
Compensation expense realted to transition awards	541	—	1,142	—
Gain on lease termination	—	(40,090)	—	(40,090)
Other expense	139	32	1,445	1,412
Normalized FFO	12,118	12,609	23,671	30,253
Interest expense	23,483	25,755	47,202	47,678
Income tax expense	64	151	144	199
Adjusted EBITDA	$ 35,665	$ 38,515	$ 71,017	$ 78,130

APPLICATION OF CRITICAL ACCOUNTING POLICIES

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

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

Other than critical accounting policies mentioned in Note 2 of our consolidated financial statements, there were no material changes to our critical accounting policies disclosed in our Form 10-K for the year ended December 31, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on borrowings under our mortgage loans that are floating rate obligations. These market risks result primarily from changes in LIBOR or prime rates. We continuously monitor our level of floating rate debt with respect to total debt and other factors, including our assessment of current and future economic conditions. See the discussion of interest rate risk in Part II, Item 1A. Risk Factors, "-An increase in market interest rates may have an adverse effect on the market price of our common stock."

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.

In May 2019, we entered into an interest rate swap with a notional amount of $350.0 million and a maturity date of May 2022 that effectively converts LIBOR-based floating-rate debt to fixed-rate debt, thus reducing the impact of interest-rate changes on future interest expense. As of June 30, 2019, we had $1.4 billion of floating rate debt, representing 75.4% of our total indebtedness, with a weighted average coupon rate of 4.78%. After considering the effect of the interest rate swap, $1.1 billion of our floating rate debt with an average coupon rate of 4.80% would be subject to interest rate fluctuations. As a result, a 100 basis point change in interest rates would change annual interest expense by $10.8 million

Liquidity Risk

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

- Our stock price performance could impair our ability to access the capital markets, and any disruption to the capital markets or other sources of financing generally could also negatively affect our liquidity.
- Our failure to comply with the terms of our financings or a default by our lease counterparty (including a failure by the lease guarantor to satisfy certain financial covenants that depend on the performance of our leased assets, which are outside of our control) could result in the acceleration of the requirement to repay our indebtedness or require us to seek amendments to such agreements, which we may not be able to obtain on commercially reasonable terms, if at all.
- 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 revenues 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 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

As previously described in Item 3 of our Form 10-K for the year ended December 31, 2018, a derivative lawsuit, captioned Cumming v. Edens, et al., C.A. No. 13007-VCS, was brought on behalf of the Company against members of the Company's Board of Directors, Fortress Investment Group LLC and its affiliates and Holiday Acquisition Holdings LLC. On April 23, 2019, we reached an agreement to settle the derivative lawsuit. The settlement provides for the payment of $53.0 million to the Company and the recommendation of certain corporate governance changes in exchange for customary releases. The settlement remains subject to the approval of the Delaware Court of Chancery, with the proposed cash payment to be reduced by any amounts awarded by the Court to counsel for the plaintiff in the action. After negotiation of the principal terms of the settlement, the Company agreed that plaintiff's counsel will request that the Court approve a fee and expense award equal to $14.5 million, which is inclusive of attorneys' fees and out of pocket expenses.

ITEM 1A. RISK FACTORS

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

RISKS RELATED TO OUR BUSINESS

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, pursuant to which the Former 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 Former 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 Former Manager pursuant to a transition services agreement, and we may not find a suitable provider for these transition services if the Former Manager ceases to provide the transition services under the terms of such agreement.

We remain reliant on the Former 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 Former 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 Former 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 Former 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 management and other key employees.

Our employees, particularly our 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 lease 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 and Blue Harbor concentration risk.

Both Holiday and Blue Harbor serve as the managers 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 six months ended June 30, 2019 and 2018, Holiday served as the manager of properties representing 84.9% and 71.6%, respectively, of the NOI from our Managed Properties segments. As of June 30, 2019, Holiday managed 98 of the 130 properties in our Managed Properties segments, including the 51 properties that were previously in our Triple Net Lease segment. For the six months ended June 30, 2019 and 2018, Blue Harbor served as the manager of properties representing 12.0% and 23.3%, respectively, of the NOI from our Managed Properties segments. As of June 30, 2019, Blue Harbor managed 18 of the 130 properties in our Managed Properties segments. Holiday is majority-owned by private equity funds managed by our Former Manager (or its affiliates) and Blue Harbor is an affiliate of our Former Manager.

As of June 30, 2019, all of our managed properties were subject to management agreements with Holiday, Blue Harbor, JEA, Grace, Watermark, Integral or Phoenix. 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. We also 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. However, any failure, inability or unwillingness on the part of our property managers to satisfy their respective obligations under those agreements, or any change of control, acquisition, wind down or other change in the business operations of our property managers 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 managed properties.

During the six months ended June 30, 2019, 96.1% 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 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, more than one-half of the states are fully participating in the Medicaid expansion. 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. Since 2017, participating states are responsible for part of those additional costs, and will be expected to pay 10% of additional costs beginning in 2020. 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.

In addition, there is considerable uncertainty regarding the future of the Health Reform Laws. The current presidential administration and certain members of Congress have stated their intent to repeal or make significant changes to the Health Reform Laws, their implementation or their interpretation. On December 14, 2018, a U.S. District Court judge in the Northern District of Texas ruled the individual mandate provisions, and therefore the entirety of the Affordable Care Act, was no longer constitutional after Congress eliminated the individual mandate penalty, effective as of 2019. This ruling has been appealed to the U.S. Court of Appeals for the Fifth Circuit, and will likely be appealed to the United States Supreme Court. Although the Health Reform Laws remain in place pending this appeal, we are unable to predict the final outcome of this legal challenge and its potential impact on 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 3.9% of our NOI during the three months ended March 31, 2019.

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 remain 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 still 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 2., "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and Item 3., "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 June 30, 2019, 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.

In addition, we have loans, derivative contracts, and other financial instruments with terms that are benchmarked to LIBOR, which is expected to be discontinued at the end of 2021. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021 or whether LIBOR will be replaced by alternative reference rates. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates and their impact on the market for or value of any LIBOR-linked securities, loans, derivatives and other financial obligations or extensions of credit held by or due to us or on our overall financial condition or results of operations.

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

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

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

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

ERISA may restrict investments by plans in our common stock.

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

On July 31, 2019, the Company made grants of equity awards to its four executive officers. Each award consisted of 75% performance unit awards (“PSUs”) and 25% restricted stock units (“RSUs”) and was made at the following target amounts in accordance with each executive’s employment letter agreement with the Company: Chief Executive Officer, $2,000,000; Chief Financial Officer, $350,000; Chief Accounting Officer, $325,000; and General Counsel, $400,000. The RSUs vest ratably on January 1 of each of the following three years subject to continued employment and the PSUs vest on December 31, 2021 at the end of the three-year performance period, based on relative total shareholder return (“TSR”) against the NAREIT Health Care Index.

The fair value of the RSUs was determined using the closing price of the Company’s common stock on the grant date. The fair value of the PSUs was measured using a Monte Carlo simulation on the grant date, measuring potential TSR relative to the NAREIT Health Care Index. The expected volatility of the Company’s stock price was based on the historical volatility of a peer group while expected volatility for the other companies in the NAREIT Health Care Index was based on their own stock price history. All volatility and correlation measures were based on three years of daily historical price data through July 31, 2019, corresponding to the three-year performance period.

The total number of shares of the Company’s common stock subject to the awards (at target) and the approximate weighted average grant date fair value of the awards was 720,573 shares and $11.40 per share, respectively. The grant date fair value will be amortized and recognized in earnings over the vesting period.

Appointment of J. Justin Hutchens to Committees of the Board of Directors

J. Justin Hutchens, who was appointed to the board on June 19, 2019, as disclosed in the Form 8-K filed on such date, was appointed to the audit and nominating and corporate governance committees of the Board of Directors effective July 19, 2019.

ITEM 6. EXHIBITS

Exhibits filed with this Form 10-Q:

3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to New Senior's Current Report on Form 8-K, Exhibit 3.1, filed on June 13, 2019).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to New Senior's Current Report on Form 8-K, Exhibit 3.2, filed on June 13, 2019).
10.1*	Form of Restricted Stock Unit Award Agreement for Directors.
10.2*	Form of Restricted Stock Unit Award Agreement for Executive Officers.
10.3*	Form of Performance Stock Unit Award Agreement for Executive Officers.
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	Interactive Data File formatted as Inline XBRL (iXBRL))
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline BRL and contained in Exhibit 101).
*	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 included as Exhibit 10.12 and Exhibit 10.13, respectively, except as to the borrower thereto, the principal amount and certain property-specific provisions.

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Company has filed only one of 28 Multifamily Loan and Security Agreements, dated as of August 12, 2015, and the related Multifamily Notes as Exhibit 10.14 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 included as Exhibit 10.14 and Exhibit 10.15, respectively, except as to the borrower thereto, the principal amount and certain property-specific provisions.

SIGNATURES

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

NEW SENIOR INVESTMENT GROUP INC.

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

August 2, 2019

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

August 2, 2019

By: /s/ Bhairav Patel
Bhairav Patel
Executive Vice President of Finance and Accounting

August 2, 2019

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Section 2: EX-10.1 (EXHIBIT 10.1)

NEW SENIOR INVESTMENT GROUP INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Non-Employee Director)

This Restricted Stock Unit Award Agreement (this "Restricted Stock Unit Award Agreement"), dated as of ___________ (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 Restricted Stock Unit 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").

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant ___________ restricted stock unit awards (the "Restricted Stock Units"), subject to all of the terms and conditions of this Restricted Stock Unit Award Agreement and the Plan. Each Restricted Stock Unit represents the right to receive one (1) share of Stock under the terms and conditions of this Restricted Stock Unit Award Agreement.

2. Vesting.

(a) The Restricted Stock Units shall vest in full on the business day immediately prior to the first regularly scheduled annual meeting of stockholders of the Company following the Grant Date (the "Vesting Date"), so long as the Participant remains in continuous service on the Board through the applicable Vesting Date; provided, that, if the Participant's continuous service on the Board terminates prior to the Vesting Date as a result of the Participant's death or "Disability" (as defined below), then all unvested Restricted Stock Units shall become vested immediately upon such termination of service.

(b) Except as set forth in Section 2(a), if the Participant's service on the Board terminates for any reason prior to the Vesting Date, then (i) all rights of the Participant with respect to Restricted Stock Units that have not vested shall immediately terminate, (ii) any such unvested Restricted Stock Units 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 Units.

(c) For purposes of this Agreement, the term "Disability" means the complete and permanent inability of the Participant to perform all of the Participant's duties as a member of the Board, as determined by the Committee upon the basis of such evidence, including independent medical reports and data, as the Committee deems appropriate or necessary.

3. Voting and Dividend Equivalent Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until shares of Stock are delivered to the Participant following vesting of the Restricted Stock Units; provided, that, with respect to the period commencing on the Grant Date and ending on the date the shares of Stock subject to the Restricted Stock Units are delivered to the Participant pursuant to this Restricted Stock Unit Agreement, the Participant shall be eligible to receive an amount of cash equal to the product of (i) the number of shares of Stock, if any, delivered to the Participant following the vesting of the Restricted Stock Units and (ii) the amount of cash distributed with respect to an outstanding share of Stock during such period, which amount of cash shall be paid to the Participant on or about the date such shares of Stock are delivered to the Participant. No interest or other earnings will be credited with respect to such payment.

4. Delivery of Stock.

(a) The shares of Stock in respect of Restricted Stock Units that have vested in accordance with Section 2 shall be delivered to the Participant by no later than March 15 of the year following the year in which the Vesting Date occurs. No physical certificates evidencing the Stock delivered in settlement of vested Restricted Stock Units will be delivered to the Participant. Instead, the Stock delivered in settlement of vested Restricted Stock Units 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 the Restricted Stock Units, the Participant agrees not to sell Stock delivered in settlement of any vested Restricted Stock Units 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 deliver or transfer any Stock under this Restricted Stock Unit 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.

5. Restricted Stock Unit Award Agreement Subject to Plan. This Restricted Stock Unit 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 Unit Award Agreement and the provisions of the Plan, the provisions of the Plan shall govern.

6. No Rights to Continuation of Service or Future Awards. Nothing in the Plan or this Restricted Stock Unit Award Agreement shall confer upon the Participant any right to any future Award or to continue in the service 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 service at any time for any reason whatsoever.

7. Taxes. The Participant understands that the Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Restricted Stock Unit Award Agreement.

8. Section 409A Compliance. The intent of the parties is that payments and benefits under this Restricted Stock Unit Award Agreement, including the dividend equivalent payments provided for in Section 3, 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 Unit 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 Unit 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 Unit Award Agreement Binding on Successors. The terms of this Restricted Stock Unit 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 Unit Award

Agreement, neither this Restricted Stock Unit 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 Unit Award Agreement and no Restricted Stock Unit granted pursuant to this Restricted Stock Unit 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 Restricted Stock Unit has become fully vested and the Stock subject to such Restricted Stock Unit has been delivered to 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 Restricted Stock Unit 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 Unit 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 Unit 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 Unit Award Agreement. Moreover, if one or more of the provisions contained in this Restricted Stock Unit 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 Unit Award Agreement and the Plan 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 Unit 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 Unit 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 Unit 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., 55 West 46th Street, Suite 2204, New York, NY 10036, 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.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Unit 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 Unit Award Agreement]

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Section 3: EX-10.2 (EXHIBIT 10.2)

NEW SENIOR INVESTMENT GROUP INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT
(Annual Award)

This Restricted Stock Unit Award Agreement (this "Restricted Stock Unit Award Agreement"), dated as of ___________ (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 __________ (the "Letter Agreement").

1. Grant of Restricted Stock Units. The Company hereby grants to the Participant __________ restricted stock unit awards (the "Restricted Stock Units"), subject to all of the terms and conditions of this Restricted Stock Unit Award Agreement and the Plan. Each Restricted Stock Unit represents the right to receive one (1) share of Stock under the terms and conditions of this Restricted Stock Unit Award Agreement.

2. Vesting.

(a) The Restricted Stock Units shall vest in equal installments on __________ (each, a "Vesting Date"), or such earlier date of the occurrence of the applicable event specified in Section 2(c), 2(d) or 2(e), 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), (d) or (e) below, if the Participant's employment with the Company and its Affiliates terminates for any reason prior to the final Vesting Date, then (i) all rights of the Participant with respect to Restricted Stock Units that have not vested shall immediately terminate, (ii) any such unvested Restricted Stock Units 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 Units.

(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 (each, a "Qualifying Termination") prior to a Change in Control, then the unvested Restricted Stock Units scheduled to vest on the next Vesting Date after the date of termination shall become vested immediately upon such termination of employment; provided, that, such vesting shall be subject to (i) the Participant's compliance with the Protective Covenants as defined in the Letter Agreement and (ii) 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 Letter Agreement.

(d) If the Participant incurs a Qualifying Termination at any time upon or following a Change in Control and prior to the final Vesting Date, then all unvested Restricted Stock Units shall become vested immediately upon such termination of employment; provided, that, if, immediately following the consummation of the Change in Control, the shares of Stock of the Company (or, if applicable, its successor) are not publicly traded, then the Restricted Stock Units shall become fully vested immediately upon the consummation of such Change in Control.

(e) If the Participant's employment with the Company and its Affiliates is terminated prior to the final Vesting Date on account of the Participant's death or Disability (as such term is defined in the Letter Agreement), then all unvested Restricted Stock Units shall become vested immediately upon such termination of employment.

3. Voting and Dividend Equivalent Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until shares of Stock are delivered to the Participant following vesting of the Restricted Stock Units; provided, that, with respect to the period commencing on __________ and ending on the date the shares of Stock subject to the Restricted Stock Units are delivered to the Participant pursuant to this Restricted Stock Unit Agreement, the Participant shall be eligible to receive an amount of cash equal to the product of (i) the number of shares of Stock, if any, delivered to the Participant following the vesting of the Restricted Stock Units and (ii) the amount of cash distributed with respect to an outstanding share of Stock during such period, which amount of cash shall be paid to the Participant on or about the date such shares of Stock are delivered to the Participant. No interest or other earnings will be credited with respect to such payment.

4. Delivery of Stock.

(a) The shares of Stock in respect of Restricted Stock Units that have vested in accordance with Section 2 shall be delivered to the Participant by no later than March 15 of the year following the year in which the Restricted Stock Units become vested. No physical certificates evidencing the Stock delivered in settlement of vested Restricted Stock Units will be delivered to the Participant. Instead, the Stock delivered in settlement of vested Restricted Stock Units 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 the Restricted Stock Units, the Participant agrees not to sell Stock delivered in settlement of any vested Restricted Stock Units 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 deliver or transfer any Stock under this Restricted Stock Unit 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.

5. Restricted Stock Unit Award Agreement Subject to Plan. This Restricted Stock Unit 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 Unit 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 Unit 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 vesting or settlement of the Restricted Stock Units; 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 Unit Award Agreement, including the dividend equivalent payments provided for in Section 3, 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 Unit 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 Unit 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 Unit Award Agreement Binding on Successors. The terms of this Restricted Stock Unit 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 Unit Award Agreement, neither this Restricted Stock Unit 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 Unit Award Agreement and no Stock issued pursuant to this Restricted Stock Unit 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 and the Stock subject to such Restricted Stock Unit has been delivered to the Participant. Notwithstanding anything in this Restricted Stock Unit Agreement to the contrary, if the Participant dies after the Restricted Stock Units vest and before the Stock subject thereto has been delivered to the Participant, then the Stock will instead be delivered to the Participant's beneficiary.

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 Unit 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 Unit 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 Unit 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 Unit Award Agreement. Moreover, if one or more of the provisions contained in this Restricted Stock Unit 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 Unit 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 Unit 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 Unit 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 Unit 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., 55 West 46th Street, Suite 2204, New York, NY 10036, 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.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Unit Award Agreement as of the date set forth above.

NEW SENIOR INVESTMENT GROUP INC.

By________________

Print Name:______________

Title:________________

PARTICIPANT

Signature ______________

Print Name:____________

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Section 4: EX-10.3 (EXHIBIT 10.3)

NEW SENIOR INVESTMENT GROUP INC.
PERFORMANCE STOCK UNIT AWARD AGREEMENT
(Annual Award)

This Performance Stock Unit Award Agreement (this "Performance Stock Unit Award Agreement"), dated as of ___________ (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 ___________ (the "Letter Agreement").

1. Grant of Performance Stock Units. The Company hereby grants to the Participant ___________ performance stock units (the "Performance Stock Units") assuming achievement of the applicable criteria set forth on Exhibit A (the "Performance Criteria") hereto at the target level (the "Target PSUs"). The actual number of Performance Stock Units eligible to vest under this Performance Stock Unit Award Agreement may be greater or less than the number of Target PSUs based on the actual level of achievement of the Performance Criteria. Each Performance Stock Unit represents the right to receive one (1) share of Stock under the terms and conditions of this Performance Stock Unit Award Agreement.

2. Vesting.

(a) The Performance Stock Units shall vest on ___________ (the "Vesting Date"), subject to (i) the applicable level of achievement of the Performance Criteria in accordance with the terms and conditions of Exhibit A and (ii) the Participant's continuous employment with the Company through the Vesting Date.

(b) Except as set forth in Section 1(c), 1(d) or 1(e) below, if the Participant's employment with the Company and its Affiliates terminates for any reason prior to the Vesting Date, then (i) all rights of the Participant with respect to the Performance Stock Units that have not vested shall immediately terminate, (ii) any such unvested Performance Stock Units 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 Performance Stock Units.

(c) If the Participant's employment with the Company and its Affiliates is terminated prior to the 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 (each, a "Good Leaver Termination"), then a number of Performance Stock Units shall vest equal to the product of (i) the number of Performance Stock Units that are subject to vesting based on the actual level of achievement of the applicable Performance Criteria determined in accordance with the terms and conditions of Exhibit A, but calculated using the Adjusted End Price as if the last day of the Performance Period was the last trading date immediately prior to the date of termination, and (ii) a fraction, the numerator of which is the number of days between the Grant Date and the date of termination and the denominator of which is the number of days between the Grant Date and the Vesting Date; provided, that, if either such termination of employment occurs prior to a Change in Control, then such vesting shall be subject to (x) the Participant's compliance with the Protective Covenants as defined in the Letter Agreement and (y) 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 Letter Agreement.

(d) If the Participant's employment with the Company and its Affiliates is terminated prior to the Vesting Date on account of the Participant's death or Disability (as such term is defined in the Letter Agreement) (each, a "Qualifying Termination"), then the number of Target PSUs shall become vested immediately upon such termination of employment.

(e) If a Change in Control occurs prior to the Vesting Date and while the Performance Stock Units are outstanding, then a number of Performance Stock Units equal to the greater of (i) the Target PSUs or (ii) the number of Performance Stock Units that are subject to vesting based on the actual level of achievement of the applicable Performance Criteria determined in accordance with the terms and conditions of Exhibit A, but calculated using the Adjusted End Price as if the last day of the Performance Period was the last trading date immediately prior to the Change in Control, in each case without any pro-rating, will convert into time-based vesting restricted stock units (the "Time-Based RSUs") that are subject to all of the same terms and conditions as are set forth in this Performance Stock Unit Award Agreement, except that the Time-Based RSUs will vest based solely on the Participant's continued employment with the Company and its Affiliates (or the successor to the Company) through the Vesting Date; provided, that, if the Participant incurs a Good Leaver Termination or Qualifying Termination at any time upon or after the Change in Control and prior to the Vesting Date, then all such unvested Time-Based RSUs shall become vested immediately upon such termination of employment. Notwithstanding the foregoing, if, immediately following the consummation of the Change in Control, the shares of Stock of the Company (or, if applicable, its successor) are not publicly traded, then the number of Performance Stock Units determined pursuant to the first sentence of this Section 2(e) (whichever results in the greater amount) shall become vested and shall be settled immediately upon the consummation of such Change in Control. Any reference in this Performance Stock Unit Award Agreement to Performance Stock Units shall be deemed to be a reference to Time-Based RSUs following any conversion in connection with this Section 2(e).

3. Voting and Dividend Equivalent Rights. The Participant shall have no rights of a stockholder (including the right to distributions or dividends) until shares of Stock are delivered to the Participant following vesting of the Performance Stock Units; provided, that, with respect to the period commencing on __________ and ending on the date the shares of Stock subject to the Performance Stock Units are delivered to the Participant pursuant to this Performance Stock Unit Award Agreement, the Participant shall be eligible to receive an amount of cash equal to the product of (i) the number of shares of Stock, if any, delivered to the Participant following the vesting of the Performance Stock Units and (ii) the amount of cash distributed with respect to an outstanding share of Stock during such period, which amount of cash shall be paid to the Participant on or about the date such shares of Stock are delivered to the Participant. No interest or other earnings will be credited with respect to such payment.

4. Delivery of Stock.

(a) Any shares of Stock in respect of Performance Stock Units that have vested in accordance with this Performance Stock Unit Award Agreement shall be delivered to the Participant by no later than March 15 of the year following the year in which vesting occurs. No physical certificates evidencing the Stock delivered in settlement of vested Performance Stock Units will be delivered to the Participant. Instead, the Stock delivered in settlement of vested Performance Stock Units 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 the Performance Stock Units, the Participant agrees not to sell Stock delivered in settlement of any vested Performance Stock Units 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 deliver or transfer any Stock under this Performance Stock Unit 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.

5. Performance Stock Unit Award Agreement Subject to Plan. This Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit Award Agreement shall confer upon the Participant any right to any future Award(s) or to continue in the employment 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 at any time for any reason whatsoever.

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 Performance Stock Units; 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 Performance Stock Unit Award Agreement, including the dividend equivalent payments provided for in Section 3, 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 Performance Stock Unit 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 Performance Stock Unit 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. Performance Stock Unit Award Agreement Binding on Successors. The terms of this Performance Stock Unit 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 Performance Stock Unit Award Agreement, neither this Performance Stock Unit Award Agreement nor any rights granted herein shall be transferable or assignable by the Participant. No rights granted under the Plan or this Performance Stock Unit Award Agreement and no Performance Stock Unit granted pursuant to this Performance Stock Unit 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 Performance Stock Unit has become fully vested and the Stock subject to such Performance Stock Unit has been delivered to the Participant. Notwithstanding anything in this Performance Stock Unit Award Agreement to the contrary, if the Participant dies after the Performance Stock Units vest and before the Stock subject thereto has been delivered to the Participant, then the Stock will instead be delivered to the Participant's beneficiary.

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 Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit Award Agreement. Moreover, if one or more of the provisions contained in this Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit 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 Performance Stock Unit 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., 55 West 46th Street, Suite 2204, New York, NY 10036, 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.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Performance Stock Unit 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 Performance Stock Unit Award Agreement]

EXHIBIT A

PERFORMANCE CRITERIA

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Section 5: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Susan Givens, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 2, 2019	/s/ Susan Givens
	Susan Givens
	Chief Executive Officer

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Section 6: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, David Smith, certify that:

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

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

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

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

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

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

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

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

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

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

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

August 2, 2019

/s/ David Smith

David Smith

Executive Vice President, Chief Financial Officer

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Section 7: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of New Senior Investment Group Inc. (the "Company") for the quarterly period ended June 30, 2019 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.

August 2, 2019

/s/ Susan Givens

Susan Givens
Chief Executive Officer

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

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

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Section 8: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

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

In connection with the Quarterly Report on Form 10-Q of New Senior Investment Group Inc. (the “Company”) for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), David Smith, 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.

August 2, 2019

/s/ David Smith
David Smith
Executive Vice President, Chief Financial Officer

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

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

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